PUBLIC RECORD

Australian Government
Department of Industry, Science, Energy and Resources

Anti-Dumping Commission

Australian Industry Verification Report

Verification & Case Details

Initiation Date	15/09/2021	**ADN:**	2021/119
Case Number	591		
The goods under consideration	Aluminium Extrusions		
Case type	Continuation Inquiry		
Australian Industry	Capral Limited		
Verification from	October 2021	**to**	November 2021
Inquiry Period	1/07/2020	**to**	30/06/2021

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED HEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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PREFACE

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by Capral Limited for Continuation Inquiry 591. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 591.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (the Act).[1]

[1] References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Capral Limited (Capral) lodged the application that led to the imposition of the measures. It is an Australian company listed on the Australian Stock Exchange (ASX: CAA).

Capral's manufacturing operations primarily comprise 6 extrusion plants which are located in New South Wales, Queensland, Victoria, South Australia and Western Australia. Verification teams from the commission have previously visited Capral's Penrith facility in the western suburbs of Sydney where they observed the aluminium extrusion production process. Capral uses its Penrith operation to produce and pack mill finished extrusions. The manufacturing processes observed were limited to that finish type.

Notwithstanding that the scope of Capral's Penrith site is limited to the production of mill finished like goods, the commission has previously visited Capral's Bremer Park manufacturing operations at Ipswich in Queensland for prior investigations. Capral's Bremer Park site includes several significant production processes that, in addition to the extrusion process itself, also includes powder coating and various other processing activities. The information available to the commission through prior investigations and inquiries has been used to augment the information relied on in this verification report.

Capral also operates 8 major distribution centres and 10 'Capral Aluminium Centres' across all states and the Northern Territory. The distribution business supplies aluminium extrusion products and related components to residential and commercial construction markets, as well as to industrial fabrication and manufacturing sectors. Capral also distributes a range of rolled aluminium products, stainless steel security mesh and hardware products that are complimentary to its aluminium extrusion products.

1.2 Related parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

The verification team found that Capral did not have any related party customers of the goods, or any suppliers during the inquiry period.

Capral advised that it has used third party organisations to perform certain surface finishing processes and apply them to its mill finished like goods production output. The verification team found no evidence that Capral is related to any of these third party finishers.

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Manufacturing in Australia

In its application Capral cites 8 other Australian industry members it considers are producers of like goods. Based on production information detailed in letters of support provided by these industry members, the commission understands that Capral is the largest domestic manufacturer of aluminium extrusions and makes up a major proportion of the total Australian market for aluminium extrusions.

In addition to the production of aluminium extrusions in the form of extrusion press capability, the Australian like goods producers possess anodising and powder coating capabilities. A sub-group of entities support the extrusion producers by providing anodising and powder coating services and supply the market with the relevant raw materials for those purposes.

Unlike extrusion manufacturers in other countries, Capral and the majority of other Australian industry manufacturers do not possess re-melt facilities in order to produce its own billet. G James Australia Pty Ltd, does have its own re-melt facility that on occasion it uses to re-melt its own scrap. The broader aluminium industry supports the Australian industry producing like goods through its production of aluminium billet which is sourced from a mixture of suppliers in Australia and overseas.

The commission established its understanding of Capral's production process of aluminium extrusions, its production facilities and financial systems in prior cases involving Capral.[2] As a result, the verification team was satisfied that at least one substantial process in the manufacture of the goods is carried out in Australia.

2.1.1 Production process

The production of aluminium extrusions starts with the aluminium billets, otherwise referred to as 'logs', being taken from a storage yard facility and pre-heated in a furnace to the necessary temperature required for the extrusion process. Once pre-heated the logs are cut into shorter lengths with a hydraulic shear and transferred into the extrusion press.

After the extrusions exit the extrusion press they undergo a stretching operation before entering a gas fired furnace to age the material and achieve the desired temper. At the conclusion of this stage the product is a mill finished like good. Depending on production orders the extrusions are prepared for packing and dispatched or sent to the anodising or painting facilities to undergo further surface treatment.

The most obvious by-product of the extrusion production process is scrap aluminium. The pressing stage generates scrap aluminium where limitations prevent 100% utilisation of the log. The residual material volume that it generates is not useable and must be scrapped. The rate of scrap produced at this stage varies across the industry. Based on Capral's explanation during the verification process and past

[2] Includes Investigation No. 362, Investigation Nos. 540 and 541, and Continuation Inquiry No. 543.

visits, this appears to be inherent in the production of extrusions and therefore unavoidable.

Various other points of the extrusion production process generates scrap. This is a result of defects or due to quality issues which cause a small proportion of goods to be returned by customers.

2.2 Verification of model control codes

The model control code (MCC) structure for this inquiry outlined in Table 1 follows the structure applied in the recent review of measures (*Anti-Dumping Commission Report No. 544* (REP 544) refers), and is also based on other previous investigations and inquiries in relation to aluminium extrusions. Following REP 544, the additional 'finish' category for 'wood grain' was added.[3]

Category	Sub-category		Sales data	Cost data
Finish	**A**	Anodise	Mandatory	Mandatory
	BD	Bright dip		
	M	Mill		
	PC	Powder coating		
	MC	Mechanical		
	W	Wood grain		
Alloy code	**6A**	6060, 6063	Mandatory	Optional
	6B	6106		
	6C	6101, 1350, 6082, 6351, 6061		
	6D	6005A		
	O	Other*		
Temper code	**T1**	T1, T4, T5, T6	Optional	Optional
	T50	T591, T595, T52		
	O	Other*		
Anodising microns	**0**	Not anodised	Optional	Optional
	1	<20µm		
	2	>20µm		

* Specify alloy code and temper code

Table 1: MCC sub-category determination

Capral provided all product specification data for sales of like goods during the inquiry period. Relying on Capral's like goods sales data, the verification team can apply the MCC structure shown in Table 1.

In relation to Capral's cost of production data, it reported costs by finish type only. As this is the only mandatory category for costs, the verification team considers Capral's approach was acceptable and is consistent with previous cases.

In order to verify the accuracy of the MCC sub-categories applied to Capral's like goods sales, the verification team compared the data reported in relation to product description to a selection of sample invoices nominated for examination. The

[3] Anti-Dumping Notice No. 2021/119.

verification team found that Capral mapped the MCC structure correctly to each sales transaction.

Capral sold like goods, outlined in Table 2, with the following MCCs during the investigation period:

Mill Finish	Painted	Anodised
M-6A-O-0	PC-6A-T1-0	A-6A-T1-1
M-6A-T1-0	PC-6A-T50-0	A-6A-T1-2
M-6A-T50-0	PC-6B-T1-0	A-6A-T50-1
M-6B-O-0	PC-6C-T1-0	A-6B-T1-1
M-6B-T1-0	PC-6D-T1-0	A-6C-T1-1
M-6B-T50-0		A-6C-T1-2
M-6C-O-0		A-6D-T1-1
M-6C-T1-0		
M-6D-O-0		
M-6D-T1-0		
M-O-O-0		
M-O-T1-0		

Table 2: Capral MCCs

2.3 Like goods

The goods subject to the anti-dumping measures and this inquiry are:

> Aluminium extrusions produced via an extrusion process, of alloys having metallic elements falling within the alloy designations published by The Aluminium Association commencing with 1, 2, 3, 5, 6 or 7 (or proprietary or other certifying body equivalents), with the finish being as extruded (mill), mechanical, anodized or painted or otherwise coated, whether or not worked, having a wall thickness or diameter greater than 0.5 mm., with a maximum weight per metre of 27 kilograms and a profile or cross-section which fits within a circle having a diameter of 421 mm.

The goods include aluminium extrusion products that have been further processed or fabricated to a limited extent, after aluminium has been extruded through a die. For example, aluminium extrusion products that have been painted, anodised, or otherwise coated, or worked (e.g. precision cut, machined, punched or drilled) fall within the scope of the goods.

The goods subject to the anti-dumping measures do not include intermediate or finished products that are processed or fabricated to such an extent that they no longer possess the nature and physical characteristics of an aluminium extrusion, but have become a different product.

Like goods are defined under section 269T(1) as:

> goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

In assessing like goods, physical likeness, commercial likeness, functional likeness and production likeness are characteristics tested. It is noted that the ‘like goods’

assessment has previously been established in past investigations regarding aluminium extrusions and this case is consistent with those findings.

The verification team considers that the goods manufactured by Capral have characteristics closely resembling the goods under consideration exported to Australia, on the basis that:

- The aluminium extrusions produced by Capral are considered to be physically like to the goods as they have dimensions and are of aluminium alloys as specified in the goods descriptions and are produced with the same or similar surface finishes, i.e. mill, painted and anodised.
- The aluminium extrusions produced by Capral are manufactured using processes that are identical or closely resembling to the processes used to produce the goods.
- The aluminium extrusions sold by Capral on the Australian market are commercially like to the goods as they:
    - are sold into the same market sectors (e.g. building and construction, general fabrication, transport, manufacturing, renewable energy (solar))
    - compete at the same levels of trade and to the same customers (e.g. direct to end-users or via distribution sales channel) and
    - are sold on similar commercial terms with respect to price setting and other market references (e.g. London Metal Exchange (LME) prices for primary aluminium).
- The aluminium extrusions sold by Capral on the Australian market are functionally like to the goods as they have similar or identical end uses, e.g. used by manufacturers of aluminium window and door systems and solar panel installations.

2.4 Preliminary like goods assessment

The verification team is satisfied that:

- aluminium extrusions manufactured by Capral are like to the goods[4]
- at least one substantial process of manufacture of aluminium extrusions is carried out in Australia[5]
- the like goods were, therefore, wholly or partly manufactured in Australia by Capral[6] and
- there is an Australian industry which produce like goods in Australia.[7]

[4] Section 269T(1).

[5] Section 269T(3).

[6] Section 269T(2).

[7] Section 269T(4).

3 AUSTRALIAN MARKET

3.1 Background

The focus of this inquiry is on whether the measures established in the original investigation, *Anti-Dumping Commission Report No. 362* (REP 362), should be continued. The anti-dumping measures arising from REP 362 are applicable to all exporters from Malaysia, with the following exceptions:

- The dumping duty notice does not apply to Milleon Extruder Sdn Bhd, Superb Aluminium Industries Sdn Bhd, Kamco Aluminium Sdn Bhd, LB Aluminium Berhad, Press Metal Sdn Bhd and Genesis Aluminium Industries Sdn Bhd.
- The countervailing notice does not apply to the above listed exporters, Alumac Industries Sdn Bhd and EverPress Aluminium Industries Sdn Bhd.[8]

The anti-dumping measures in the form of a dumping duty notice are applicable to all exporters from Vietnam.

Capral and the 8 other domestic aluminium extrusion producers, referred to by Capral in its application and which collectively represent the Australian industry, supply the Australian market. Aluminium extrusion producers from other countries also service the market, supplying Australian customers directly or via Australian based intermediaries and distributors.

The Australian market sources imported aluminium extrusions from numerous countries, however, in recent years the highest volumes originate from China, Malaysia and Vietnam.

Anti-dumping measures on aluminium extrusions are currently applicable to all imports from Vietnam and, with the exception of two exporters, all imports from China. In relation to Malaysia, anti-dumping measures in the form of a dumping duty notice are applicable to all imports with the exception of two exporters (an additional exporter is exempt from measures on mill finish goods).[9] A countervailable duty notice still applies to certain exporters from Malaysia, however the rate of countervailable duty is currently set at zero.

In discussions with Capral, the verification team established that in most circumstances customers are able to readily change supplier. Depending on the specific extrusion that is being purchased by customers, the ease with which this can occur will differ in terms of cost, lead time, tooling considerations and management of production quality.

3.2 Market structure

The market structure for like goods consists of:

- very large original equipment manufacturers (OEMs), such as large aluminium window manufacturers

[8] Following review nos. 490, 509 and 544. Further information is available on the commission's website.

[9] Three separate anti-dumping notices apply to exports of certain aluminium extrusions from Malaysia. These were established in Investigation 362, 540 (mill finish), and 541 (surfaced finish).

- distributors of aluminium extrusions
- further finishers (e.g. anodisers, powder coat/painters) and
- fabricators.[10]

The groups listed above include a wide range of small to medium retail and trade end-users (including smaller fabricators, manufacturers and other users) who order aluminium extrusions from distributors, metal service centres or retailers, with the choice of intermediary mainly reflecting size and complexity of orders, as well as the type of trading relationships developed over time.

Capral advised that it considers the main market segments are:

- residential - including products such as windows and doors, security, internal fit out of showers and robes, external fit out, and fencing
- commercial - including commercial window and doors, internal and external fit out, and curtain walls and
- industrial - including automotive, sunshades, truck and trailer, bus, rail, electrical, solar, signage, marine, portable buildings, general fabrication, manufacturing and large industrial infrastructure.

3.2.1 Marketing and distribution

As mentioned in the prior section, like goods are produced for various markets within Australia. In Capral's case it produces and sells a generic range of extrusion profiles which are commonly referred to as geometrics which are not specific to any particular application or customer. Capral will usually stock its regional distribution centres with an adequate supply of these types of extrusions and where requested will supply to order.

In addition to geometric profiles, Capral also produces extrusions to the customer's specific design requirements. These types of extrusions are commonly sold directly to the customer via Capral's mill sales channel however such goods are also dispatched through Capral's distribution centre network where appropriate.

Alongside aluminium extrusions, Capral also markets a range of window and door systems that utilise its aluminium extrusion profiles and sells other complementary products such as rolled aluminium.

An examination of the websites of other Australian industry members also revealed product offerings similar to Capral where extrusion designs appear to be marketed for specific end uses and sold alongside complementary products such as windows and doors, shower screens, fencing and wardrobes. Some Australian industry members appear to also focus on specific parts of the supply chain, or supply their own downstream business units instead of servicing the market for extrusions directly.

Within the Australian industry the verification team understands that there are differing levels of geographic presence around Australia. Larger companies have

[10] Fabricators buy directly from the producers, normally in circumstances where the size and simplicity of order is such as not to adversely affect relationships between the producer and major distributors.

Australia wide production and distribution assets, while smaller companies service particular geographic areas.

3.2.2 Supply

As stated earlier in the report, the Australian industry producing like goods sells directly to end users who transform the goods into products such as windows and doors, other residential solutions or for use in applications such as boat building. The Australian industry also caters for a large base of customers through its distribution centre networks. The ordering and lead time arrangements differ between customers and depending on the sales channel through which like goods are sold.

In relation to Capral, the verification team ascertained that Capral's business in the sale of like goods was not generally by way of contractual arrangements. However, Capral will and does quote for work on major projects.

3.2.3 Demand

Capral identifies three industry sectors into which it sells like goods:

- residential building - including the home renovation sub-sector
- commercial building and
- industrial - transport, marine and other industrial.

Data provided by Capral in relation to sales volumes of like goods over the last six years illustrated a mild seasonal trend whereby sales in the second half of each calendar year were usually higher. The verification team considers this marginal change is likely attributed to the slowdown in economic activity experienced during the Australian Christmas and New Year holiday period and was not provided with any information that indicated other causative factors.

Capral has previously indicated that a key demand driver for sales of like goods is the residential building sector. Capral has provided updated data for annual dwelling commencements in the period 2012 through 2020 (with a forecast for 2021). After peaking in 2016 the data indicated that the trend in annual dwelling commencements between 2016 and 2019 declined year on year, with 2019 being the lowest. The 2019 decline in dwelling commencements was most significant in the multi-residential high rise segment and to a lesser extent the detached housing segment. There was a slight increase in 2020, with a forecasted increase back towards 2016 levels in 2021. Capral's sales volume mainly aligned with trends in the detached and low-rise dwelling segment.

In other industry sectors which utilise like goods, Capral provided data which indicated a decrease in 2019 and 2020 in the transport sector in relation to the volume of truck and van builds. This came after an upward trend in the period 2016 to 2019. According to Capral's data, the volume of truck and van builds peaked in 2018 however in 2020 it regressed back to near 2016 levels. The sector is forecast to bounce back in 2021, with the first half of the year 9.2% above 2020 levels.[11]

[11] Capral Aluminium – 2021 Half Year Results Presentation and Earnings Guidance

Capral has also made reference to the current and future sources of like goods demand which included the defence, marine and renewable energy sectors, particularly in relation to solar panel mounting systems.

Capral's annual report states that after a solid start to 2020, demand for Capral's products plummeted during the period of COVID lockdown restrictions. However, market conditions rebounded strongly in the second half resulting in higher-than expected demand.

3.3 Pricing

Capral has stated that manufacturers mainly sell aluminium extrusions to the next level of trade (distributors and OEMs) based on a pricing formula which reflects the following elements:

1. the LME primary aluminium base price, plus
2. premiums (billet premiums, Major Japanese Port (MJP) premium, alloy premiums) plus
3. a conversion or processing fee (to cover conversion costs, profit and freight to customer store or wharf for export), plus
4. finish extras if applicable (e.g. painting/powder coating or anodising).

The industry refers to the 'spread' as the difference between the combined sum of the LME price and premiums, and the selling price.

In addition, product profiles made to customer specifications require special dies. This will either involve a charge to the customer to cover the upfront cost of producing the die, or alternatively the manufacturer covering this cost, with the cost then amortised over the expected life of the die or the contract and built into the price of the extrusions.

Capral has previously explained that it seeks to remain competitive with other Australian and overseas suppliers by setting prices at levels which are desirable in the market place and consistent with movements in the price for primary aluminium.

However, Capral also concedes that estimating the prices of aluminium extrusions sold by its competitors has become increasingly difficult. This is due to the increasing difficulty in obtaining clear evidence of competitive offers from countries subject to the measures. As a result, its awareness of price in the market is generally via interactions with existing customers or other market intelligence that is available publicly.

Capral has mentioned that it has received increasing numbers of unsolicited offers, often sent via email or social media platforms, from traders or overseas aluminium extrusions mills.

3.4 Market size

In its application Capral relied on the following to estimate the size of the Australian market for aluminium extrusions:

- its own sales data in relation to like goods;
- estimates of the sales volume achieved by other Australian industry producers; and

- import data for aluminium extrusions sourced from the Australian Bureau of Statistics (ABS).

Having regard to Capral's estimation, the verification team considers the Australian market to have increased over the analysis period.

Capral has provided market data from 1 January 2016 to 30 June 2021. The verification team's assessment also incorporates information from the Australian Border Force (ABF) import database in relation to declarations of the goods classified under the tariff subheadings and statistical codes relevant to the goods. The verification team used ABF data (in place of ABS data) as it contains a greater level of information to enable a more reliable analysis of imports to be undertaken. The ABF data is available to the commission but is not available to Capral.

Table 3 shows the variation in the index of the Australian market size for the calendar years 2016 to 2020. The data indicates that the Australian market only increased slightly between the base years in 2016 to 2019. However there was a marked increase in 2020.

Period	2016	2017	2018	2019	2020
Australian Market Size (kg)	100	102	104	104	121

Table 3: Index of Australian market size variation

3.5 Market Share

Figure 1 indicates that despite the market having increased overall size from 2016 to 2020, analysis of the Australian market by country of origin shows that the share of the Australian market comprising aluminium extrusions from overseas suppliers increased in the years to 2019 before declining in 2020. The Australian industry continues to hold the largest share of the market.

The market share of imports from Malaysia has fluctuated since 2016, with higher share reported in 2018 and 2019, before a reduction in market share in 2020. Imports from Vietnam have seen an increase in market share during 2019 and 2020.

China has maintained the largest market share source for all aluminium imports from 2016. However, it has also experienced a drop in 2020. Imports from all other countries saw an increase in 2020.

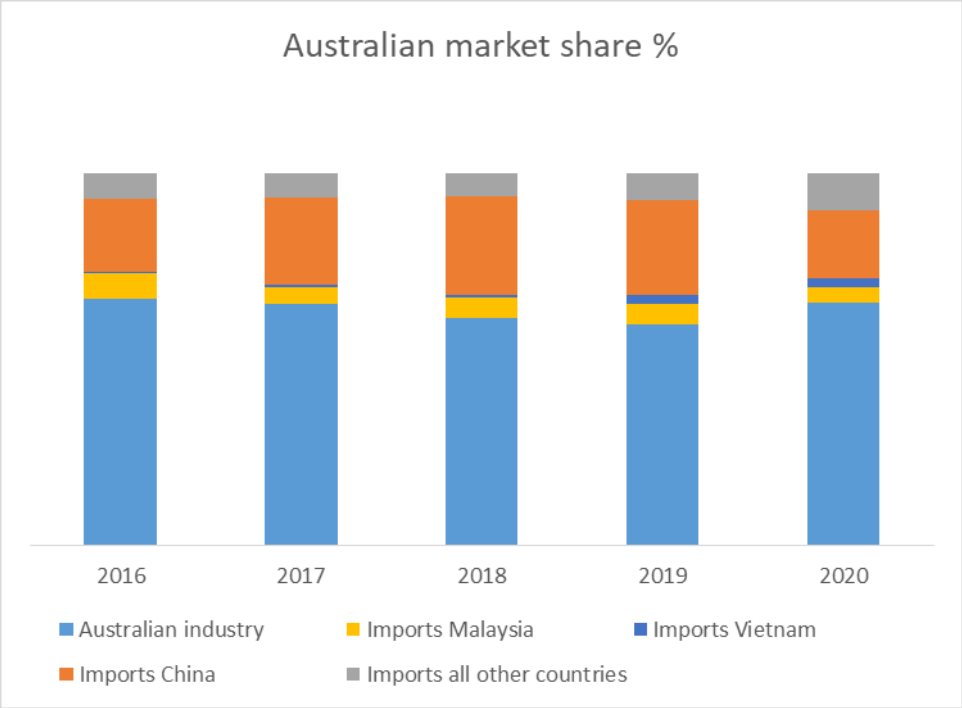

Figure 1: Australian market share by origin

4 VERIFICATION PROCESS

Capral's application provided data to cover the period 1 January 2014 to 30 June 2021. Data provided for the majority of this period has been subject to verification undertaken for the purposes of previous investigations, reviews and inquiries.

Therefore, in assessing the completeness, relevance and accuracy of both sales and cost to make and sell (CTMS) data provided by Capral, the verification team applied a modified approach:

- The verification team had regard to the findings of previous verification outcomes where the periods were relevant:
  - case 186 (1 April 2011 to 31 March 2012)
  - case 248 (1 April 2013 to 31 March 2014)
  - case 362 (1 July 2015 to 30 June 2016)
  - case 442 (1 October 2016 to 30 September 2017)
  - cases 540, 541 and 543 (1 January 2019 to December 2019).
- Assurance over the completeness and relevance of sales data was obtained through a reconciliation to Capral's audited accounts for the financial year ending 31 December 2020 and half-year ending 30 June 2021.
- The accuracy of sales data was verified by reconciling 13 randomly selected sales 'downwards' to source documents.
- Performing a variation and benchmark analysis of CTMS data to previously verified data in order to identify any preparation issues.

The verification team did not identify any issues during the verification process.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 ECONOMIC CONDITION

5.1 Background

Dumping and countervailing measures were first applied to the goods exported to Australia from Malaysia and the Socialist Republic of Vietnam on 27 June 2017 (ADN Nos. 2017/072 and 2017/073 refer), and were then amended on 31 May 2021 as a result of REP 544 (ADN No. 2021/037 refers).

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 1 January 2016. The verification team has used economic data from prior periods where relevant.

Capral claimed in its application that the Australian industry is susceptible to further material injury from dumping and subsidisation. Capral identified the following injury that it has experienced (or is likely to experience in the absence of the measures):

- depressed and suppressed selling prices through having to match the 'injurious prices' in order to maintain production and sales volumes
- reduced profit and profitability and
- suffer and be threatened with a recurrence of material injury that the measures were intended to prevent.

The original investigation in REP 362 found that the Australian industry experienced injury as a result of the export of aluminium extrusions at dumped and subsidised prices from Malaysia and dumped prices from Vietnam in the forms of:

- price depression
- price suppression
- reduced profits and profitability and
- reduced capital expenditure.

The Commissioner was satisfied in REP 362 that the injury from the dumped and subsidised goods was material, particularly because the Australian industry would have achieved higher prices and profits in the absence of exports of aluminium extrusions at dumped and subsidised prices from Malaysia and dumped prices from Vietnam.

5.2 Approach to analysis

The analysis detailed in this chapter is based on verified financial information submitted by Capral, and data from the ABF import database.

The analysis focuses on Capral's data and may not reflect the economic condition of the Australian industry as a whole.

The verification team has assessed the economic condition of the Australian industry from 1 January 2016 using the information provided by Capral. The figures presented have been compiled on an annual basis for years ending 30 December. Where relevant the verification team has also had regard to data provided for the

quarters 1 and 2 for the half-year ending 30 June 2021. This preliminary assessment is at **Confidential Appendix 1 and 2**.

5.3 Volume effects

5.3.1 Sales volume

The verification team examined Capral's sales volumes for the period 2016 to 2020. Figure 2 shows that sales of all like goods declined year on year to 2019. This was before an increase in 2020. Sales in the first half of 2021 are also indicating a further increase in sales volume. Measures on exports from Malaysia and Vietnam were implemented in June 2017.

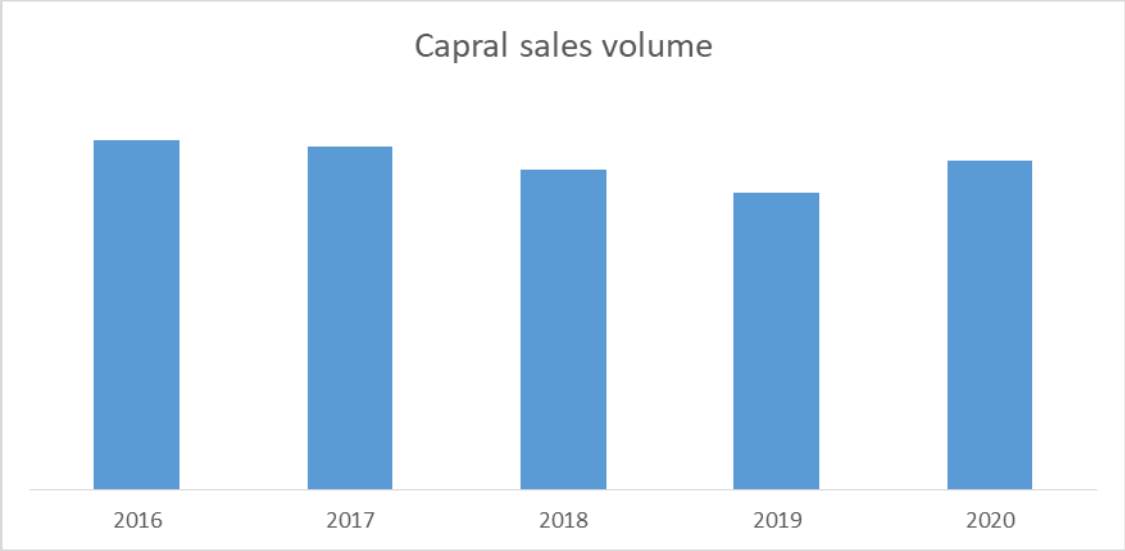

Figure 2: Capral sales volume

This downwards trend in sales volume experienced by Capral was in contrast to the sales volume of the Australian market shown in Figure 3, which increased from 2016 to 2019. The large increase in sales volume experienced by Capral in 2020 corresponded with a substantial increase in volume for the entire Australian market.

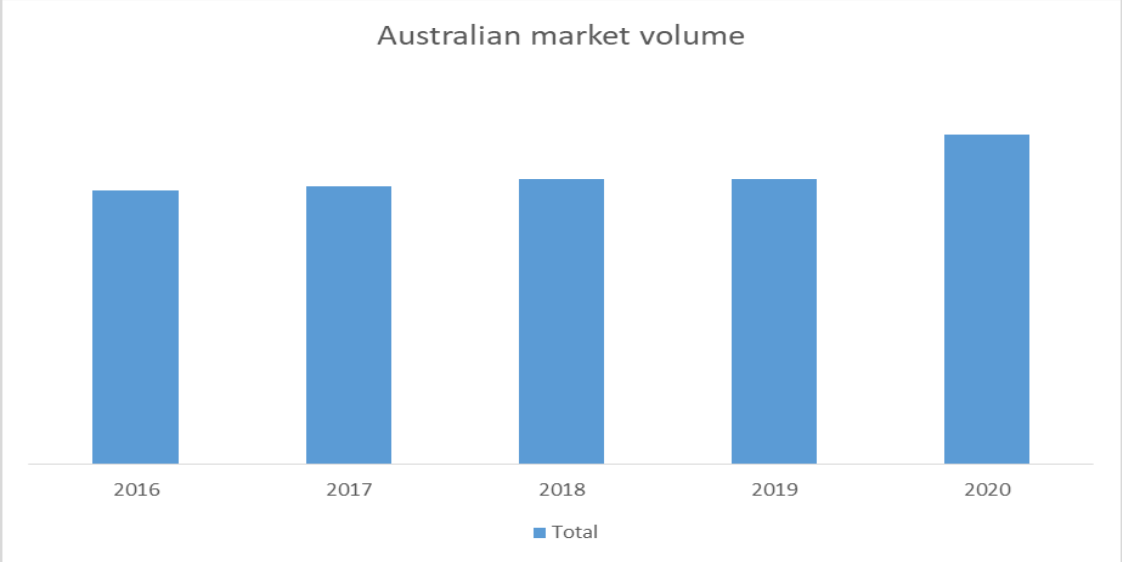

Figure 3: Australian market volume

5.3.2 Market share

Figure 4 indicates that the market share held by Capral has decreased in consecutive years from 2016 to 2020. Other Australian industry members maintained a largely stable market share from 2016 until 2019, before experiencing an increase in 2020. Imports from Malaysia that were subject to the measures saw a decrease in market share in 2019 and 2020, while market share from Vietnam imports had its largest increase in 2019.

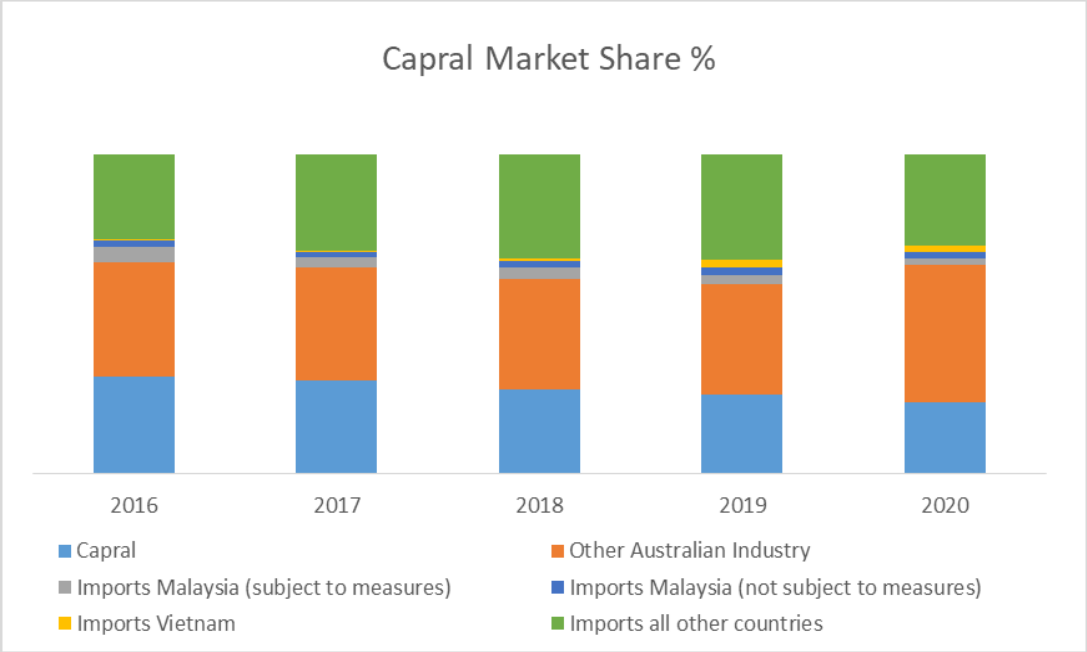

Figure 4: Australian market share by origin[12]

The available data indicates that since 2016 Capral has experienced a reduction in market share across the analysis period.

5.4 Price effects

5.4.1 Like goods CTMS

Table 4 shows the change in Capral's CTMS over the analysis period. The data indicates that CTMS has increased year on year until a reduction in 2020.

Period	2016	2017	2018	2019	2020
All Finishes	100	107	117	118	107

Table 4: Like goods index of CTMS

5.4.2 Like goods unit selling price

Table 5 shows that Capral experienced a decline in selling prices in 2019 and again in 2020. This was after achieving a 3 year high in 2018.

[12] Other Australian Industry figures have been based on Capral market estimates.

Period	2016	2017	2018	2019	2020
All Finishes	100	106	113	111	107

Table 5: Like goods index of unit selling price

5.4.3 Price depression

Price depression occurs when a company, for some reason, lowers its prices. As indicated in Table 5, Capral's unit sales price increased over the period from 2016 to 2018. However, prices have since declined in 2019 and 2020, indicating price depression.

5.4.4 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

To assess whether Capral has experienced injury in the form of price suppression, the verification team has had regard to Capral's selling prices (Table 5) and CTMS (Table 4). These trends are represented in Figure 5 below.

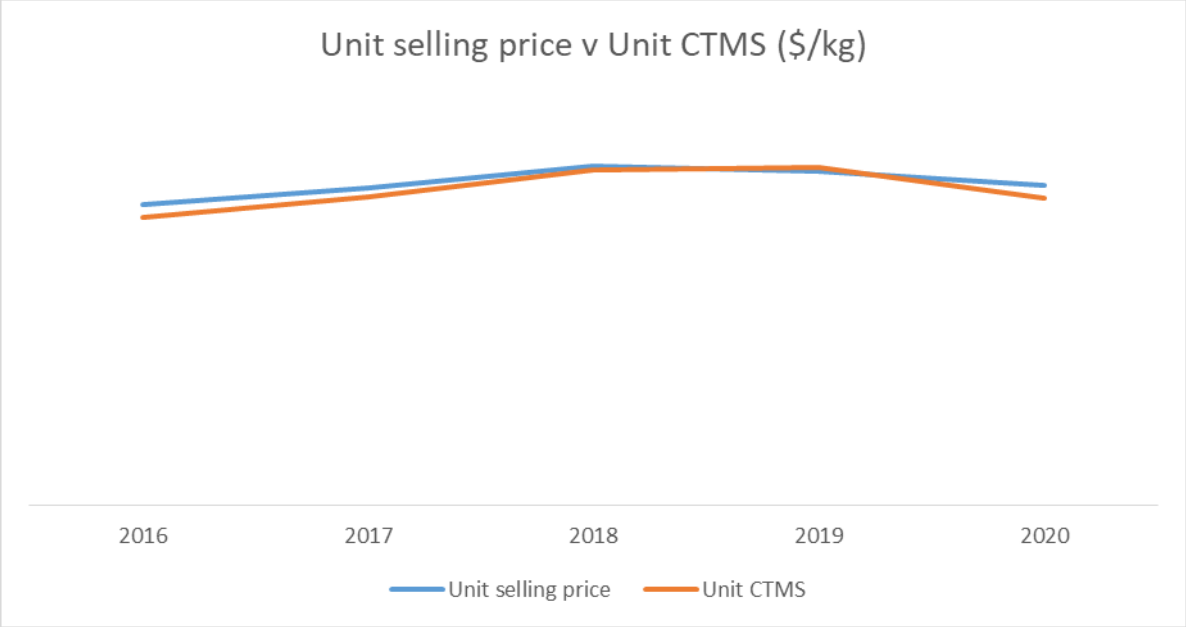

Figure 5: Capral unit selling price v unit CTMS comparison

The verification team observes that over the analysis period the rate of increase in the prices for like goods was less than the rate of increase in CTMS from 2016 to 2019. Prices then decreased in 2019 while the CTMS still increased slightly. However in 2020, the data indicates that while Capral reduced its selling price, it was not at the same rate as the reduction in CTMS.

5.5 Profit and profitability

Figure 6 charts Capral's profit and profitability for all like goods as a percentage of revenue across the analysis period.

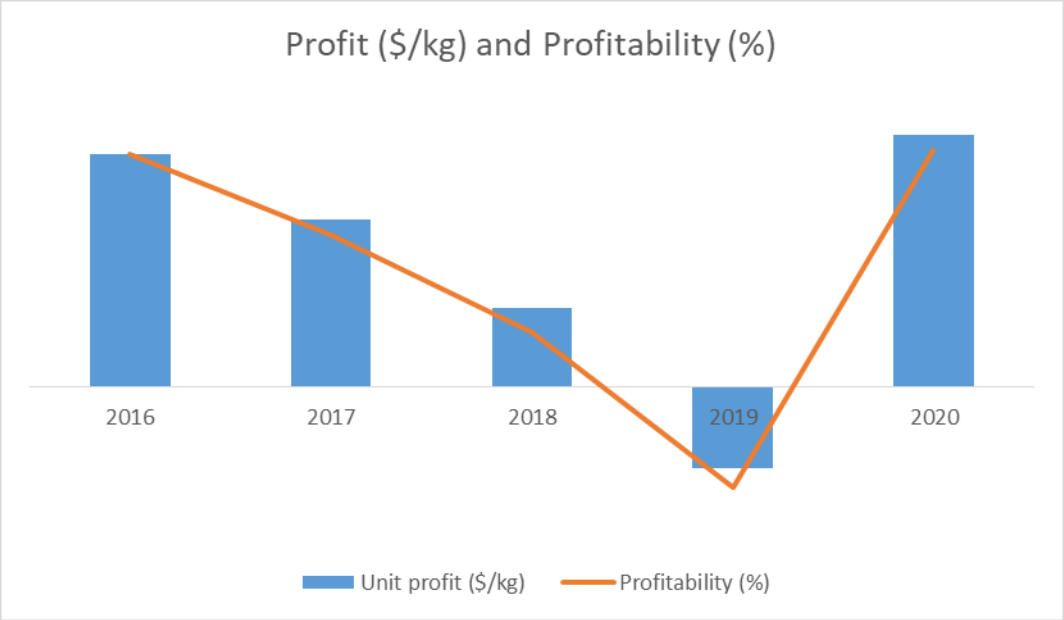

Figure 6: Profit and profitability

The chart shows that Capral experienced a decline in profitability each year until the end of 2019. The most pronounced decline was in 2019 before a rebound in 2020 to above 2016 levels.

5.6 Other economic factors

As part of its application, Capral provided data in relation to a range of other economic factors.

5.6.1 Production volume

Figure 7 shows that Capral experienced a decline in production volume over the analysis period from 2016 to 2019 before an increase in 2020.

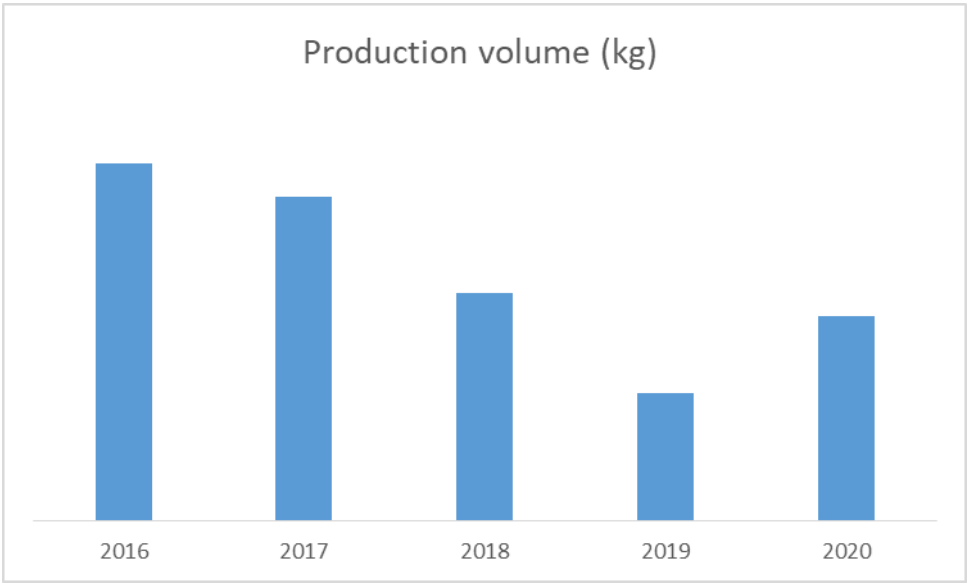

Figure 7: Like goods production volume

5.6.2 Revenue

Figure 8 shows that Capral experienced an increase in revenue from 2016 to 2017, with a slight decrease in 2018, before a reduction in 2019 to a level below that in 2016. In 2020 Capral's revenue increased to a level above 2016.

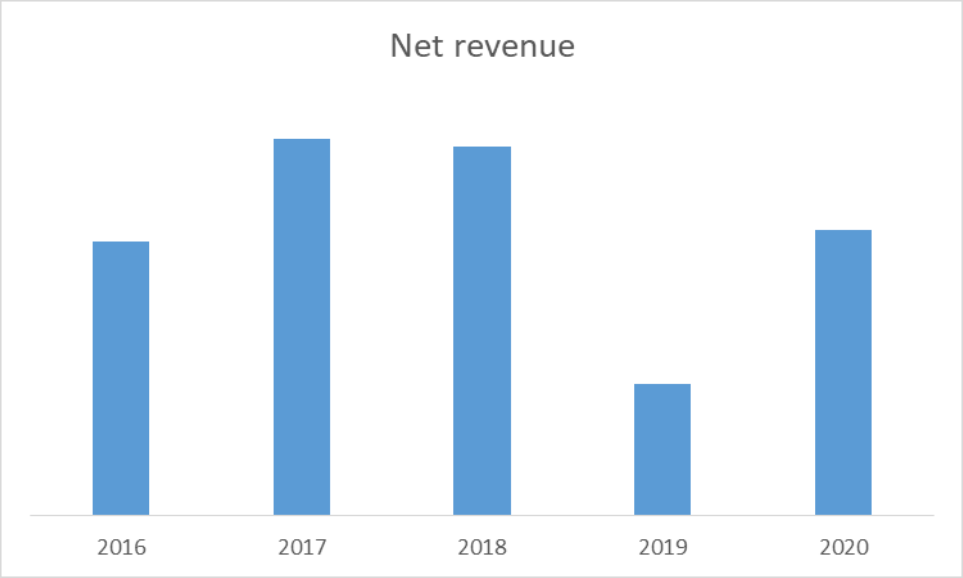

Figure 8: Like good net sales revenue

5.6.3 Return on investment

Return on Investment (ROI) provided in Capral's data was based on profit earned on like goods sales and the value of assets deployed in the production of like goods.

Figure 9 shows that Capral experienced a decline in ROI each year throughout the analysis period, with the most pronounced decline in 2019. However, ROI made a marked improvement in 2020.

Figure 9: Like goods return on investment

5.6.4 Capacity utilisation

Figure 10 shows that Capral experienced a steady decline in capacity utilisation in relation to the production of mill finished goods each year until 2019.[13] In 2020 Capral experienced an increase in capacity utilisation, however it was still at a level below 2018.

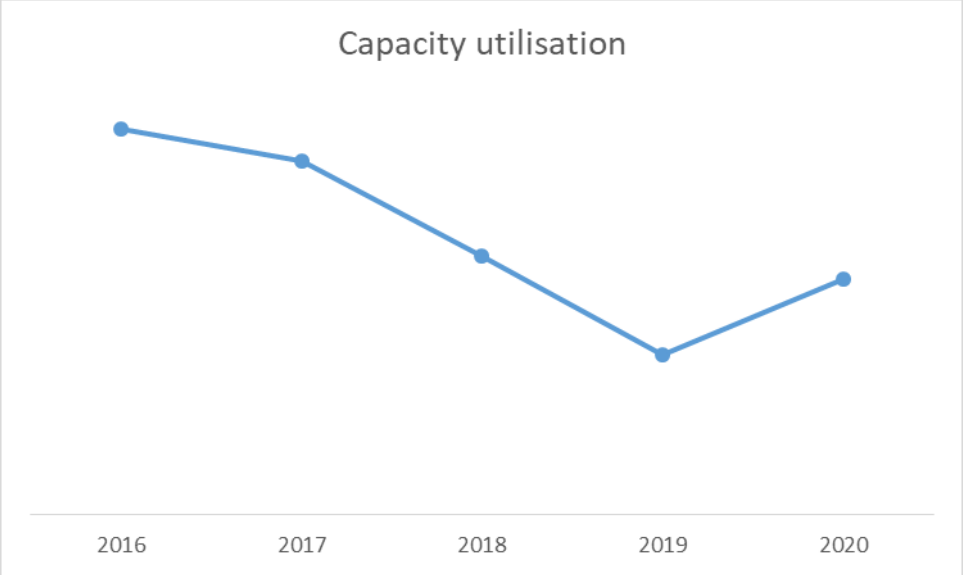

Figure 10: Like goods capacity utilisation

5.6.5 Employment numbers

Figure 11 shows that with the exception of 2016, the workforce employed in the production of aluminium extrusions has declined at Capral from 2017 onwards.

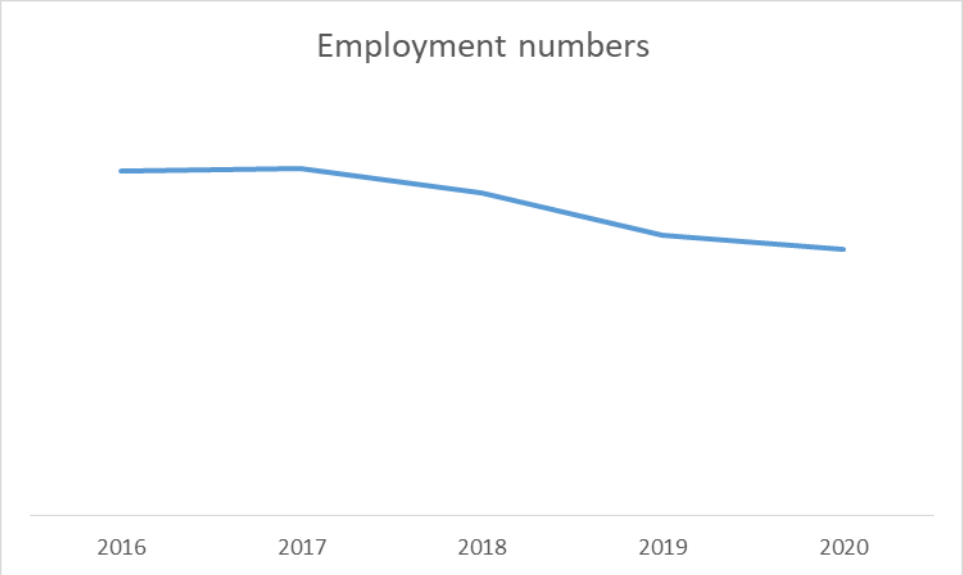

Figure 11: Like goods employment numbers

[13] The production of all aluminium extrusions start off as mill finish. Capacity utilisation is therefore recorded at this level.

During previous verifications, it was established that during 2019 Capral de-commissioned its entire anodising facility and one paint line which were used to produce surface finished like goods. It also shut down one extrusion press and related support functions which were used to produce mill finish like goods. It has also been noted that the paint line that was closed followed the installation of a 'new cutting edge, vertical cube powder coat line' in the 18 month period preceding Capral's application.[14]

As a result of the changes to its manufacturing operations, particularly in relation to mill finish and anodised extrusions, Capral was required to undertake a restructuring program which led to the permanent loss of staff.

5.6.6 Wages

Figure 12 indicates that Capral's wage expense in relation to like goods production has declined. This outcome is consistent with the actions taken by Capral during 2019 when it reduced its workforce in response to what it stated were more challenging market conditions.

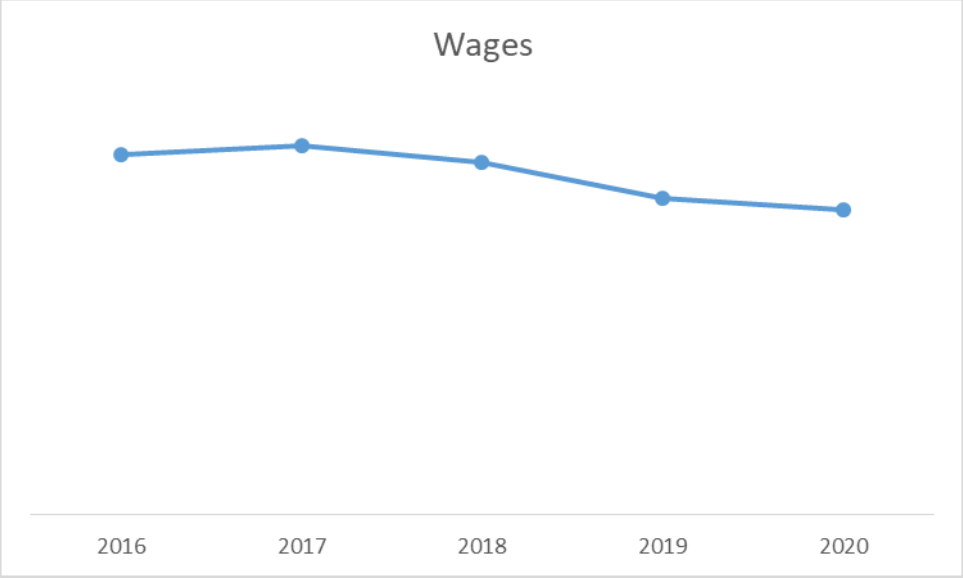

Figure 12: Net wages for like goods

[14] Capral Application Investigation 541, p.33, Case 541 Public Record Item No.001.

6 IMPACT OF EXPIRY OF MEASURES

6.1 Background and approach to analysis

Under the terms of section 269ZHF(2), in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping and/or subsidisation and
- the material injury,

that the anti-dumping measure is intended to prevent.

Accordingly the verification team sought Capral's views on these matters, and collected evidence to support those claims. This evidence will be considered further during the course of the inquiry.

6.2 Continuation or recurrence of dumping and subsidisation

Capral submitted in its application that in the absence of the measures the dumping and subsidisation of exports of aluminium extrusions to Australia will continue or recur. Capral pointed to the recent findings in REP 544 as evidence that Malaysian and Vietnamese exporters have continued to export at dumped and injurious prices. This is despite dumping measures being in place.

As part of its application Capral provided estimates of export prices for the inquiry period based on ABS data, and estimates of normal values based on the constructed cost methodology employed by the commission in previous investigations. In particular, normal values recently determined for Chinese exporters of aluminium extrusions in China in the continuation inquiry described in *Anti-Dumping Commission Report No. 543* (REP 543). On the basis of the information provided, it suggested that exports of aluminium extrusions from Malaysia and Vietnam were at dumped prices during the inquiry period.

The verification team notes that the commission did not find that Malaysian producers of aluminium extrusions to have been in receipt of countervailable subsidies during the review periods for REP 544 or in the accelerated review described in *Anti-Dumping Commission Report No. 577* (REP 577). However, the commission did find countervailable subsidies in REP 362. The commission is of the understanding that these countervailable programs are still in place and may still be available to Malaysian exporters.

During the course of the inquiry the commission will assess the level of dumping and subsidisation relating to the goods exported to Australia during the inquiry period by relying on questionnaire responses received from cooperating selected exporters, the Government of Malaysia and all other relevant information.

6.3 Continuation or recurrence of material injury

In its application and industry questionnaire response, Capral stated that the excess capacity for exporters identified in REP 362 is likely to continue in 2021 and therefore present an opportunity for exporters to increase export volumes to Australia should the measures expire. The verification team considers that the capacity of Malaysian and Vietnamese manufacturers to export further volumes of the goods to Australia is a relevant consideration in determining the likelihood of increased export volumes.

Capral claimed that import volumes from Malaysia were higher in 2020/21 than in the original investigation period, with import volumes from Vietnam approximately 330% higher in 2020/21 than in 2017/2018 immediately following the imposition of measures. Capral has also stated that the Australian market for aluminium extrusions has a high level of price sensitivity.

Capral also claims that export prices from Malaysia and Vietnam have not reflected LME and MJP premium price increases.

Capral also outlined that the commission's recent investigations, inquiries and reviews (cases 540 and 541, REP 543 and REP 544 refer) confirm that the Australian industry is vulnerable to the injurious effect of dumping (and subsidisation).

Capral did submit that the Australian industry has experienced a recovery in 2021, however, it views this recovery as short term due to the limitations on some import volumes (not impacting all import supply). Capral claims that the Australian industry will again be susceptible to the dumping of aluminium extrusions as exporters move towards increasing export volumes to Australia at pre COVID-19 levels.

An analysis of Capral's claims will be undertaken in the Statement of Essential Facts following exporter verification.

6.3.1 Injury caused by factors other than dumping

Capral has submitted that the predominant source of injury to the Australian industry manufacturing aluminium extrusions is from imports.

Capral does not consider that factors other than dumping have a material impact on the economic performance of the Australian industry.

It further claimed that due to the transparent nature of selling prices in the industry, local manufacturers are influenced by prevailing import prices. Therefore any increases in raw material input costs are borne equally by all producers (whether within Australia or external to Australia).

7 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Australian market
Confidential Appendix 2	Economic condition of industry