

17 August 2020

The Director
Investigations 3
Anti-Dumping Commission
GPO Box 1632
Melbourne Victoria 3001

Email: investigations3@adcommission.gov.au

Public File

Dear Sir/Madam

Investigation No. 543 – Continuation of measures on aluminium extrusions exported from The People’s Republic of China – Statement of Essential Facts

I. Summary

Capral Limited (“Capral”) welcomes the Commissioner’s preliminary finding published in Statement of Essential Facts No. 543 (“SEF 543”) confirming he is “*satisfied that the expiration of the anti-dumping measures on aluminium extrusions exported from China would be likely to lead to a continuation and recurrence of the dumping and subsidisation and the material injury that the measures are intended to prevent.*”

The Commissioner therefore proposes to recommend that the notices will have effect in relation to exporters generally from China, as if different variable factors had been ascertained. This would result in the Minister taking steps to ensure the measures are not allowed to expire on 28 October 2020 in respect of aluminium extrusions exported from China.

Capral supports the Commissioner’s proposed recommendation to continue the dumping and subsidy measures. Capral concurs that should the measures be allowed to expire it is likely that the Australian industry manufacturing aluminium extrusions would experience a recurrence of dumping and subsidisation and material injury that the measures are intended to prevent.

II. Sampling of exporters

The Anti-Dumping Commission (“the Commission”) identified the following six exporters for examination of exports to Australia during the investigation period:

- Goomax Metal Co Ltd Fujian (“Goomax”);
- Foshan Shunde Beijiao Jiawei Aluminium Factory (“Jiawei”);
- Guangdong Jinxiecheng Al Manufacturing Co Ltd (“Jinxiecheng”);
- Tai Shan City Kam Kiu Aluminium Extrusion Co Ltd (“Kam Kiu China”);
- PanAsia China; and
- Foshan City Sanshui Yongya Aluminium Co Ltd (“Yongya”).

Jiawei did not complete an exporter questionnaire response (EQR) within the required timeframe and was therefore considered uncooperative.

The Commission identified the following Chinese exporters as “residual” exporters:

- Fujian Minfa Aluminium Inc (“Minfa”);
- Press Metal International Ltd (“PMI”);
- Foshan City Nanhai Yongfeng Aluminium Co., Ltd
- Foshan JMA Aluminium Co., Ltd;
- Foshan Lvqiang Metal Product Co., Ltd;
- Foshan Yatai PVC and Alu Co., Ltd;
- Fujian Fenan Aluminium Co., Ltd;
- Guangdong Huachang Aluminium Factory Co., Ltd;
- Guang Ya Aluminium Industries Co., Ltd;
- Guangdong Golden Aluminium Co., Ltd;
- Guangdong JMA Aluminium Profile Factory (Group) Co., Ltd;
- Guangdong Xingqiu Aluminium Co., Ltd;
- Guangdong Weiye Aluminium Factory Group., Ltd; and
- Guangdong Xingfa Aluminium Co., Ltd.

Exporters other than *selected* exporters or *residual* exporters were considered “uncooperative” by the Commission for this investigation.

III. Government of China

The Commission provided the Government of China (“GOC”) with a government questionnaire upon initiation of Investigation 543. The due date for response was 23 March 2020. The GOC did not provide a government questionnaire response.

IV. Subject goods

The Commission received submissions from Kam Kiu and PMI concerning the goods the subject of the measures. Kam Kiu contends that automotive parts that are the subject of further processing are not included within the goods description. Capral concurs with the Commission’s assessment that the goods are aluminium extrusions and fall within the goods description.

PMI asserted that profiles that meet specific customer requirements that it refers to as “specialty” products are not covered by the goods description which only covers generic profiles. This is not the case as the goods description extends to all aluminium extrusions, irrespective of end-use.

V. Economic condition of Australian industry

The Commission established that in the 2019 investigation period, the Australian industry continues to experience injury in the following forms:

- reduced sales volume;
- reduced market share;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced production volume;
- reduced revenue;
- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced wages.

In particular, the Commission identified that in 2019 the price of the goods decreased whilst the CTMS continued to increase (confirming price suppression).

The Australian industry is therefore vulnerable to further material injury should the measures applicable to Chinese exports to Australia be allowed to expire.

VI. Review of Variable Factors (Dumping)

(a) *Current measures*

The Commissioner's examination of each of the variable factors applicable to Chinese exporters of aluminium extrusions to Australia had changed in the 2019 investigation period. Following investigation No. 482 involving the review of variable factors, the anti-dumping measures that currently apply to exporters of aluminium extrusion from China are as follows:

Exporter	Duty Applicable	Effective rate of duty
Guangdong Jiangsheng Aluminium Co Ltd	Exempt	
Guangdong Zhongya Aluminium Company Ltd	Exempt	
PanAsia Aluminium (China) Limited	IDD & ICD	50.7%
Tai Shan City Kam Kiu Aluminium Extrusion Co Ltd	IDD & ICD	16.5%
Foshan Shunde Beijiao Jiawei Aluminium Factory	IDD	20.1%
Goomax Metal Co Ltd Fujian	IDD & ICD	43.5%
Guangdong Jinxiecheng AI Manufacturing Co Ltd	IDD	15.8%
Foshan Minghua Doors and Windows Aluminium Co Ltd	IDD	21.0%
Foshan Lvqiang Metal product Co Ltd	IDD (floor price) & ICD	12.4%
Residual exporters	IDD & ICD	29.8%
All other exporters	IDD & ICD	101.9%

The investigation period in Investigation 482 was the period 1 July 2017 to 30 June 2018. The investigation period in the current investigation (i.e. Investigation 543) is 1 January to 31 December 2019. The LME aluminium price and Major Japanese Price (MJP) premium that are the basis for pricing of aluminium extrusions has decreased slightly from Investigation 482 (at approx. A\$2,896 per tonne) to Investigation 543 (at approx.. A\$2,719 per tonne). Capral, therefore anticipates that current normal values and export prices would reflect this small change applicable to measures that were determined in Investigation 482.

It would appear from the Commission's assessment that the exporters Goomax, Jinxiecheng and Yongya increased their respective export prices to reflect increased LME and MJP costs for the 2019 investigation period (hence, the negative margins of dumping determined). All remaining exporters the subject of measures seem to have not raised export prices to non-dumped levels during 2019. These changes are reflected in the following dumping margins determined by the Commission in Investigation 543:

Exporter	Dumping Margin (%)
Goomax	-6.0
Jinxiecheng	-4.4
Kam Kiu	23.0
PanAsia	71.2
Yongya	-13.8
Residual exporters	11.4
Uncooperative and all other exporters	73.1

(b) *Market situation*

Capral continues to support the Commission's assessment that a particular market situation for aluminium extrusions prevails in China. The Commission is satisfied that *"there continued to be significant GOC induced distortions within the Chinese primary aluminium market during the inquiry period, which rendered pricing outcomes in the market uncompetitive. More specifically, the GOC induced distortion of that market is considered by the Commission to be structural, and will therefore take a significant time to dissipate."*

The GOC intervention has resulted in primary aluminium prices in China being lower than they otherwise would be. As the primary aluminium is a major cost component in the production cost of aluminium extrusions, the Commission formed a view that the *“understated aluminium cost would likely have an impact on the end cost and prices of aluminium extrusions.”*

Capral agrees with the Commission’s finding concerning the cost advantage on primary aluminium available to Chinese producers/exporters:

“...the Australian industry does not have access to the same aluminium raw materials available to Chinese manufacturers at the discounted cost evident in the Chinese market.”

In respect of its analysis of import penetration the Commission found that the Australian market is composed of a number of Australian producers and a significant number of exporters, with more than 60 per cent of imports supplied by Chinese exporters. Meanwhile, the Chinese market is considered to have limited import penetration due to the competitive advantage afforded to Chinese producers viz-a-viz primary aluminium compared with manufacturers external to China.

Importantly, the Commission’s analysis indicated that *“the **relationship between price and cost and the prevailing conditions of competition in China is different in comparison to the relationship between price and cost and the prevailing conditions of competition in Australia**”* (emphasis added). This cost advantage available to Chinese exporters “either manifests as an increased margin at the prevailing level of competitive pricing in the Australian market, a low export price that undercuts the prevailing level of competitive pricing, or a combination whereby the Chinese manufacturer can enjoy a higher margin while still undercutting other market participants. The Commission therefore concluded:

“...the effect of the market situation on export price is to modify the conditions of competition in Australia to the benefit of Chinese exporters and, to the extent that the benefit manifests as a low price that undercuts the prevailing level of competitive pricing in Australia, to the detriment of all other market participants in that market.

Thus, the relative effect of the market situation on domestic and export prices is different in the relevant markets” (being China and Australia).

Capral considers that the Commission’s conclusions are well supported and reflect actual practice whereby the selling prices of imported goods supplied by Chinese exporters undercut all other suppliers on the Australian market.

The Commission’s findings support conclusions in earlier investigations (i.e. Investigations 148, 248, 392 and 482) that sales in the domestic Chinese market for each of the selected cooperating exporters are not suitable for determining normal values under subsection 269TAC(1) of the Customs Act as they do not permit a fair comparison with the export price of the goods exported to Australia. Normal values for Chinese exporters of aluminium extrusions are therefore determined under subsection 269TAC(2)(c).

(c) Yongya normal value

Capral notes that Yongya’s normal value has been determined at the ex-works level reflecting cash terms. Capral submits that an upward adjustment to Yongya’s normal value is required to allow for trolleys and packaging associated with exports that are not included in domestic sales (whether ex-factory or otherwise).

It is well established in previous inquiries that domestic sales of aluminium extrusions do not attract the same type of packaging as export sales. Yongya’s normal value therefore requires the adjustment for export packing, including trolleys.

VII. Review of Variable Factors (Countervailing)

The Commission’s analysis confirms that Chinese exporters of aluminium extrusions continue to receive benefits from the GOC under a broad range of subsidy programs. The Commission examined 77 subsidy

programs (including 65 programs identified in Report 482, along with 12 new programs) that are available to exporters of the subject goods.

Capral observes that the Commission continues to identify new and unreported subsidy programs provided by the GOC. In addition to the previously identified 65 subsidy programs, it is apparent that the GOC continues to provide subsidies to Chinese producers of aluminium extrusions that afford the exporters an advantage on export markets to undercut other suppliers.

VIII. Likelihood that dumping, subsidization and material injury will continue or recur

Capral agrees with the Commission's finding that should the anti-dumping and countervailing measures be allowed to expire it is likely that the Australian industry will experience a recurrence of dumping, subsidisation and material injury that the measures are intended to prevent.

The Commission has established that a significant proportion of Chinese exports of aluminium extrusions to Australia throughout the investigation period were at dumped prices. The Commission was also satisfied that Chinese producers are export focused and have maintained distribution links into the Australian market. It was also determined that there is excess capacity to produce goods enabling for the increase in exports in the absence of measures. Capral also considers that it is a relevant consideration that other administrations including the US, Canada and Vietnam have imposed anti-dumping measures on Chinese exports, and that the EU is currently investigating the dumping of Chinese aluminium extrusion exports into Europe.

In respect of the likely recurrence of material injury (or threat of material injury) it is noted that the Commission considers Goomax, Jinxiacheng and Yongya would likely recommence the export of goods at dumped prices if the anti-dumping measures expired. In this event, it is therefore likely that the Australian industry would suffer a recurrence of material injury through either loss of sales volumes and market share, or price depression, with both impacting profit and profitability.

An important consideration is the Commission's finding that "dumped and subsidised aluminium extrusions exported to Australia from China during the injury period accounted for over 20 per cent of the Australian market. This volume of goods is significant, substantial and material and has a pervasive impact on pricing across the whole of the Australian market.

The Commission also made the following key findings concerning the recommencement of exports at dumped prices by Goomax, Jinxiacheng and Yongya, and their impact on the Australian industry:

- the selling prices of the Australian industry by finish type were undercut by the prices of the imported goods;
- the prices for other Chinese exporters (selected or otherwise) were found to be lower than the export prices of the three cooperative exporters not found to be exporting at dumped prices;
- Chinese export prices by the entities prior to the investigation period were at dumped levels; and
- the three exporters have moved from no or negligible exports in 2015 to being among the six largest exporters during the inquiry period.

It is therefore reasonable to conclude that should the measures expire, the exports from Goomax, Jinxiacheng and Yongya would likely be significant enough to cause further injury to the Australian industry that would be considered material in nature.

Capral concurs and supports the Commission's findings that there is sufficient available evidence to support a finding in relation to the dumped and subsidised exports from China that if the measures expired:

- the Chinese exporters of dumped goods would be likely to continue exporting goods to Australia at dumped prices;
- the Australian industry would suffer further injury that is material; and

- the material injury experienced could be directly attributed to the dumped and subsidised exports.

With regard to the undumped exports by Goomax, Jinxiecheng and Yongya, the Commission was further satisfied that should the measures expire:

- these exporters would recommence exports at dumped prices;
- the Australian industry would suffer an increase in injury; and
- as these exporters hold a significant volume of imports at prices that undercut the Australian industry's prices, the injury suffered would be material.

Capral reiterates its assessment of the impact of Chinese exports of aluminium extrusions to Australia which includes the following:

- Chinese exporters have maintained distribution links into the Australian market;
- Review of measures Investigation No. 482 confirmed substantial (and increasing) margins of dumping between 15 and 95 per cent, demonstrating that since the measures were last continued significant margins of dumping did occur;
- a significant proportion (i.e. greater than 20 per cent of the Australian market) is held by Chinese exporters at dumped prices during 2019;
- imports of aluminium extrusions from China have increased by 45 per cent since 2015/16;
- imports from China account for more than 50 per cent of total imports (an increase from 35 per cent in 2015/16);
- Capral has experienced a 5 per cent decline in sales of its highest value-add aluminium extrusions since 2015/16 and has been forced to sell higher volumes of lower return mill finish aluminium extrusions;
- Chinese exporters of aluminium extrusions have experienced anti-dumping and tariff related measures on their exports into markets in Canada, the USA, and Vietnam, necessitating to seek-out alternate export opportunities (which would include Australia should the measures expire);
- The European Commission is currently investigating the dumping of aluminium extrusions from China to the EU;
- the Australian industry has suffered material injury from the significant dumping in 2019 from Chinese exports to Australia and this is likely to continue should the measures be allowed to expire; and
- the Australian industry remains susceptible to the effects of injurious dumping which has already involved the closure of certain manufacturing assets by Capral.

Capral considers that the foregoing further supports the Commission's finding that it is "*satisfied that the expiration of the measures would be likely to lead to a continuation and recurrence of the dumping and subsidisation, and the material injury that the anti-dumping measures are intended to prevent.*"

IX. Non-injurious price and forms of duty

Capral welcomes the proposed recommendation to the Minister that the full dumping and subsidy margins be applied to IDD and ICD taken in relation to aluminium extrusions exported to Australia from China. This is consistent with recent decisions by the Minister involving exports of aluminium extrusions from China to Australia.

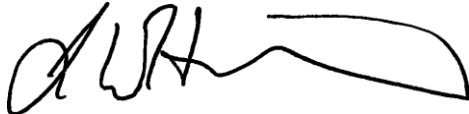
In respect of the forms of duty to be applied to exports of aluminium extrusions to Australia, Capral considers that the most appropriate form of duty that discourages the circumvention of the measures is the combination method. The Commission is proposing to recommend the combination method be applied to all exporters other than Goomax, Jinxiecheng and Yongya. Whilst the floor price method of IDD is proposed for these exporters, Capral consider that for consistency all exporters should have IDD based upon the combination method.

X. Recommendation

Capral requests the Commissioner to recommend to the Minister that she take steps to ensure that the anti-dumping and countervailing measures applicable to exports of aluminium extrusions from China do not expire on 28 October 2020 and that the measures are extended for a further five-year period.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 8222 0113 or Capral's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

A handwritten signature in black ink, appearing to read 'LHAWKINS', with a long horizontal flourish extending to the right.

Luke Hawkins
General Manager – Supply and Industrial Solutions