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Australian Government
Department of Industry,
Science and Resources

**Anti-Dumping
Commission**

CUSTOMS ACT 1901 (Cth) - PART XVB

**ANTI-DUMPING COMMISSION
REINVESTIGATION REPORT FOR THE
ANTI-DUMPING REVIEW PANEL**

**REINVESTIGATION OF CERTAIN FINDINGS IN
REPORT NO 591**

**CERTAIN ALUMINIUM EXTRUSIONS
EXPORTED FROM MALAYSIA AND THE
SOCIALIST REPUBLIC OF VIETNAM TO AUSTRALIA**

21 AUGUST 2023

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ABBREVIATIONS

ABF	Australian Border Force
ACCC	Australian Competition & Consumer Commission
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ADRP	Anti-Dumping Review Panel
Alumac	Alumac Industries Sdn Bhd
ASIC	Australian Securities and Investment Commission
AUD	Australian dollar
Aus Star	Aus Star Holdings International Pty Ltd
Capral	Capral Limited
China	the People's Republic of China
the commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
EAA	East Asia Aluminium Company Limited
EPR	electronic public record
FIS	Free into Store
FOB	Free on Board
FY	financial year, a 12-month period between 1 July to 30 June
Genesis	Genesis Aluminium Industries Sdn Bhd
G James	G James Extrusions Co. Pty Ltd.
the guidelines	<i>Guidelines on the Application of Forms of Dumping Duty November 2013</i>
IDD	interim dumping duty
INEX	Independent Extrusions Limited
kg	kilogram
LDPIS	landed duty paid into store
LME	London Metal Exchange
MCC	model control code
the Minister	the Minister for Industry and Science
NIP	non-injurious price
original investigation	Investigation 362
pandemic	COVID-19 Pandemic
PMAA	Press Metal Aluminium (Australia) Pty Ltd
PMB	Press Metal Berhad
PMBA	PMB Aluminium Sdn Bhd
PRR	Preliminary Reinvestigation Report
Investigation 362 and REP 362	Refers to Investigation 362 and <i>Anti-Dumping Commission Report No 362</i>

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Investigation 540 and REP 540	Refers to Investigation 540 and <i>Anti-Dumping Commission Report No 540</i>
Investigation 541 and REP 541	Refers to Investigation 541 and <i>Anti-Dumping Commission Report No 541</i>
Continuation 543 and REP 543	Refers to Continuation Inquiry 543 and <i>Anti-Dumping Commission Report No 543</i>
REP 544 and Review 544	Refers to <i>Anti-Dumping Commission Report No 544</i> and Review 544
Continuation 591 and REP 591	Refers to Continuation Inquiry 543 and <i>Anti-Dumping Commission Report No 591</i>
SG&A	selling, general and administration
SEF 591	<i>Statement of Essential Facts No 591</i>
Vietnam	the Socialist Republic of Vietnam
VOTI	value of taxable importation

1 SUMMARY

1.1 Introduction

On 5 October 2022, the Anti-Dumping Review Panel (ADRP) requested the Commissioner of the Anti-Dumping Commission (the Commissioner) undertake a reinvestigation of certain findings arising from *Anti-Dumping Commission Report No 591* (REP 591).¹

In REP 591, the Commissioner was not satisfied that the expiration of the anti-dumping measures applying to Malaysia and the Socialist Republic of Vietnam (Vietnam) would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures were intended to prevent.²

After considering the findings in REP 591, the Minister for Industry and Science (the Minister) decided not to secure the continuation of the anti-dumping measures applying to certain aluminium extrusions (the goods) exported to Australia from Malaysia and Vietnam. Capral Ltd (Capral) subsequently applied to the ADRP for a review of the Minister's decision. The ADRP accepted Capral's application and initiated a review of the Minister's decision.

Pursuant to section 269ZZL of the *Customs Act 1901*³, the ADRP requested a reinvestigation of the finding that material injury to the Australian industry was not likely to continue or recur in the absence of measures because there was no demonstrable connection between:

- i. the price advantage that dumping gave to exporters from Malaysia and Vietnam and
- ii. the economic condition of the Australian industry, specifically in terms of how it sets its prices, which was distinct from the influence of other sources.⁴

This reinvestigation report sets out the findings of the Commissioner in relation to the ADRP's reinvestigation request.

1.2 Findings

On reinvestigation, the Commissioner finds that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.⁵

The Anti-Dumping Commission (commission) considers that the Australian market for aluminium extrusions is competitive and price sensitive. In addition to the observed examples of price undercutting, the commission has also observed that there is a high degree of price transparency and supplier competition, including with import supply from

¹ Electronic Public Record (EPR) 591, document number 38.

² Prior to the expiry of the measures following continuation inquiry 591, there were three separate anti-dumping notices applying to imports of aluminium extrusions from Malaysia. These notices separately followed investigations 362, 540 and 541. Different Malaysian exporters were covered in each of these notices. The notice which relates to investigation 362 also applies to all exporters from Vietnam. All references to measures in this report refer to the anti-dumping measures following Investigation 362 unless otherwise specified.

³ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

⁴ ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022, on the ADRP's website at https://www.industry.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_request_for_reinvestigation.pdf.

⁵ In coming to this conclusion, the commission has taken into account the finding in REP 591 that it is unlikely that Alumac Industries Sdn Bhd would export aluminium extrusions at dumped prices in the future. This finding is not subject to the ADRP's reinvestigation request.

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Malaysia and Vietnam, where customers obtain supply from multiple sources and switch supply sources.

In this context, the commission finds that imports from Malaysia and Vietnam are likely influencing how the Australian industry sets its prices. The commission considers that the large penetration of Malaysian and Vietnamese imports across the Australian industry's customer base⁶ is indicative of a large exposure to price competition from Malaysian and Vietnamese imports. The commission considers that the fact imports from other sources, including the People's Republic of China (China), are also likely having an impact does not detract from this finding.

The commission finds that the Australian market during the inquiry period was impacted by the COVID-19 Pandemic (pandemic). The market was impacted by supply constraints, increased shipping costs and government pandemic stimulus programs. These pandemic impacts were generally favourable to the Australian industry. In particular, these pandemic impacts affected the relationship between the Australian industry's prices and import sourced prices, such that any price advantage of dumping was diminished during the inquiry period. The commission notes that despite the challenges faced by exporters during the inquiry period, Malaysian and Vietnamese imports were still able to undercut the Australian industry on many occasions, as shown by the revised price undercutting analysis.

The commission considers that, as the impacts of the pandemic recede, export supply will likely be more cost effective and timely, as was the case during the original investigation and prior to the pandemic. Together with the ending of the government stimulus programs, any temporary advantage the Australian industry enjoyed during the inquiry period will be removed. In particular, absent the effects of the pandemic, prices of imports will likely become more competitive, increasing the degree of price competition in the Australian market.

The commission finds that in the event of the measures expiring, importers and exporters will be able to use dumped prices, absent the dumping duty previously paid, to advantageously adopt competitive pricing strategies which would likely further exacerbate the observed undercutting of the Australian industry's prices during the inquiry period. Australian buyers that directly import aluminium extrusions will also face lower import costs in the absence of measures from extruders in Malaysia and/or Vietnam. These reduced costs will be relevant to their future purchasing decisions.

In the context of the forward-looking assessment, the competitive and price sensitive nature of the market, absent the favourable impacts of the pandemic, will mean that the Australian industry will be even more susceptible to being outcompeted by dumped Malaysian and Vietnamese imports. In these circumstances, the Australian industry would likely be required to respond to the import prices, absent the impact of dumping duties, by reducing prices or suppressing any potential price increases to remain competitive – which is the material injury that the measures are intended to prevent.

Chapters 3 to 7 provide the details on the Commissioner's findings that led to the overall findings set out above. The specific findings considered in each chapter are set out below. Submissions received from interested parties were considered in the preparation of this report and are addressed in relevant chapters.

⁶ On a volume basis.

1.2.1 Reinvestigation of price analysis (Chapter 3)

The commission has reinvestigated the undercutting analysis conducted in REP 591 in accordance with the ADRP's request.

The commission finds that there was a greater degree and a more consistent pattern and frequency of undercutting by Malaysian or Vietnamese import sources during the inquiry period when compared to the findings made in REP 591.

1.2.2 Pricing behaviour of importers in the absence of measures (Chapter 4)

The commission has reinvestigated the pricing behaviour of importers in accordance with the ADRP's request.

The commission finds that in the absence of measures importers will face lower import costs. In the price sensitive Australian market, importers will be able to use the dumped import prices, absent dumping duty, to advantageously adopt competitive pricing strategies which include further undercutting the Australian industry's prices. In addition, end users which directly import will face lower importation costs in the absence of measures from producers in Malaysia and/or Vietnam. These lower costs will be relevant to their future purchasing decisions.

1.2.3 The influence of other import sources (Chapter 5)

As part of the reinvestigation the commission re-examined the influence of other import sources.

The commission finds that Malaysian and Vietnamese imports are likely influencing the Australian industry's pricing. The commission considers that the fact imports from other sources, including China, are also likely having an impact does not detract from this finding.

1.2.4 Australian market conditions during the inquiry period and its impact on the price relationship (Chapter 6)

The commission has reinvestigated the market conditions applying during the inquiry period and the impact of these conditions on the price relationship between the Australian industry and import sources of aluminium extrusions.

The commission finds that the Australian market during the inquiry period was impacted by the pandemic, which was generally favourable to the Australian industry and diminished the price advantage of dumped exports.

1.2.5 Whether material injury is likely to continue or recur (Chapter 7)

The commission has reinvestigated, in accordance with the ADRP's request, whether material injury is likely to continue or recur in the absence of measures.

The commission now finds that the expiration of the anti-dumping measures applying to exports from Malaysia and Vietnam would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.

1.3 Background to the reinvestigation

1.3.1 Reviewable decision

On 15 September 2021, the Commissioner initiated an inquiry into whether the continuation of anti-dumping measures, in respect of aluminium extrusions exported to

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Australia from Malaysia and Vietnam, was justified. The anti-dumping measures were in the form of a dumping duty notice (Malaysia and Vietnam) and a countervailing duty notice (Malaysia only).

Following the recommendations of the Commissioner in REP 591, the Minister declared on 24 June 2022 that, pursuant to section 269ZH(1)(a), he had decided not to secure the continuation of anti-dumping measures relating to the goods exported to Australia from Malaysia and Vietnam.

The commission published the public notice of the reviewable decision on 24 June 2022.⁷ The measures expired on 27 June 2022.

1.3.2 Review of the Minister's decision

Following the Minister's decision, the ADRP accepted Capral's application for review.

The ADRP initiated its review of the decision through public notice on 17 August 2022 (ADRP Review No 2022/155).⁸

On 5 October 2022, the ADRP requested the Commissioner reinvestigate certain findings in REP 591 relating to the finding that the Commissioner was not satisfied that material injury to the Australian industry was likely to continue or recur in the absence of measures.⁹

In this regard, the ADRP specifically referenced the finding that there was no demonstrable connection between the price advantage that dumping gave to exporters from Malaysia and Vietnam, and the economic condition of the Australian industry, specifically in terms of how it sets its prices, which was distinct from the influence of other sources.

In summarising the reasons for requesting the reinvestigation, the ADRP commented that:

- The issue that must be addressed relates to whether the Commissioner is satisfied that, if the measures expired, would it lead or be likely to lead to the continuation or recurrence of dumping and/or subsidisation and the material injury that the anti-dumping measures were intended to prevent.
- Certain prices in REP 591's undercutting analysis had been completed at the incorrect level of trade. This created difficulties for the ADRP's consideration of the price impacts on material injury, both in the inquiry period and as a factual base for the hypothetical future.
- Further analysis of price undercutting may assist in resolving observed differences in comments made in REP 591 on the commission's price analysis.
- Analysis of the non-injurious price (NIP) may provide an additional indication regarding whether material injury was likely to continue or recur from dumped exports.
- REP 591 contained no information to support the finding that, in the absence of measures, there would likely be little change to pricing behaviours of importers.
- Further consideration of price impacts and whether material injury was likely to continue or recur was required. This is required given REP 591's reliance on the price undercutting analysis, the comments on the impacts of Malaysian and Vietnamese imports and the finding that it is a price sensitive market.

⁷ EPR 591, document number 37.

⁸ Notice under section 269ZZI at ADRP Review No 2022/154.

⁹ ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022, on the ADRP's website at https://www.industry.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_request_for_reinvestigation.pdf.

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- In the context of REP 591's reference to the downward pressure on prices and that the Australian market was price sensitive, the commission's finding that it could not find evidence of the impact of the prices of dumped exports on Capral's prices needed to be revisited.
- In REP 591 there was a strong focus on the inquiry period with limited consideration of what is likely to occur if the measures expired. Very different economic conditions were apparent in the inquiry period and REP 591 did not consider that the same price relationship was established in REP 591 as was found in *Anti-Dumping Commission Report No 362* (REP 362). The ADRP stated it was important to consider possible scenarios associated with the expiration of the anti-dumping measures in light of the reviewed price analysis.

Further details of the ADRP's reinvestigation request are included in relevant sections of this report.

2 CONDUCT OF THE REINVESTIGATION

2.1 Approach to the reinvestigation

The commission has conducted the reinvestigation in accordance with section 269ZZL(2). In conducting the reinvestigation, the commission has considered:

- the grounds accepted for review (as set out in the ADRP's notice under section 269ZZI)
- the ADRP's reasons for requesting the reinvestigation
- relevant information contained in the application to the ADRP for the review of the Minister's decision
- information obtained during a conference between the commission and the ADRP in relation to the reinvestigation request
- REP 591, relevant information referenced in REP 591 and the evidence gathered in the course of the continuation inquiry
- clarifying information the commission specifically requested from certain parties (as set out in section 2.2)
- certain additional information from the Department of the Treasury, the Reserve Bank of Australia, the Australian Competition & Consumer Commission, Statista, the Australian Bureau of Statistics and 2 media articles (as specified in section 6.4).
- submissions received from interested parties, as set out in section 2.4.

The commission assisted the Commissioner in undertaking the reinvestigation, pursuant to the commission's function specified in section 269SMD.

2.1.1 Requests for clarification of certain information previously provided by interested parties

To assist with the reinvestigation of the undercutting analysis in REP 591, the commission sought to further clarify certain aspects of the sales data provided by the following interested parties during the continuation inquiry:

- Capral
- G James Extrusions Co. Pty Ltd (G James)
- Independent Extrusions Limited (INEX)
- Press Metal Aluminium (Australia) Pty Limited (PMAA)

The matters the commission sought clarification on primarily related to the levels of trade and the terms of the sales reported in the sales data provided to the commission. Clarification on these issues was sought to assist with the commission's revisions to the undercutting analysis.¹⁰

2.1.2 Conference with the ADRP

The commission requested a conference with the ADRP in relation to the reinvestigation request. The purpose of the conference was to clarify aspects of the ADRP's reinvestigation request. The conference took place on 17 October 2022. A summary of the conference is available on the ADRP's website.¹¹

¹⁰ Press Metal, in response to the preliminary reinvestigation report, queried what information was being clarified. See EPR 591, document number 53. This further information is provided in response to this query.

¹¹ ADRP (2022), Anti-Dumping Commission - Conference Summary, 18 October 2022, on the ADRP's website at https://industry2.govcms.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_conference_summary_-_17_october.pdf.

2.1.3 Preliminary reinvestigation report

The Commissioner published a preliminary reinvestigation report (PRR) on the electronic public record (EPR) on 26 June 2023. Interested parties were invited to provide submissions in response to the PRR by 10 July 2023.

2.1.4 Submissions

On 21 October 2022, the commission published a file note on the EPR, outlining the procedural parameters for the reinvestigation and that the commission proposed to publish a PRR.¹² It advised that the commission would invite interested parties to make submissions in response to the PRR.

The commission received submissions from several interested parties before the publication of the PRR. Table 1 lists submissions received prior to the publication of the PRR.

EPR number	Interested Party	Date published on EPR
40	Capral	14 November 2022
42	Capral	18 November 2022
43	East Asia Aluminium Company Limited (EAA)	1 December 2022
44	PMAA	9 December 2022
45	PMAA	20 December 2022
46	PMAA	24 January 2023

Table 1 Submissions received prior to the PRR

Subsequent to the publication of the PRR, the commission received the following submissions.

EPR number	Interested Party	Date published on EPR
48	PMAA & PMB Aluminium Sdn Bhd (PMBA)	11 July 2023
49	Capral	11 July 2023
50	EAA	11 July 2023
51	Capral	21 July 2023
52	Capral	21 July 2023
53	PMAA & PMBA	28 July 2023
54	Capral	4 August 2023

Table 2 Submissions received after the PRR

Public record versions of these submissions are available on the commission's EPR for this case at: www.adcommission.gov.au.

2.2 Consideration of submissions

The commission has considered the submissions listed in tables 1 and 2 in the preparation of this report. The commission has considered parts of some of the submissions directly below, with the bulk of the submissions considered in later chapters.

2.2.1 Further information provided by Capral and EAA

For the purposes of this reinvestigation, and consistent with the PRR, the commission has not considered it necessary to have regard to the new information provided by Capral in

¹² EPR 591, document number 39.

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relation to the 2 further examples of undercutting.¹³ The commission has also not considered the information provided by EAA in response to Capral's new information.¹⁴

Both Press Metal and EAA raised concerns about Capral seeking to introduce new information into the reinvestigation.¹⁵ Capral, in response to the PRR, again requested the commission to consider this evidence in its report to the ADRP.¹⁶ Capral claimed that the new information provided additional evidence of price undercutting from Vietnam which supported the PRR's price-analysis findings.

The commission considers it has sufficient information to complete the reinvestigation as pertaining to the reasons and grounds specified in the ADRP's reinvestigation request. Consequently, the commission continues to consider that it is not necessary to have regard to the new information provided by Capral for the purposes of this reinvestigation. Consequently, this information has not been considered in the reinvestigation report.

2.2.2 Re-instatement of measures

Capral submitted that the Commissioner should request the ADRP to recommend that the anti-dumping measures on exporters in Malaysia and Vietnam be re-instated from the earliest date possible.¹⁷

The commission notes that this is outside the scope of the ADRP's reinvestigation request.

2.2.3 Assessment of the likelihood of dumping

Press Metal submitted that it continues to maintain that the likelihood of dumping finding made in relation to PMBA in REP 591 was incorrect or, at least, sufficiently uncertain that it should not be left unrectified.¹⁸

The commission notes that the ADRP's reinvestigation request relates only to the finding that material injury is not likely to continue or recur in the absence of measures. The commission has therefore confined its reinvestigation to this finding and has not considered the likelihood of dumping continuing or recurring.

2.2.4 Reasons for reinvestigation

Press Metal submitted that the stated reasons in the reinvestigation request were not grounds raised by Capral in its application for the review. Press Metal claimed that the stated reasons were unilaterally raised by the ADRP on analysis of the findings in REP 591.

The commission notes that it has conducted its reinvestigation in accordance with the ADRP's request pursuant to 269ZZL of the Act.

¹³ EPR 591, document number 40.

¹⁴ EPR 591, document number 43. The information EPR provided by EAA relates to statements about Capral's half yearly results for 2022.

¹⁵ EPR 591 document numbers 43, 44 and 45.

¹⁶ ERP 591, document number 49

¹⁷ EPR 591, document number 49

¹⁸ EPR 591, document numbers 45 and 48.

2.3 Provision of report to the ADRP

The ADRP initially requested the Commissioner provide a report on the result of the reinvestigation by 10 February 2023. The ADRP subsequently granted the Commissioner 2 extensions of time to provide the reinvestigation report.¹⁹

¹⁹ Refer to the commission's extension requests and ADRP extension approvals on the ADRP's website at <https://www.industry.gov.au/trade/anti-dumping-review-panel/current-anti-dumping-review-panel-reviews/aluminium-extrusions-exported-malaysia-and-socialist-republic-vietnam>.

3 REINVESTIGATION OF PRICE ANALYSIS

3.1 Findings

The commission has reinvestigated the undercutting analysis conducted in REP 591 in accordance with the ADRP's request. Consistent with REP 591, the commission has completed the revised undercutting analysis at two points of supply in the Australian market. These are:

- Australian industry prices in comparison to the prices paid by importers of the goods from the cooperative exporters (**comparison 1**)²⁰ and
- Australian industry prices in comparison to the selling price at which imported goods were sold by importers onto the Australian market (**comparison 2**)²¹.

For clarity, references to the undercutting analysis in REP 591 is referred to as the original comparisons.²² The revised undercutting analysis in this report is referred to as the revised comparisons.²³

On reinvestigation, the commission finds that in relation to undercutting by Malaysian or Vietnamese import sources there was a greater degree, a more consistent pattern and a greater frequency of undercutting during the inquiry period when compared to the findings made in REP 591. Specifically:

- Revised comparison 1 found that Malaysian or Vietnamese direct import prices predominantly undercut Australian industry across all finish types and across the top 4 model control code (MCC) categories sold by volume. In REP 591, the original comparison 1 found mixed and varying degrees of undercutting, depending on the supplier and finish type. The degree of undercutting in revised comparison 1 ranged up to 14%, by Australian industry and up to 47% by import sourced suppliers. On average, across all the monthly price revised comparisons, import sourced suppliers undercut Australian industry by 15%.
- Revised comparison 2 when assessing sales by importers to common customers in the Australian market, found there were varying degrees of undercutting exhibited by all parties, including undercutting by Australian industry members of import sources. The revised analysis found there was price competition which at times was close. The degree of undercutting in revised comparison 2 ranged up to 38% by Australian industry and up to 45% by import sourced suppliers. On average, across all the monthly price revised comparisons, import sourced suppliers undercut Australian industry by 3%.
- A further examination of simultaneous supply competition for the highest volume MCC sold to 2 suppliers' common customers found close price competition and some evidence of buyers switching suppliers when unit prices decreased.²⁴
- While the results were somewhat mixed, the commission found sufficient examples of close price alignment to conclude the Australian market exhibits a significant degree of price competition and price sensitivity.

²⁰ In REP 591 this analysis was referred to as the 'first level of trade undercutting analysis'. In the ADRP request, this analysis was referred to as the 'landed duty paid into store' cost.

²¹ REP 591 and the ADRP request referred to this as the 'second level of trade undercutting analysis'.

²² 'original comparison 1' and 'original comparison 2'

²³ 'revised comparison 1' and 'revised comparison 2'

²⁴ New analysis found in revised comparison 2.

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The changes to the commission's findings on undercutting have resulted from resolving the issues identified by the ADRP and other issues identified during the reinvestigation. The changes made by the commission are listed in **Confidential Attachment 1**.

The commission has not conducted a NIP-based comparative analysis because, for the reasons outlined in section 3.5, this would not provide a reliable indication of future material injury.

3.2 Reinvestigation request

The ADRP requested the commission reinvestigate the price undercutting analysis in REP 591 and suggested that analysing the NIP may offer additional information regarding whether material injury is likely to continue or recur from dumped exports.²⁵

In relation to the price undercutting analysis in REP 591, the ADRP noted that:

- REP 591 described the price undercutting analysis at 2 levels of trade
- Certain information used in the price undercutting analysis was found to have been compared at an incorrect level
- Due to this issue, 'it would be difficult for the [ADRP] to rely on the price undercutting analysis ... in considering the price impacts on material injury considerations, both in the inquiry period and as a factual base for the hypothetical future.'²⁶

The ADRP noted that further analysis of price undercutting may assist in resolving differences found in relation to the commission's price analysis comments in REP 591.

3.3 Approach to reinvestigation of undercutting analysis

The analysis in this chapter is based on:

- verified financial information submitted by Capral and unverified financial information submitted by G James and INEX²⁷
- Australian Border Force (ABF) import database data
- verified importer (PMAA) information
- verified exporter information (PMBA and EAA) and unverified exporter information (Alumac Industries Sdn Bhd (Alumac))
- relevant information obtained during the course of prior investigations, reviews, and inquiries conducted by the commission into aluminium extrusions,²⁸ and
- consideration of submissions received in relation to the commission's undercutting analysis in response to the reinvestigation request and the publication of the PRR.

3.4 Revisions to undercutting analysis

In the reinvestigation request, the ADRP noted that REP 591 described 2 types of price undercutting analyses (comparisons 1 and 2).

3.4.1 Findings in REP 591

In REP 591, the commission found examples of undercutting by Malaysian and Vietnamese exporters, however there appeared to be no consistent pattern to the price

²⁵ ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022

²⁶ Ibid, page 5.

²⁷ The commission conducted a comparative analysis of G James and INEX's sales data. This analysis indicated that this sales data was sufficiently reliable for the purposes of the undercutting analysis.

²⁸ This information was also noted as having been considered during the course of original inquiry.

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undercutting. In some instances, the Australian industry undercut other market participants. The following findings were the basis for this conclusion:²⁹

- The commission observed varying levels of undercutting based on different finish types.
- The original 2 comparisons of price undercutting and found no consistent level of undercutting by any one exporter, country or in relation to any specific finish type.
- Original comparison 1 compared the Australian industry with overseas producers for direct mill supply to importers (i.e., supplier to importer). These importers either distribute the imported goods or transform it into other products. The analysis in REP 591 used PMAA's sales data.³⁰ This analysis was referred to as the 'first level of trade undercutting analysis' and was conducted on a weighted average quarterly and monthly basis. For mill finish and powder coated extrusions, the analysis found mixed and varying degrees of undercutting depending on the supplier. For anodised extrusions, the analysis found Australian industry all experienced undercutting by import suppliers.
- Original comparison 2 compared Capral's distribution network sales with importers which sell into the Australian market (i.e. distributor/importer to customer).³¹ This analysis compared sales to customers common to Capral and cooperative importer PMAA. This analysis was referred to as the 'second level of trade undercutting analysis' and was conducted on a monthly weighted average basis over the inquiry period. This analysis found inconsistent examples and degrees of undercutting with no clear pattern of specific undercutting.
- Based on the original undercutting analysis in REP 591, the commission formed the view that the dumped prices are not having an observable effect on Australian industry's prices.

3.4.2 Reinvestigation analysis

To reassess the original undercutting analysis in REP 591, the commission first reviewed the nature of competition and supply channels in the Australian market. This information informed the roles played by market participants, points of competition and enabled the commission to ensure that levels of trade have been appropriately considered.

3.4.2.1 Australian market structure and participants

The Australian market for aluminium extrusions is supplied by domestic aluminium producers, including Capral and 8 other entities.³² The 9 entities identified are considered to constitute the Australian industry producing like goods.

Imports of the goods into the Australian market are sourced from numerous countries. In recent years the highest volumes originated from China with smaller volumes originating from Malaysia and Vietnam.

The market for like goods mainly includes:

- large original equipment manufacturers, such as large aluminium window manufacturers

²⁹ REP 591, pages 79–81.

³⁰ Based on further consideration during this reinvestigation, the commission has used PMBA's sales data. Refer to the discussion for 'Revised comparison 1' under section 3.4.3 below.

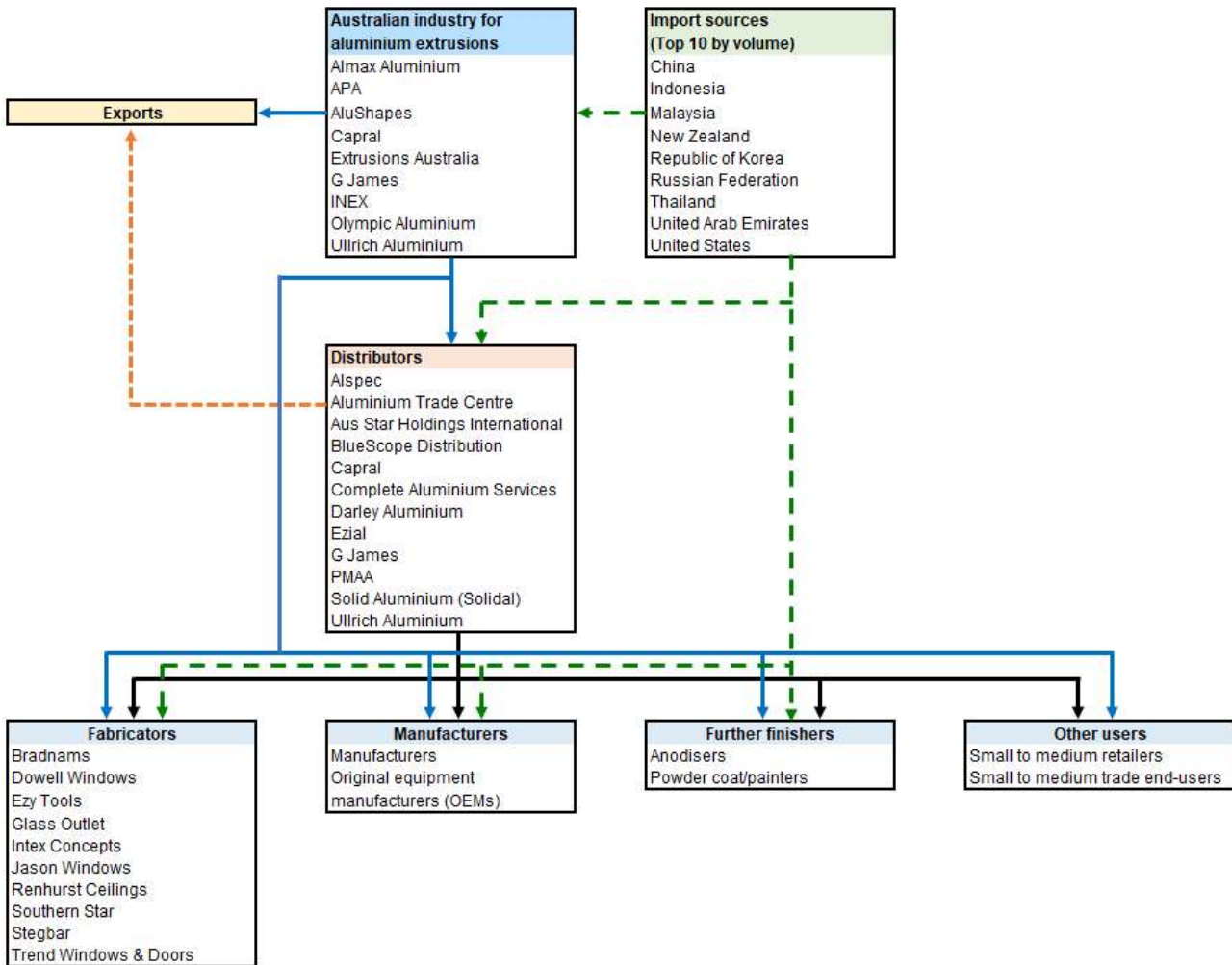
³¹ The analysis in REP 591 used Capral's direct mill sales rather than Capral's distribution network sales as stated in REP 591.

³² EPR 591, document number 1. See Attachment 1 of Capral's application – List of other Australian Manufacturers of aluminium extrusions.

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- distributors and wholesalers³³ of aluminium extrusions
- value-add finishers (e.g., anodisers, powder coat/painters)
- fabricators
- other users (small to medium retailers and trade end-users).³⁴

These groups include a wide range of small to medium retail and trade end-users (including smaller fabricators, manufacturers and other users) which order aluminium extrusions from distributors, metal service centres or retailers. The size and complexity of orders, as well as the type of trading relationships developed over time, results in a variety of sales channels between the producer of the extrusion and the end customer. Figure 1 illustrates the market segments and key participants in the Australian market.



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.

Figure 1 Market segments and key participants for aluminium extrusions in Australia

Based on the information obtained, the commission has identified 3 major market segments for aluminium extrusions:

- residential – including products such as windows and doors, security, internal fit out of showers and robes, external fit out, and fencing

³³ The commission considers both distributors and wholesalers act as intermediaries between the producer of the extrusion and the buyer. For simplicity, the commission has collectively referred to them as distributors in this report.

³⁴ EPR 591, document numbers 7 and 34.

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- commercial – including commercial windows and doors, internal and external fit out, and curtain walls
- industrial – including automotive, sunshades, truck and trailer, bus, rail, electrical, solar, signage, marine, portable buildings, general fabrication, manufacturing and large industrial infrastructure.

The commission's assessment of market segments and key participants is in **Confidential Attachment 2**.

3.4.2.2 Supply and distribution

REP 591 found that Aluminium extrusions are a commodity product, and provided the goods meet the relevant Australian Standard and the grade requirements for the desired end use, there are limited ways in which suppliers can differentiate their offering beyond price and service.³⁵ In most circumstances, customers can change supplier readily. Depending on the specific extrusion a customer is purchasing, the ease with which this can occur will differ in terms of cost, lead-time and management of production quality.³⁶

The Australian industry producing like goods sells directly to users which 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 the products are sold.³⁷

Within the Australian industry, the commission understands that there are differing levels of geographic presence around Australia. Larger companies have Australia-wide production and distribution assets, whilst smaller companies service particular geographic areas. The commission's analysis has identified that subject imports from both Malaysia and Vietnam have been delivered to ports on both the east and west coast of Australia during the inquiry period. The commission also notes that relevant importers collectively have office locations in each state on the east coast and west coast of Australia.³⁸

In terms of distribution, the commission is aware that Australian customers will secure multiple supply sources for a range of reasons including in order to minimise the risk of a disruption in supply (e.g., where one manufacturer cannot fulfil an order).³⁹ The commission understands buyers have the option to purchase directly from the producer or indirectly via an intermediary such as a distributor or through an importer. Additionally, buyers seeking supply through importers can arrange to purchase directly from the supplier's factory or from the importer's warehouse/floor stock.

Similar to the Australian industry, the commission understands that overseas producers which supply the Australian market have a similar product offering and appear to have an ability to service the Australian market in a manner comparable to the Australian industry. Overseas producers receive purchase orders from Australian customers either directly from the customer or through an Australian-based intermediary. Through these channels, overseas extrusion producers either compete directly with the Australian industry head-to-head or indirectly with the Australian-based intermediary. The evidence before the

³⁵ REP 591, page 24.

³⁶ *ibid*

³⁷ *Ibid*.

³⁸ Further analysis completed following submission from Press Metal. See section 3.6.

³⁹ REP 591, document number 7.

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commission indicates overseas producers were found to supply the same category of customer as the Australian industry and in some cases the same customer(s).

Based on the information before the commission, various types of customers within the Australian market transact with overseas aluminium extrusion producers. Goods imported into Australia may be shipped directly to the customer's final location or warehoused at an importer's facility before dispatch. From this perspective, the Australian industry's and overseas producers' methods of distribution are very similar. However, the lead time for imported goods is longer. The commission considers that the lead time for purchase orders is one aspect that potentially differentiates the Australian industry's value proposition from overseas suppliers.

In relation to Capral, the Commissioner ascertains that its business in the sale of like goods was not generally by way of contractual arrangements.⁴⁰ However, Capral will and does quote for work on major projects and maintains key customers through ongoing negotiations on prices.

3.4.2.3 Demand

The Australian industry identifies 3 market segments into which it sells the like goods:

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

Out of the 3 market segments listed above, Capral stated that the residential building and commercial building segments make up the majority of the downstream Australian market.⁴¹ Capral has previously indicated that a key demand driver for sales of like goods is the residential building segment.⁴²

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

3.4.3 Reassessment of the undercutting analysis

In completing the revised undercutting analysis, the commission re-examined various factors including volumes of MCC models⁴³ sold, customers common to Australian and overseas suppliers and types of buyers (i.e., level of trade). The results of this re-examination have informed the commission's approach to assessing price undercutting.

In terms of volumes of models sold, the commission analysed the most common models sold by all suppliers and found that the top 4 MCCs sold were M-6A-T1⁴⁴, PC-6A-T1⁴⁵, A-6A-T1⁴⁶ and M-6C-T1.⁴⁷ These 4 MCCs represented 85% of the volume sold in the inquiry period.⁴⁸ The commission, on reinvestigation, re-examined the prices of these MCCs and reconfirmed that the differences in physical characteristics between these

⁴⁰ EPR 591, document number 14.

⁴¹ See REP 591, page 23.

⁴² Ibid, page 25

⁴³ Using the commission's model control codes (MCC) to categorise models. The MCC structure used by the commission is described in REP 591.

⁴⁴ Highest volume mill finished MCC sold using the commission's MCC.

⁴⁵ Highest volume powder coated MCC sold using the commission's MCC.

⁴⁶ Highest volume anodised MCC sold using the commission's MCC.

⁴⁷ Second highest volume mill finished MCC sold using the commission's MCC.

⁴⁸ See Confidential Attachment 5, tab k.

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MCCs gave rise to distinguishable and material differences in prices for the data used in the undercutting analysis.⁴⁹ Since these top 4 MCCs represented the most models sold during the inquiry period, the commission used these MCCs to revise the undercutting analysis in revised comparisons 1 and 2. This ensured that undercutting was assessed for comparable MCCs.

In REP 591, the commission considered the customers common to both Capral and PMAA and used this to complete the original comparison 2. In reassessing the undercutting analysis, the commission identified customers common to suppliers from Australia, Malaysia and Vietnam. This increased the number of suppliers from 2 to 6 and increased the number of common customers to more than 300 customers in total across all suppliers. The common customers identified represent approximately 30% of the total volume sold during the inquiry period.⁵⁰ This extended common customer matrix was used to revise the undercutting analysis for revised comparison 2.

The commission considers that the Australian market for aluminium extrusions contains different levels of trade including distributors, fabricators, manufacturers and end users. The commission's pricing analysis identified that these levels of trade affected pricing.⁵¹ In reassessing the undercutting analysis, the commission assigned level of trade classifications against customers in the Australian market using information provided by all suppliers and its own research. This augmented the extended common customer matrix and permitted it to be stratified by type of buyer for revised comparison 2.

Capral is the only extruder that provided disaggregated data by channels to market. The other participating parties did not provide disaggregated data by channels to market. The commission is aware that other parties may also make sales directly to buyers and indirectly via their distribution networks. Therefore, the aggregated data provided by other participating parties may contain both direct mill and indirect distribution channels sales. The commission has included both Capral direct mill and indirect distribution network sales separately in these analyses. As directed by the ADRP, the commission has re-examined the undercutting analyses for original comparisons 1 and 2.

Revised comparisons 1 and 2 are described below and are found in **Confidential Attachment 5**. Having considered submissions received in response to the PRR, the commission further updated its undercutting analysis in relation to revised comparison 1.⁵² The updated revised comparison 1 is found in **Confidential Attachment 5B**.

Revised comparison 1 or the landed duty paid into store (LDPIS) analysis

Revised comparison 1 compared the Australian industry with overseas producers for direct mill supply to importers (i.e., supplier to importer). This analysis compared Capral's direct mill, G James, INEX, EAA and PMBA sales. This analysis included all customers and was conducted on a Free into Store (FIS) monthly weighted average basis by finish type and by the top 4 MCCs sold.

In terms of FIS prices, where the sales terms for a selected exporter were not FIS or equivalent, the commission determined the weighted average FIS price for each exporter as the sum of:

- verified Free on Board (FOB) export prices
- post FOB costs including handling, port charges and inland freight

⁴⁹ Confidential Attachment 3 Capral Price Analysis and Confidential Attachment 4 PMAA Price Analysis.

⁵⁰ See Confidential Attachment 5, tab k.

⁵¹ Ibid.

⁵² See Section 3.6.1.2

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- dumping duties for that exporter, if relevant.

In terms of post FOB costs, the commission re-examined the data and used the costs incurred by the verified importer PMAA. The commission recalculated shipping costs and importation costs based on the relevant volume, dumping duties paid based on ABF import data and removed the unit costs for selling, general and administration (SG&A) charges. The removal of SG&A charges in original comparison 1 ensured the analysis was completed at the correct level of trade in accordance with the ADRP's request. Taken together, the re-examined post FOB costs were lower than the costs used for the original comparison 1 in REP 591. The commission's assessment of post FOB costs is in **Confidential Attachment 6**.

The commission modified the revised comparison 1 analysis after the publication of the PRR to only include Australian industry sales to distributors (including wholesalers or resellers). Alumac's sales were also removed from revised comparison 1 given that its exports were not to distributors.⁵³

Revised comparison 1 found there were varying levels of undercutting across the different finish types with Australian industry more consistently undercut by dumped Malaysian and Vietnamese imports. Overall:

- For mill finish (the largest volume finish type), PMBA, except for 1 month, consistently undercut the Australian industry. EAA undercut the Australian industry to a lesser extent for the second 7 months of the inquiry period. Mill finish undercutting ranged between 3%–19%.
- For powder coated and anodised finishes, EAA and PMBA consistently undercut the Australian industry with undercutting ranging between 14%–49% for anodised and 8%–36% for powder coated finishes. The undercutting for the lowest priced Australian industry member was between 14%-29% and 8%-17%, respectively.

Revised comparison 1 also found there were varying levels of undercutting across the top 4 MCCs sold. Overall:

- PMBA, except for two months, consistently undercut the Australian industry for M-6A-T1, with undercutting ranging between 2%–17%.
- PMBA, consistently undercut the Australian industry for PC-6A-T1 with undercutting ranging between 8%–30%.
- EAA undercut INEX for the highest volume mill finished MCC (M-6A-T1) sold over the inquiry period and undercut Capral direct and G James in the second half of the inquiry period. EAA's undercutting ranged between 1%–19%.
- EAA consistently undercut Capral direct and INEX for the highest volume powder coated (PC-64-T1) and anodised (A-6A-T1) MCCs sold, with undercutting ranging between 27%–45% and 8%–29%, respectively. EAA undercut G James for the highest volume powder coated MCC for 6 months and undercut G James for the highest volume anodised MCC in each month, with undercutting ranging between 15%–22% and 14%–36%, respectively.

Overall, revised comparison 1 found that Malaysian or Vietnamese direct import prices predominantly undercut the Australian industry across all finish types and across the top 4 models sold by volume for a significant portion of the inquiry period. Further, numerous examples of close price alignment and undercutting were observed for the commission to

⁵³ For completeness and consistency with REP 591, Alumac was included in the revised comparison 1 analysis in the PRR. REP 591 found that it is unlikely that Alumac would export the goods at dumped prices in the future. This finding is not subject to the ADRP's reinvestigation request.

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conclude that the Australian market exhibits a significant degree of price competition. The inclusion or exclusion of Alumac in revised comparison 1 does not detract from this finding.

The commission's assessment of the confidential aspects of the revised comparison 1 analysis, which is summarised above, is in **Confidential Appendix A**.⁵⁴

Revised comparison 2 or sales by importers analysis

REP 591 stated that the original comparison 2 compared Capral's distribution network sales with importers which sell into the Australian market (i.e., distributor/importer to customer).⁵⁵

The revised comparison 2 in this report compared the Australian industry's sales with importers which sell into the Australian market (i.e. distributor/importer to customer). This analysis did not include all sales but compared sales to customers common to Capral's direct mill and indirect distribution network, G James, INEX, EAA and cooperative importer PMAA. Both Capral's direct and indirect sales were included as both sales channel's included common customers with the other suppliers. As noted earlier, Capral was the only supplier who dissected its sales by sales channel. An examination of Alumac's importers found that they were fabricators and not distributors. Since Alumac's importers transformed the goods into other products and were the end customer, Alumac was excluded from the revised comparison. This analysis was conducted on a FIS monthly weighted average basis by type of buyer for the top 4 MCCs sold.

In terms of FIS prices, where the sales terms for a selected exporter were not FIS or equivalent, the commission determined the weighted average FIS price of goods for each exporter as the sum of:

- verified FOB export prices
- post FOB costs including handling, port charges and inland freight
- dumping duties for that exporter, if relevant
- SG&A
- profit, if relevant.

In terms of post FOB costs, the commission re-examined the data and used the costs incurred by verified importer PMAA. The commission recalculated shipping costs and importation costs based on the relevant volume and dumping duties paid based on ABF import data. In terms of profit, the commission determined an appropriate level of profit for exporters using data from relevant Australian importers' financial statements sourced from the Australian Securities and Investment Commission (ASIC). Specifically:

- PMAA's prices were already FIS so no conversion from FOB was required.
- The commission observed that EAA sold to a small number of importers during the inquiry period but only one importer was a disclosing entity required to lodge financial reports with the ASIC. The commission determined the weighted average profit for the inquiry period for that one importer using the lodged financial report. For the other importers, the commission considered PMAA's profit was a reasonable proxy. The commission determined the weighted average profit for the inquiry period using PMAA's financial reports for 2020 and 2021. Using the calculated profits for PMAA and the other importer that disclosed to the ASIC, the

⁵⁴ Confidential Appendix A summarises analysis in *Comparison 1 Distribution LOT* tab of Confidential Attachment 5B.

⁵⁵ REP 591's confidential analysis used Capral's direct mill sales rather than Capral's distribution network sales as stated in REP 591. In general terms, Capral's direct mill sales prices are materially lower than Capral's distribution network sales prices.

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commission calculated EAA's importers' weighted average profit using the proportion of volume sold to each importer.

Taken together, the re-examined post FOB costs were higher than the costs used for the original comparison 2 in REP 591. The commission's assessment of post FOB costs is in **Confidential Attachment 6**.

Revised comparison 2 found there were some levels of undercutting by dumped Malaysian and Vietnamese imports across MCC's M-6A-T1, A-6A-T1, PC-6A-T1 and type of buyer, including undercutting by Australian industry members.⁵⁶ While there was undercutting across different MCCs, no one supplier was consistently undercutting. Depending on the MCC and type of buyer, Malaysian and Vietnamese imports were competing closely with Australian industry producers.

The commission's assessment of the confidential aspects of the revised comparison 2 analysis, which is summarised above, is in **Confidential Appendix B**.⁵⁷

In the response to the Australian industry questionnaire, Capral stated that many large customers increasingly sourced goods of the same specification from local and imported sources.⁵⁸ The commission sought to further examine price competition for buyers which purchased from multiple sources (i.e., dual sourcing). The commission compared common customers which ordered from more than one supplier in the same month (i.e., concurrent sales) for the top 4 MCCs only. This analysis included both Capral's direct mill and indirect distribution network sales, as well as other suppliers in the commission's analysis.⁵⁹ Only months with concurrent sales were compared. Even though some common customers purchased from more than 2 suppliers in the same month, the commission assessed prices between 2 suppliers only. The commission's pricing analysis identified that volume affected pricing⁶⁰ so orders of similar volume were also compared to remove the effect of volume on price.

This analysis confirmed that for common customers all suppliers (both Australian industry and imported sources) undercut each other and there is price competition, which at times was close. For the highest volume mill finished and powder coated MCCs sold during the inquiry period, G James and INEX were undercut by dumped import sources more often than Capral's direct mill and indirect distribution network sales.⁶¹

A further examination of simultaneous supply competition for the highest volume mill finish MCC sold by Capral and PMAA common customers found evidence of close price competition and some evidence of buyers switching suppliers when unit prices decreased.⁶² The commission compared all sales to the top 10 common customers by volume which ordered from Capral and PMAA in the same month for the most common mill finished MCC sold to explore potential switching behaviour. For these sales, 3 out of the 10 common customers examined showed some evidence of potential switching behaviour, where a reduction in the unit price led to a significant increase in the volume sold. In another 5 of the 10 customers examined pricing between PMAA and Capral was closely aligned.

⁵⁶ There were no common customer sales of M-6C-T1 for Malaysian and Vietnamese imports in the data examined.

⁵⁷ Confidential Appendix B, summarises analysis in tab d.1 of Confidential Attachment 5

⁵⁸ EPR 591, document number 7, page 8.

⁵⁹ Both Capral's direct and indirect sales were included as both sales channels included common customers with the other suppliers. Capral was the only supplier who dissected its sales by sales channel.

⁶⁰ Confidential Attachment 7 Volume Price Analysis.

⁶¹ Confidential Attachment 5 Price undercutting analysis, see tabs d.1 and d.2

⁶² Ibid, see tab d.3

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In PMB/PMBA/PMAA's (collectively referred to as Press Metal) submission in response to the *Statement of Essential Facts No 591* (SEF 591), Press Metal stated that 'the aluminium extrusions supplied to each such market segment vary and are different not only according to ... MCCs but also products within each MCC with limited, if any, overlap ... between market segments'.⁶³ The commission agrees that different segments of the Australian market can purchase different MCCs. The commission also considers the market segments reflect different buyer types with different prices being applied to these different levels of trade (i.e., distributors, fabricators, manufacturers and end users). The commission considered both types of buyers and different MCCs in the revised comparison 2 analysis.

In the same submission, Press Metal stated the commission's analysis 'should have included an assessment of the price elasticity of demand within each market segment' including 'at what price point, if any, will end-users switch from a domestically produced product to an import product and vice versa, again assuming all other factors affecting purchase decisions are equal'. The commission considers that its analysis indicates that the Australian market for aluminium extrusions is a price sensitive market and it is not necessary to determine an elasticity of supply coefficient.

Overall, while the results of the 3 different analyses⁶⁴ conducted were mixed, revised comparison 2 found sufficient examples of close price alignment for the commission to conclude the Australian market exhibits a significant degree of price competition and price transparency in the market.

3.5 NIP analysis

The commission considers that analysis of the NIP would not provide a reliable indication of the likelihood of a continuation or recurrence of material injury.

The commission considered the NIP in SEF 591 and proposed, in the event that measures were continued, to recommend that the NIP be set equal to the normal values for both Malaysia and Vietnam.⁶⁵ SEF 591 considered that a NIP equivalent to the normal value for each exporter would be the minimum price necessary to prevent a continuation or recurrence of material injury to the Australian industry caused by dumping.

The commission considers that NIP-based comparative analysis during the inquiry period would provide no meaningful assistance to the future-oriented task of assessing the likelihood of a continuation or recurrence of injury. This is because the inquiry period was marked by anomalous market conditions which the commission considers would diminish the NIP as being a reliable indicator of whether the expiration of measures would likely lead to a continuation or recurrence of material injury.⁶⁶

For these reasons, the commission did not complete a NIP-based comparative analysis.

3.6 Reinvestigation submissions received in relation to the undercutting analysis

Capral, in response to the PRR, submitted that it agreed with the commission's finding that the revised price analysis exhibited a greater degree, a more consistent pattern and frequency of price undercutting.⁶⁷ Capral also claimed that the revised undercutting

⁶³ EPR 591, document number 34.

⁶⁴ The 3 different analyses in revised comparison 2 are detailed in tabs d, d.1, d.2 and d.3 of Confidential Attachment 5.

⁶⁵ EPR 591, document number 25.

⁶⁶ These market conditions are further considered in Chapter 6 of this PRR.

⁶⁷ EPR 591, document number 49

analysis was consistent with its understanding of import offers from Malaysia and Vietnam and how these compared with Capral's selling prices during the inquiry period. The commission notes that prior to the publication of the PRR, Capral contended that exports from Malaysia and Vietnam had undercut the Australian industry's selling prices and that the error identified by the ADRP resulted in the analysis showing a lower degree of undercutting than had actually occurred.⁶⁸

Press Metal submissions, before and after the publication of the PRR, raised concerns in relation to the commission's approach to the undercutting analysis.⁶⁹⁷⁰ Press Metal's submissions on the undercutting analysis are considered below.

3.6.1 Pricing information relied on

Press Metal claimed that the only information relied on for the undercutting analysis was from Capral and that insufficient Australian industry data had been examined for the purposes of the undercutting analysis.

This claim is not correct. The sales transaction data used was obtained from multiple Australian industry members (Capral, G James and INEX) and reflected approximately 66% of the Australian industry's sales volume during the inquiry period.⁷¹ The commission considers this to be a sufficient proportion of the Australian industry's sales on which to make the relevant price undercutting findings.

The commission is also satisfied that the pricing data provided by all parties was reliable for the purposes of conducting the undercutting analysis. Whilst only the sales data from Capral was verified, the commission undertook a comparative assessment of the sales data from G James and INEX. This analysis indicates that G James and INEX's data was sufficiently reliable for the purposes of the undercutting analysis.

3.6.2 Pricing information for levels of trade

Press Metal submitted that the undercutting analysis in REP 591 did not adequately consider levels of trade in its analysis and that the analysis only focused on prices from direct imports and prices from importers to customers. Press Metal further claimed that pricing data was not obtained from participants at each level of trade in the market.

For the purposes of the reinvestigation, the commission has considered importer and Australian industry pricing to various levels of trade in its undercutting analysis. Details of customer's levels of trade were obtained from all participants providing sales data to the commission. Using this information, the commission was able to determine and assess pricing to a range of levels of trade, including distributors, fabricators, manufacturers and end users. The commission also undertook analysis of the factors that may impact pricing, including analysing the impact different levels of trade had on prices.⁷² This analysis informed the commission's approach to the undercutting analysis.

⁶⁸ EPR 591, document number 40

⁶⁹ EPR 591, document numbers

⁷⁰ Press Metal further contended in its submission dated 19 December 2022 (document number 45) that there was no observed pattern of undercutting (in REP 591) and that Capral and INEX were undercutting importers and other Australian industry members. Press Metal claimed that irrespective of the errors identified (in the reinvestigation request), the dumped prices did not confer an advantage to importers and the exhibited behaviour in undercutting was reflective of what would be expected to occur in an open, competitive market. The commission notes that this claim was made prior to the publication of the revised undercutting analysis in the PRR. Given the updates to the undercutting analysis in the PRR when compared to REP 591, this claim is not reflective of the commission's reinvestigation findings.

⁷¹ REP 591, Page 13

⁷² See Confidential Attachment 3 Capral Price Analysis and Confidential Attachment 4 PMAA Price Analysis.

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In relation to revised comparison 2, levels of trade were specifically considered in the undercutting analysis, both in the PRR and in this report. The commission's undercutting analysis in revised comparison 2 also considered pricing to common customers, which involved comparing prices at the same level of trade.

In relation to revised comparison 1, following Press Metal's submission, the commission further refined the undercutting analysis for revised comparison 1 to only include Australian industry sales to distributors to ensure pricing was compared at the same level of trade. These amendments are discussed in section 3.4 of this report.

3.6.3 Use of MCCs rather than specific products or models

Press Metal stated that the undercutting analysis should be conducted on a product basis at each level of trade, not on a price per kilogram (kg) by MCC category basis. PMAA claimed that customers purchased by product type (e.g., angles, rods, tee sections) and on a per unit basis. PMAA stated that a range of products could be included within the one MCC or a product could be incorporated across multiple MCCs. Press Metal also queried the use of weighted average pricing in the analysis.

The commission's practice is to use MCC structures to identify key characteristics that give rise to distinguishable and material differences in price when comparing models. The commission's analysis confirmed that the characteristics specified within the MCCs impacted pricing.⁷³ The MCC structure provides a reliable framework through which to compare prices of otherwise similar extrusions.

The commission notes that in excess of 1 million transaction lines and 50,000 individual product codes were contained in the sales data used in the undercutting analysis.⁷⁴ The individual product codes and their descriptors provided insufficient information on which to make any direct comparisons between product codes or product descriptions of each interested party.

Given the significant difficulty and complexity of assessing comparable products by individual product codes on a per unit basis, the commission considers that its approach to the undercutting analysis was an appropriate and reasonable basis on which to assess relative pricing between parties.

In relation to using weight, as opposed to product units, the commission notes that information provided by PMAA regarding its pricing and purchasing negotiations were consistent with using weight to determine key elements of its unit pricing, including the metal price element.⁷⁵

The commission also considers that the use of weighted averages to compare prices is suitable given the significant number of transactions analysed. Weighted averages also give appropriate weight to the higher volume and higher frequency sales. To assess the effects of sales volumes on pricing, the commission also assessed pricing between common customers purchasing similar quantities in revised comparison 2.

⁷³ See Confidential Attachments 3 and 4. Pricing from PMAA and Capral were examined. In relation to revised comparison one, the commission also completed the analysis based on the finish type, which is also included in the MCC structure as one of the characteristics.

⁷⁴ See Confidential Attachment 5B-1 - Product code and transaction count

⁷⁵ See PMAA importer verification work program.

3.6.4 Assessment of elasticity and cross elasticity of demand

Press Metal claims that it is necessary to establish the elasticity of demand and to conduct cross elasticity of demand analysis given that goods are not substitutable for each other and have different end uses.

The commission considers that analysis of the cross elasticity of demand is not required. The commission considers that aluminium extrusions are a commodity product, and provided the goods meet the relevant Australian Standard and the grade requirements for the desired end use, there are limited ways in which suppliers can differentiate their offering beyond price and service. In most circumstances, customers can change suppliers readily. This is particularly the case where it is not a customer specific extrusion. The ease with which this can occur may differ for a customer specific extrusion.⁷⁶

Further, the commission's analysis of the aluminium extrusions market has identified that there is a high degree of substitutability in the market. As observed in the commission's common customer analysis, many customers source aluminium extrusions from multiple suppliers and, at times, switch supply. This is indicative of a market where customers are readily able to consider and seek supply from multiple sources. The commission's undercutting analysis also accounted for differing end users by assessing prices at differing levels of trade and assessing prices to common customers.

The commission also disagrees with Press Metal's claim that it is necessary to establish the elasticity of demand. Based on the relevant information before the commission, the commission is satisfied that the Australian aluminium extrusion market is price sensitive.

3.6.5 Use of constructed FIS prices

Press Metal stated that the constructed FIS prices used in the undercutting analysis were not an actual price but reflected a price into store. It claimed it was not apparent why FIS prices were being used in the undercutting analysis.

The construction of FIS pricing was required, in part, to ensure the comparability of pricing in the analysis. Further, the commission had no cooperation from importers sourcing aluminium extrusions from Vietnam, which required the commission to use the best available information to assess Vietnamese import prices.

The use of FIS pricing needs to be also considered in the context of the purpose of undercutting analysis in this continuation inquiry. That is, the analysis for the inquiry period was completed to inform the commission's forward-looking assessment of the likelihood of injury in the event that the measures expired.

Press Metal also claimed that REP 591 was unclear on how FIS prices were calculated and verified. Section 3.4.3 of this report (and the PRR) provide detailed information on the method of calculation and the sources of the relevant information used. The commission is satisfied that the information used is relevant and reliable.

3.6.6 Analysis of NIP prices

Press Metal raised concerns regarding using the NIP to assess whether material injury is likely to continue or recur.⁷⁷ As an assessment of the NIP in the reinvestigation was not

⁷⁶ Extrusion profiles made to customer specifications require special dies. This will 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 being amortised over the expected life of the die of the contract and built into the price of the extrusions.

⁷⁷ Capral in its submission of 8 November noted the ADRP's comments in relation to the absence of analysis of the NIP but made no further comments in relation to using the NIP.

completed, the commission has not addressed Press Metal's concerns in relation to using the NIP.

3.6.7 Australian market and competition between domestic and imported goods

Press Metal, in a submission to the reinvestigation request, claimed that REP 591 lacked a substantive identification of the Australian aluminium extrusion market and the market forces prevailing that drove demand, including participants, products and end users.⁷⁸

The commission notes the PRR included further analysis on the Australian aluminium extrusion market. This analysis has also been included in this report.

Press Metal subsequently submitted in response to the PRR that the market structure diagram in the PRR was problematic as it was two dimensional and did not recognise that Australia, as a market for aluminium extrusion products, is a geographic area. Press Metal claimed that there was no analysis of the extent the subject imports had penetrated the geographic markets.⁷⁹

The commission has analysed ABF import data to identify the arrival ports for Malaysian and Vietnamese exports between 2020 and 2021. This analysis identified that subject imports arrived at ports situated in New South Wales, Queensland, Western Australia and Victoria during this period.⁸⁰ The commission also notes that the primary importers from Malaysia and Vietnam have a range of office locations in New South Wales, Queensland, Western Australia and Victoria.⁸¹ The commission is consequently satisfied that there has been a broad penetration of the subject imports across Australia during the inquiry period.

Press Metal also raised concerns that REP 591 contained no analysis of whether exports competed with the domestic aluminium extrusion products and, if so, on what basis they competed.

The commission is satisfied that subject exports from Malaysia and Vietnam are competing with the Australian industry. This is evidenced by:

- the Australian industry, subject exporters and subject importers supplying common market segments and levels of trade within common geographical locations
- multiple customers obtaining or having obtained supply from both the Australian industry and subject importers or exporters and
- observed instances of close price competition.

3.6.8 Comparability of domestic and import prices

Press Metal submitted that the commission's undercutting analysis had been made on the assumption that the prices paid in the international transactions were comparable with the prices paid in domestic sales. Press Metal claimed that the commercial, legal and other risk profiles of international and domestic transactions were materially different, and that these factors must be taken into account.

No evidence was provided by Press Metal to show how, and to what degree, these factors influenced aluminium extrusion prices. The commission further notes that any such effect, if it exists, would be irrelevant in revised comparison 2, which compared prices between Australian industry and Australian importers to third party customers.

⁷⁸ EPR 591, document 45.

⁷⁹ EPR 591, document 48.

⁸⁰ See Confidential Attachment 2.

⁸¹ The commission notes that PMAA does not have an office in Western Australia.

3.7 Findings

Revised comparison 1, which included sales to customers at the distributor level of trade,⁸² demonstrated that dumped imports from Malaysia and Vietnam were predominantly undercutting Australian industry suppliers across all finish types and across the top 4 MCCs sold by volume. Revised comparison 2, which included a selected set of sales by all suppliers, showed varying levels of undercutting across MCCs and types of buyers, including undercutting by Australian industry members. When the analysis was further narrowed to just include concurrent sales to common customers, this confirmed that for common customers all suppliers (both the Australian industry and imported sources) at times undercut each other and there is price competition, which at times was close. An examination of simultaneous supply competition for the highest volume mill finished MCC⁸³ sold to customers common to both Capral and PMAA showed close price competition and some evidence of buyers switching suppliers when unit prices decreased. Overall, the commission considers the Australian market exhibits a significant degree of price competition between the Australian industry and imports sourced from Malaysia and Vietnam.

Based on the findings from revised comparisons 1 and 2, the commission considers that there are instances of price undercutting to a material degree and switching behaviour in the Australian market involving import supply from Malaysia and Vietnam. Compared to the undercutting analysis conducted in REP 591, the commission considers there is a greater degree and a more consistent pattern and frequency of undercutting by Malaysian and Vietnamese dumped import sources.

⁸² Sales by Alumac and sales through Capral's distribution network were excluded.

⁸³ This MCC is M-6A-T1

4 PRICING BEHAVIOUR OF IMPORTERS IN THE ABSENCE OF MEASURES

4.1 Findings

The commission has reinvestigated the pricing behaviour of importers in accordance with the ADRP's request.

The commission finds that in the absence of measures, importers will face lower import costs. In the price sensitive Australian market, importers will be able to use the dumped import prices, absent dumping duty, to advantageously adopt competitive pricing strategies which include further undercutting the Australian industry's prices. In addition, end users which directly import will face lower import costs from producers in Malaysia and/or Vietnam in the absence of measures. These lower costs will be relevant to their future purchasing decisions.

The commission considers that, whilst other factors such as security of supply, quality, credit terms and provision of service are relevant, price is a significant factor in purchasing decisions by buyers, resulting in price sensitivity in the Australian market for aluminium extrusions. The commission has observed that there is a high degree of price transparency and supplier competition where customers obtain supply from multiple sources and switch supply sources. Evidence provided to the inquiry by the Australian industry (prior to REP 591) and the revised price undercutting analysis (see section 3.4.3) has identified examples of buyers switching supply in an apparent response to cheaper prices.

4.2 Reinvestigation request

The ADRP requested the commission reinvestigate the findings in REP 591 that in the absence of measures there would likely be little change to the pricing behaviour of exporters and importers.

In making this request, the ADRP:

- observed that, while REP 591 contained information baselining the exporters' pricing behaviour since the imposition of measures, there was no comparative information about importers
- noted it was 'unclear on what basis the comment on pricing behaviour of importers [was] made'⁸⁴
- suggested that it is more likely than not, in a price sensitive market, that importers would change prices should the measures expire
- noted that the analysis of the pricing behaviour of importers since the imposition of measures was 'not apparent' and that the 'analysis of prices of importers during the inquiry period [was] limited', as 'only one importer's information was verified during the inquiry'⁸⁵
- noted that there are also comments in REP 591 that 'appear to suggest that prices are being impacted by the Malaysian and Vietnamese exports and that it is a price

⁸⁴ ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022, page 6, on the ADRP's website at https://www.industry.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_request_for_reinvestigation.pdf

⁸⁵ Ibid, page 7.

sensitive market. Further consideration of price impacts and whether material injury is likely to continue or recur if measures expire is required'.⁸⁶

4.3 Reinvestigation analysis

4.3.1 Australian market and business factors that may influence importers' pricing decisions after the removal of measures

The commission broadly agrees with the ADRP's observations that, after anti-dumping measures are removed, an importer can continue to either maintain prices to achieve a higher return or decrease prices and retain its existing margin. The commission also considers that importers could elect to reduce their prices by a smaller extent, thereby achieving higher margins while also lowering prices.

The commission notes that the ADRP's observations largely reflect the pricing behaviour of importers acting as distributors, wholesalers or retailers in the Australian market. Fabricators or manufacturers which import directly may also seek to retain the additional margin or lower their final product prices in response to the removal of the measures. Other importers could also switch supply to Malaysia and/or Vietnam in response to cheaper Malaysian or Vietnamese import prices in the absence of measures.

The commission agrees with the ADRP's observation that the approach an importer adopts is dependent on a range of business and market-related factors. To identify these factors, the commission has re-examined its findings in REP 591, Capral's application for the continuation inquiry and submissions from interested parties during the continuation inquiry. Submissions from Press Metal also identified further factors, which have been considered in the commission's analysis.⁸⁷

REP 591 made the following findings in relation to the operation of the Australian market that are relevant to importers' pricing behaviour:

- The Australian market for the goods is a price sensitive market.⁸⁸
- Parties have multiple sources of supply available to them, both produced domestically and imported. Imports are currently sourced from Malaysia and Vietnam, as well as from China and other countries.⁸⁹
- Aluminium extrusions are a commodity product, and provided the goods meet the relevant Australian Standard and the grade requirements for the desired end use, there are limited ways in which suppliers can differentiate their offering beyond price and service. Pricing is primarily based on the 'spread', being the difference between the combined sum of the London Metal Exchange (LME) price and premiums, and the selling price.⁹⁰
- In most circumstances, customers can change suppliers readily. Depending on the specific extrusion the customer is purchasing, the ease with which this can occur will differ in terms of cost, lead-time and management of production quality.⁹¹
- Extrusion profiles made to customer specifications require special dies. This will involve a charge to the customer to cover the upfront cost of producing the die, or

⁸⁶ Ibid.

⁸⁷ EPR 591, document numbers 48 and 53.

⁸⁸ REP 591, page 79.

⁸⁹ Ibid, page 24.

⁹⁰ Ibid, pages 24–25.

⁹¹ Ibid, page 24.

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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.⁹²

- The size and complexity of orders, as well as the type of trading relationships developed over time, results in a variety of sales channels between the producer of the extrusion and the end customer.⁹³

As noted in chapter 3, the primary importers of aluminium extrusions into the Australian market are distributors (or wholesalers) and end users (fabricators, manufacturers and further finishers).

Capral relevantly claimed in its application for the continuation inquiry that:

- ‘the Australian market for aluminium extrusions is an “open” market with significant supply from both local and import sources’
- ‘Malaysian and Vietnamese exporters have retained distribution links into the Australian market since the anti-dumping measures were imposed in 2017’
- Capral and other Australian industry members ‘have continued to compete with ... exporters in Malaysia and Vietnam’
- there is ‘a high level of price transparency and pricing sensitivity for aluminium extrusions sold on the Australian market’.⁹⁴

Submissions and questionnaire responses to the inquiry made the following statements or claims relevant to the operation of the Australian market (which are not specifically commented on in the REP 591 findings summarised above):⁹⁵

- ‘[M]any large customers had been increasingly sourcing a combination of local and imported extrusions of the same specification’ (i.e., dual sourcing). [Capral⁹⁶]
- ‘[A]lthough purchase price is an important factor, other factors such as security of supply, quality and provision of service were all important in choosing a supplier of the goods’. [PMAA⁹⁷]
- ‘There is spare capacity in the market that extruders are trying to fill. This leads to price discounting in an attempt to fill this volume’. [G James⁹⁸]
- ‘There are several such markets or sub-markets within a general Australian aluminium extrusions market. The products and prices of aluminium extrusions supplied to each obviously differ.’ ‘Prices in the market to end users ultimately determines prices at the other levels of trade, such as in the wholesale market, in the supply chain’. [PMBA⁹⁹]

4.3.2 Reinvestigation analysis of common customers in the Australian market

The commission considers that the degree to which customers obtain supply from multiple sources provides insight in relation to the nature of competition in the Australian market.

⁹² Ibid, page 26.

⁹³ Ibid, page 24.

⁹⁴ EPR 591, document number 1.

⁹⁵ The commission received exporter questionnaire responses which included responses to questions relating to the operation of the Australian market and their pricing in the Australian market. The commission considers that this information relates to the pricing decisions of exporters, not importers. Consequently, this information has not been considered in this report’s assessment of importer behaviour. No submissions were received from interested parties that claimed this information was relevant for the purposes of assessing importer behaviour.

⁹⁶ EPR 591, document number 7.

⁹⁷ EPR 591, document number 20.

⁹⁸ EPR 591, document number 11.

⁹⁹ EPR 591, document number 31.

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Using ABF import data and sales data provided by the Australian industry, exporters and importers, the commission assessed the number of Australian customers which were sourcing from multiple suppliers participating in the continuation inquiry. This examination identified more than 300 customers which were sourcing aluminium extrusions from multiple suppliers during the inquiry period.¹⁰⁰ These common customers represent a material proportion of the volume sold for each supplier. For Capral, G James, INEX and PMAA, the commission calculated the proportion sourced by common customers for each supplier and found they represented a minimum of 30% of a supplier's sales volumes during the inquiry period.¹⁰¹ Multiple customers had concurrent sales with multiple suppliers where they were dual sourcing extrusions with the same MCC in the same month.

The commission's analysis identified that:

- For the most common MCC sold, there was evidence of close prices and some evidence of customers common to Capral and PMAA switching their supply source in response to what appeared to be a cheaper price from either supplier.
- Almost half of the common customers purchased from multiple suppliers in the same month (i.e., concurrent sales). The frequency of concurrent sales was material, with common customers on average ordering from multiple suppliers in 6 out of 12 months over the inquiry period. The volume of concurrent sales was also material, with concurrent sales representing on average more than 50% of the total volume purchased by a common customer over the inquiry period.

Based on the above findings, the commission considers the Australian market has a high level of price transparency and supplier competition.

Whilst no importers which imported from Vietnam cooperated with the inquiry, the commission was able to compare sales data provided by Vietnamese importer, Aus Star Holdings International Pty Ltd (Aus Star) in Review 544¹⁰² with sales data provided to the continuation inquiry. This analysis identified that 37% of Aus Star customers during the 544 inquiry period had purchased aluminium extrusions from other interested parties which provided sales data to the continuation inquiry. These common customers also represented a material proportion of Aus Star's sales volume in Review 544. The commission's analysis of Aus Star's customers is in **Confidential Attachment 13**.¹⁰³

4.3.3 Reinvestigation assessment of importers' pricing behaviour subsequent to the imposition of measures

The ADRP noted that analysis of the pricing behaviour of importers since the imposition of measures was not apparent in REP 591 and that the analysis of importers' prices during the inquiry period was limited.

The commission considers the impact of the measures on importers informs an assessment of the likely behaviour of importers in the absence of measures. The impact of imposing measures is discussed separately for Malaysia and Vietnam, below.

¹⁰⁰ See section 3.4.2.4.

¹⁰¹ See Confidential attachment 5, tab k. Analysis excludes sales to related entities. For EAA, sales were predominantly to Australian importer Aus Star, who did not cooperate with the inquiry.

¹⁰² The inquiry period for Review 544 was 1 January 2019 to 31 December 2019.

¹⁰³ See Confidential Attachment 13 Aus Star Common Customer Analysis.

4.3.3.1 Malaysia

Following REP 362, measures relating to Malaysia were initially imposed on all Malaysian exporters, except for Genesis Aluminium Industries Sdn Bhd (Genesis), Kamco Aluminium Sdn Bhd, LB Aluminium Berhad, Milleon Extruder Sdn Bhd, PMB and Superb Aluminium Industries Sdn Bhd. Measures were subsequently imposed on these excluded exporters, except for Genesis and PMB, following investigations 540 and 541.¹⁰⁴

As a result of imposing measures, importations from exporters subject to the notices fell significantly.¹⁰⁵ This included evidence of importers ceasing to import and some importers switching import sources to a source that is not subject to dumping duty (country and/or an exempt exporter).¹⁰⁶ Some of these importers sourced from the Australian industry and other importers during the inquiry period. However, given the interval in time, the commission is unable to assess whether these importers switched to sourcing supply from the Australian industry in response to the imposition of measures.

ABF import data indicates that interim dumping duty (IDD) was paid on subject imports after the imposition of measures. Applications for duty assessments and refunds were made in relation to these importations. Figure 2 illustrates the amount of duty paid, after deducting duty assessment refunds, relative to the declared FOB prices.

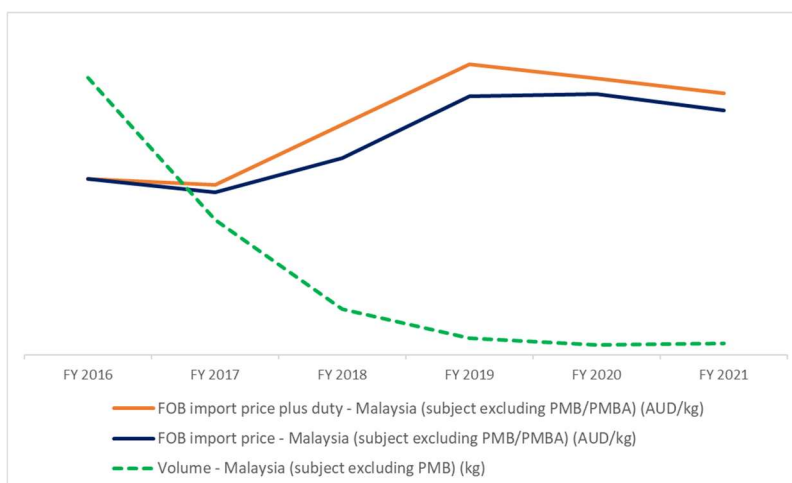


Figure 2 Subject imports from Malaysia (excluding PMAA) – Duty paid, FOB prices and volume (by financial year (FY))

PMAA, as the primary importer from related exporters PMB and PMBA, only commenced paying dumping duties during the second quarter of 2021. Figure 3 illustrates the FOB import price plus duty paid by PMAA, after deducting duty assessment refunds.

¹⁰⁴ See Anti-Dumping Notice (ADN) numbers 2017/72, 2017/73, 2017/74, 2021/033, 2021/034, 2021/035 and 2021/036.

¹⁰⁵ Exempt exporters import volumes were either maintained or increased over the longer term after the imposition of the measures.

¹⁰⁶ See Confidential Attachment 8 for analysis.

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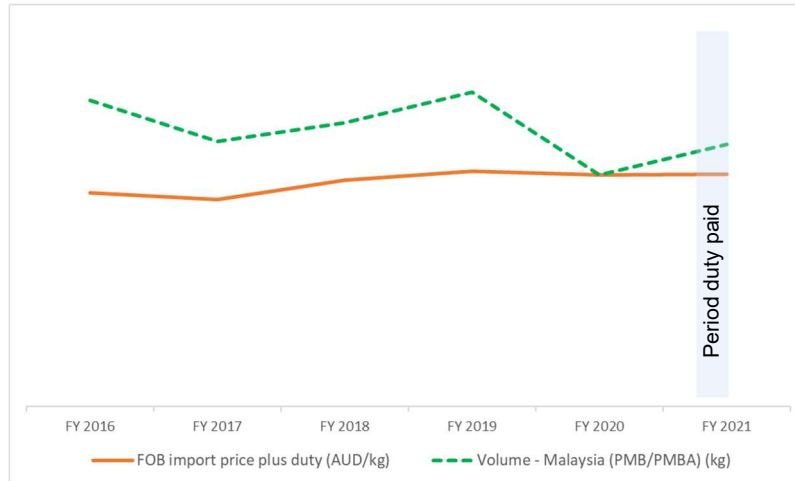


Figure 3 Imports from Malaysia by PMAA – Duty paid, FOB prices and volume (by FY)¹⁰⁷

Due to the limited time frame in which to observe PMAA's pricing response to the measures, the commission was unable to observe any price change. However, the commission considers that PMAA would be likely to increase its prices to cover dumping duties, otherwise its profit margin will be affected. This is consistent with PMAA's observed price changes as a result of incurring increased shipping costs during the inquiry period.¹⁰⁸

The commission considers that other importers sourcing from Malaysia have reflected the cost of the import duties in their prices and purchasing decisions. The commission also considers that the initial substantial fall in Malaysian import volumes (excluding the exempt exporters and PMB/PMBA) likely indicates that importers reacted to the imposition of measures by reducing import volumes from Malaysia.

Consequently, the commission is satisfied, based on available evidence, that importers sourcing from Malaysia have predominantly reflected the cost of dumping duties in their pricing and/or are sensitive to import costs in their pricing decisions.

4.3.3.2 Vietnam

Dumping duties relating to Vietnam were initially imposed on all exporters in Vietnam following investigation 362.¹⁰⁹

The overall number of importers sourcing from Vietnam has reduced since measures were imposed. There is evidence of importers ceasing to import and some importers switching import sources to a source that is not subject to dumping duty after the imposition of measures.¹¹⁰ Some of these importers sourced from the Australian industry and other importers during the inquiry period. However, given the interval in time, the commission is unable to assess whether these importers switched to sourcing supply from the Australian industry in response to the imposition of measures.

Importers which accounted for 80% of the imports in the original investigation period have continued to regularly import from Vietnam.¹¹¹ These regular importers accounted for 99% of importations during the inquiry period.¹¹² One regular importer is an Australian industry member, which accounted for 1.5% of Vietnamese importations during the inquiry

¹⁰⁷ The period duty paid period on the graph is only for illustrative purposes. Duty paid includes adjustment for duty assessment refunds.

¹⁰⁸ See section 6.4.1.3 for further discussion about shipping costs.

¹⁰⁹ See ADN numbers 2017/72 and 2017/74.

¹¹⁰ See Confidential Attachment 8 for analysis.

¹¹¹ *ibid*

¹¹² *ibid*

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period.¹¹³ The largest importer, Aus Star, accounted for 92% of the Vietnamese imports during the inquiry period.¹¹⁴ Aus Star's import volume during the inquiry period was 71% of its import volume prior to the imposition of measures.¹¹⁵

Assessment of ABF import data for Vietnam indicates that, subsequent to the imposition of anti-dumping measures, importers have paid interim duty. No applications for duty assessments or duty refunds have been made in relation to Vietnam for the period after the imposition of measures. The amount of interim duty paid is reflected in Figure 4.

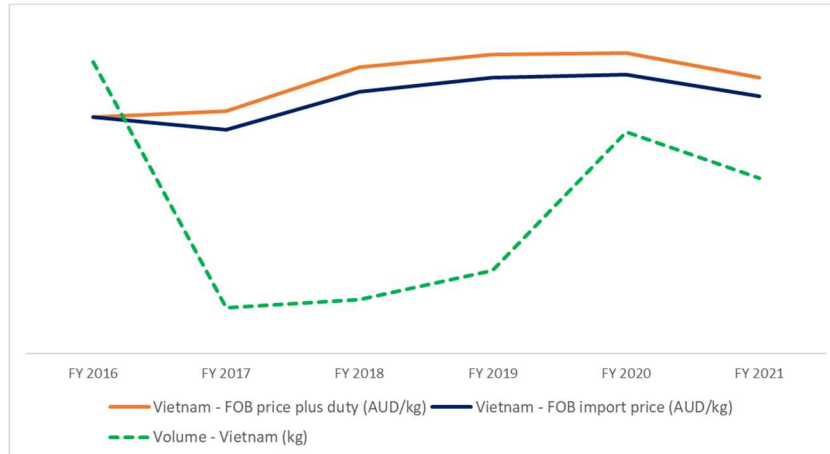


Figure 4 Imports from Vietnam – Duty paid, FOB prices and volume (by FY)

Whilst no importers sourcing from Vietnam cooperated with the inquiry, the commission has previously received verified information from Aus Star. Aus Star provided relevant information to the original investigation and subsequent Review 544.

Based on the assessment of Aus Star's profitability in the original investigation and recoverability of costs assessment in Review 544, the commission considers that Aus Star is reflecting the measures in its pricing to customers.¹¹⁶ Consequently, the commission is satisfied, based on available evidence, that importers sourcing from Vietnam have largely reflected the cost of anti-dumping duties in their pricing and are sensitive to costs in their pricing decisions.

4.4 Submissions

Press Metal submitted that there were misconceptions with the ADRP's observations regarding exporter and importer pricing behaviour.¹¹⁷

Press Metal stated that the imposition of measures would likely operate as a disincentive for an exporter to increase prices as this would render its exports more uncompetitive. It asserted that, given that importers' costs would be inclusive of duty, they would be selling into the Australian market at a duty inclusive price which was an un-dumped price (assuming they remained competitive).

Press Metal claimed that the expiry of the measures would be unlikely to lead to exporters and importers lowering their prices. Press Metal claimed there was no commercial or

¹¹³ *ibid*

¹¹⁴ *ibid*

¹¹⁵ *ibid*

¹¹⁶ See EPR 362, document 64 and EPR 544, document number 15.

¹¹⁷ EPR 591, document number 45.

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financial benefit in them doing so, particularly if prices charged by importers remained competitive in the Australian market, because:

- exporters reducing prices exposed them to the risk of dumping
- importers could keep any additional cost savings from not paying duty as profit
- the Australian market had become acclimatised to the higher prices and lowering prices would create uncertainty in the market that could erode revenues and profits for importers.

Press Metal, whilst claiming that that the expiry of the anti-dumping measures would be unlikely to lead to a change in the pricing behaviour by exporters and/or importers, observed that the Australian industry could respond to the expiry of the measures by reducing its prices in anticipation of importers lowering prices.

Press Metal further claimed that:

- no information or evidence was obtained from customers themselves regarding how they made purchasing decisions, which would be required to make the relevant assessment.
- it was not unusual for customers to seek supply from multiple sources and that seeking supply from multiple sources would indicate that price is not a determining factor, with security of supply and credit being more likely the determinants of having multiple sources of supply.
- switching in supply could be due to the Australian industry's increasing lead times to supply, ceasing to supply certain models or customers reaching credit limits with one supplier.
- correlation in pricing is not meaningful and is hardly a surprising finding.
- evidence of customers switching is not empirical evidence and the evidence provided was statistically insignificant.

The commission notes that Press Metal's observations on why importers and exporters from Malaysia and Vietnam would not lower prices fails to account for the fact that they are competing with supply from the Australian industry and other import sources. In this regard, the commission notes that Press Metal acknowledges that price is important and that the Australian aluminium extrusion market is a competitive market.

In the context of the Australian aluminium extrusions market being a competitive market that is price sensitive, it is not evident that Press Metal's claimed price acclimatisation would genuinely occur. No evidence was provided to support this claim.

Whilst Press Metals states that customers seeking supply from multiple sources indicates security of supply and credit as being likely determinants, the commission considers this also indicates that customers:

- are able and do obtain supply from a variety of suppliers
- have ongoing supply relationships with multiple suppliers and
- are likely receiving price information and offers from multiple sources.

Whilst Press Metal proposed a range of alternative reasons for customers switching supply, Press Metal did not provide evidence that switching was occurring for these reasons. The commission considers that these proposed reasons may be factors in purchasing decisions, however, price is still considered an important factor by the commission.

Examples of customers likely switching due to price were identified in the evidence provided by Australian industry and in the commission's undercutting analysis. The commission has also, as discussed in sections 4.3.3.1 and 4.3.3.2, identified examples of

importers switching import sources to another country or an exporter not subject to measures after the initial imposition of duty. These examples, when considered in conjunction with the commission's undercutting analysis, signify that price is an important factor in purchasing decisions and that customers are able to, and do, consider supply from multiple sources.

The commission also disagrees with Press Metal's claim that correlation in pricing is not meaningful. To clarify, the reference to correlation in pricing in the PRR report was referencing the close pricing between Australian industry and import sources supplying common customers. Close pricing in a market is again indicative of competition where price is an important factor in that competition.

4.5 Reinvestigation assessment of the likely price behaviour of importers in the absence of measures

The commission considers that aluminium extrusions are a commodity product which is price sensitive in the Australian market. Importers from Malaysia and/or Vietnam face competition from multiple sources, including from Australian producers and other import sources.

Australian-produced goods and the imported goods have similar end uses, meet similar quality specifications and standards, are sold to the same types of customers and compete directly with each other in the same market segments.

The commission considers that, whilst other factors such as security or availability of supply, quality, credit terms and provision of service are relevant, price is an important factor in purchasing decisions. This is evidenced by:

- Close price competition identified in the undercutting analysis.
- Examples of customers switching between suppliers, including evidence of switching to a lower priced supplier.¹¹⁸
- Importers, at times, sourcing from multiple import sources, with some examples of importers switching import sources in anticipation of the imposition of measures.¹¹⁹
- The size of the respective spreads reducing for both Capral and PMAA over the inquiry period. The reduced relative size of each party's spread corresponded with increasing LME prices. This reducing spread is considered reflective of price competition in a competitive market where Capral and PMAA were not able to retain the same spread when aluminium costs increased.¹²⁰
- A high degree of price transparency in the market, with pricing based on published movements in the LME and common customers considering pricing from multiple sources.
- Participants in the market having knowledge of the factors that influence prices, including LME price movements, price structures, prevailing market prices, levels of trade and other terms or circumstances affecting prices.

Given that price is an important element in purchasing decisions, this results in price sensitivity in the Australian market for aluminium extrusions.

The imposition of measures has impacted importers' pricing in the Australian market and importers are responsive to changes in import costs in their pricing decisions. The

¹¹⁸ See evidence provided to the original inquiry by Australian industry and examples identified in the reinvestigation undercutting analysis.

¹¹⁹ See analysis in Confidential Appendix 8.

¹²⁰ See section 6.4.2.

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commission's analysis of the impact of the measures, the ongoing profitability of importers and the analysis of the impact of shipping costs discussed in Chapter 6 of this report indicate that importers' pricing in the market is sensitive to import costs, including anti-dumping duties.

In a competitive market that is price sensitive, the commission considers that importers will be able to use the dumped import prices, absent the duties previously paid, to advantageously adopt competitive pricing strategies which include undercutting to a greater degree and with more frequency than was observed during the inquiry period.

End users which directly import from producers will face lower importation costs from Malaysia and/or Vietnam in the absence of measures. These lower costs will be relevant to their future purchasing decisions. The commission's analysis of ABF import data identified that importers also, at times, imported from multiple sources. There was also some evidence of importers switching sources in response to the imposition of measures. The commission considers that other importers may seek to switch import supply to Malaysia and/or Vietnam to access cheaper prices to enable them to price more cheaply in the Australian market.

The commission's analysis relevant to the pricing behaviour of Malaysian and Vietnamese import sources is in **Confidential Attachment 8**.

5 THE IMPACT AND INFLUENCE OF OTHER IMPORT SOURCES

5.1 Findings

The commission has reinvestigated the impact and influence of imports from other sources, including China, on the Australian industry's prices to inform its analysis of the influence of Malaysian and Vietnamese imports.

Price analysis over the history of the measures indicates that a similar price relationship between imports from China, Malaysia and Vietnam existed during the inquiry period as was found in the original investigation period. Analysis of import pricing indicates that Malaysian and Vietnamese prices were, at times, lower than Chinese prices and on other occasions above Chinese prices, but in close alignment. Historically, pricing analysis is also indicative of the Australian industry's prices responding, at times, to Malaysian or Vietnamese import prices, rather than Chinese import prices.

Common customer and undercutting analyses indicate that the Australian market is a price sensitive market where a range of customers purchase supply from multiple sources, including from the Australian industry and import sources. The commission's undercutting analysis has also identified a significant degree of price competition between exporters, importers and the Australian industry.

Whilst subject imports from Malaysia and Vietnam reflected approximately 4% of the Australian market during the inquiry period¹²¹, the commission's common customer analysis indicates that as much as approximately 25% of each Australian industry member's sales volume was to customers also sourcing, or previously sourcing, aluminium extrusions from Malaysia and/or Vietnam. Given this degree of penetration and the nature of the observed price competition in the market, the commission finds that Malaysian and Vietnamese imports are likely influencing the Australian industry's pricing. The commission considers that the fact imports from other sources, including China, Indonesia, and Thailand, are also likely having an impact does not detract from this finding.

5.2 Reinvestigation request

The ADRP requested the commission reinvestigate the price relationship in REP 591 between the Australian industry's prices and the prices of dumped imports, noting aluminium extrusions is a price sensitive market.

The ADRP noted that REP 591 contained 'various references ... to the downward pressure on prices being exerted by dumped goods' and that the commission was unable to 'find direct evidence of the impact of the prices of such dumped imports on Capral's prices'.¹²² The ADRP commented that this finding needed to be revisited in the context of Capral's specific claims in its review and continuation applications. The ADRP further noted that Capral had questioned the 'lack of analysis of prices from other sources in the

¹²¹ PRR 591 incorrectly referenced the 4% as reflecting import volumes. This report has been updated to correctly reflect that imports reflected 4% of the Australian market - see REP 591 at page 82: '*With respect to aluminium extrusions subject to the measures imported from Vietnam and Malaysia, each country holds a market share of approximately 2% of the Australian market. Malaysian exporters not subject to the notice account for an additional 1.4% of the Australian market for aluminium extrusions. Exports from China still account for approximately 20% of the total Australian market and over 50% of all imports of aluminium extrusions.*'

¹²² ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022, page 8, on the ADRP's website at https://industry2.govcms.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_request_for_reinvestigation.pdf.

market, when it is acknowledged that the aluminium extrusions market is price sensitive'.¹²³

Capral, in its review application, claimed that the REP 591 finding that the main source of price pressure on the Australian industry would likely be from other imports with a greater market share was erroneous. Capral claimed that this conclusion could not be relied upon as it assumed, unsupported by evidence, that the other sources of supply were offering prices at the same (or lower) levels than exports from Malaysia and Vietnam.

5.3 Findings in REP 591

REP 591 noted that imports were sourced from numerous countries, with the highest volumes originating from China.

REP 591 noted that, in isolation, ABF data analysis tended to support Capral's claim that cheaper Vietnamese exports of aluminium extrusions continue to have an impact in the market. However, REP 591 also noted that, given the ABF import data did not delineate pricing based on finish type, the actual mix of finish types from other countries reduced the relevance of any comparison to the apparently lower Malaysian and Vietnamese export prices.

Whilst REP 591 considered that lower Malaysian and Vietnamese export prices were a relevant factor influencing the economic condition of the Australian industry, in terms of its ability to increase prices or compete on price in a price sensitive market, imports from Malaysia and Vietnam each respectively only held approximately 2% share of the Australian market. This was contrasted with China's Australian market share of 20%.

The commission noted that the existing price advantage arising from dumped goods during the inquiry period did not appear to have resulted in any significant shift in purchasing by Australian consumers towards Malaysian or Vietnamese sources. It was concluded that the data suggested that the main source of price pressure on the domestic industry would likely be from other import sources with a much greater market share, noting that the original measures on the subject imports prompted little change in the market and, counterintuitively, precipitated an initial decline in the domestic industry's performance as imports from China and other sources continued to grow.

5.4 Reinvestigation analysis

For the purposes of the reinvestigation, the commission has re-examined the impact of prices from other sources, including examining imports from China as the largest import source over the inquiry period.

5.4.1 Impact of imports from other countries

The original investigation examined the influence of pricing from China. REP 362 noted that the analysis of the relative movements in prices and volumes relating to exports from China, Malaysia and Vietnam, in comparison to the Australian industry's prices, showed that:

- Vietnamese prices were the lowest in the investigation period.¹²⁴
- The reduction in the FOB export price of Malaysian goods from Q2-2015 was likely a reaction to the rapid increase in goods from Vietnam at lower prices.¹²⁵

¹²³ Ibid, page 2.

¹²⁴ EPR 362, document number 89, page 89.

¹²⁵ Ibid.

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- Cheaper Malaysian and Vietnamese goods had replaced volumes of higher priced goods from China and other countries.¹²⁶
- Australian industry's FIS prices appear to have reduced in reaction to lower priced Malaysian and Vietnamese goods.¹²⁷
- Malaysian and Vietnamese prices were the lowest in the market. In contrast, Chinese imports, although substantial in volume, did not appear to have been the lowest priced imports in the market.¹²⁸
- It was apparent that the Australian industry's prices were reacting to both the movement in LME prices and the prices of the Malaysian and Vietnamese goods.¹²⁹

REP 362 concluded that the Australian industry's price depression and price suppression had been caused by dumped and subsidised goods from Malaysia and dumped goods from Vietnam.

As part of the reinvestigation, the commission examined verified pricing data relating to imports of aluminium extrusions from China, Malaysia and Vietnam obtained for the 2019 calendar year. This is the most recent period in which the commission had comparable and verified price data from all 3 sources, a period which was also absent the impacts of the pandemic (discussed in Chapter 6). Quarterly FIS prices were compared at the direct import level for the highest volume mill finished, powder coated and anodised MCCs sold.

Analysis of this pricing identified that:

- For the highest volume mill finish MCC sold, Malaysian direct prices were the cheapest in the market, followed by Vietnamese direct prices. The Australian industry's direct prices were higher than the Malaysian and Vietnamese direct prices but were lower than Chinese direct prices for 3 of the 4 quarters.
- For the highest volume powder coated MCC sold, Malaysian direct prices were the cheapest in the market. Chinese direct prices were the next cheapest for 3 of the 4 quarters. Vietnamese direct prices were cheaper than Chinese direct prices in one quarter and within 1% of Chinese direct prices in another quarter.¹³⁰ The Australian industry's prices were higher than Chinese, Malaysian and Vietnamese direct prices in all 4 quarters.
- For the highest volume anodised MCC sold, Malaysian direct prices were the cheapest in the market. Vietnamese direct prices were the next cheapest for 3 of the 4 quarters. Chinese direct prices were cheaper than Vietnamese direct prices in one quarter. The Australian industry's prices were higher than Chinese, Malaysian and Vietnamese direct prices in all 4 quarters.¹³¹

This analysis of the 2019 pricing data indicates that a similar price relationship to the original investigation period was in existence during 2019 where Malaysian and Vietnamese prices were, at times, lower than Chinese prices and on other occasions above Chinese prices, but in close alignment. There was also evidence that the Australian industry's prices were, at times, below Chinese prices.

Whilst ABF import data does not delineate pricing based on finish type or the actual mix of finish types, the continued broad consistency in the ABF import data between the investigation period for investigation 362, the 2019 calendar year and the inquiry period for

¹²⁶ Ibid.

¹²⁷ Ibid.

¹²⁸ Ibid, page 97.

¹²⁹ Ibid.

¹³⁰ Chinese prices were 8% and 4.5% cheaper than Vietnamese prices in the other two quarters.

¹³¹ See *2019 undercutting by finish* tab of Confidential Attachment 8.

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the continuation inquiry indicate that a similar pricing relationship between Chinese, Malaysian and Vietnamese prices was in existence during the inquiry period. This is reflected in Figure 5.

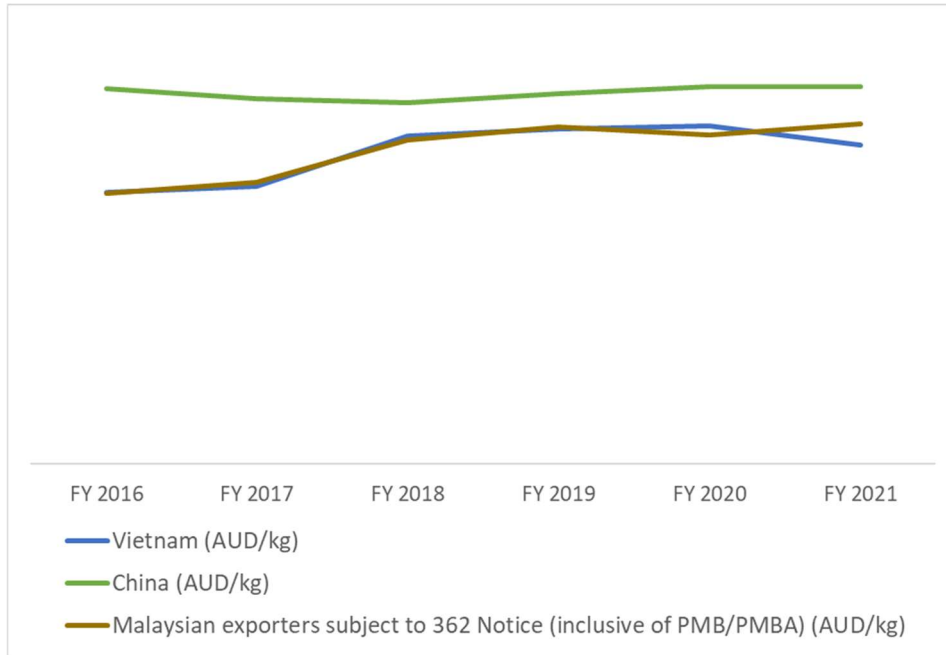


Figure 5 Landed import prices – China, Malaysia and Vietnam (by FY)^{132, 133}

Press Metal, in response to the PRR, questioned the impact of imports from Indonesia and Thailand.¹³⁴ The commission, using ABF data, compared landed prices from Indonesia and Thailand to pricing from Malaysia and Vietnam. Without being able to delineate pricing based on finish type or the actual mix of finish types, the pricing appears to be broadly consistent for the four countries over the analysis period with some fluctuation in relative pricing. This is reflected in Figure 6.

¹³² The landed price used was the ABF reported VOTI value. VOTI is the value of taxable importation (VOTI) and is the sum of the Customs Value, Duty, Transport and Insurance and the Wine Equalisation Tax (if applicable).

¹³³ This analysis is different to that completed in REP 591. REP 591 analysis was based on pricing for those subject to the notice and those not subject to the notice. In this analysis, PMB/PMBA was included in exporters subject to the notice. This has enabled analysis of the historical pricing behaviour of exporters currently subject to the notice.

¹³⁴ EPR 591, document number 53.

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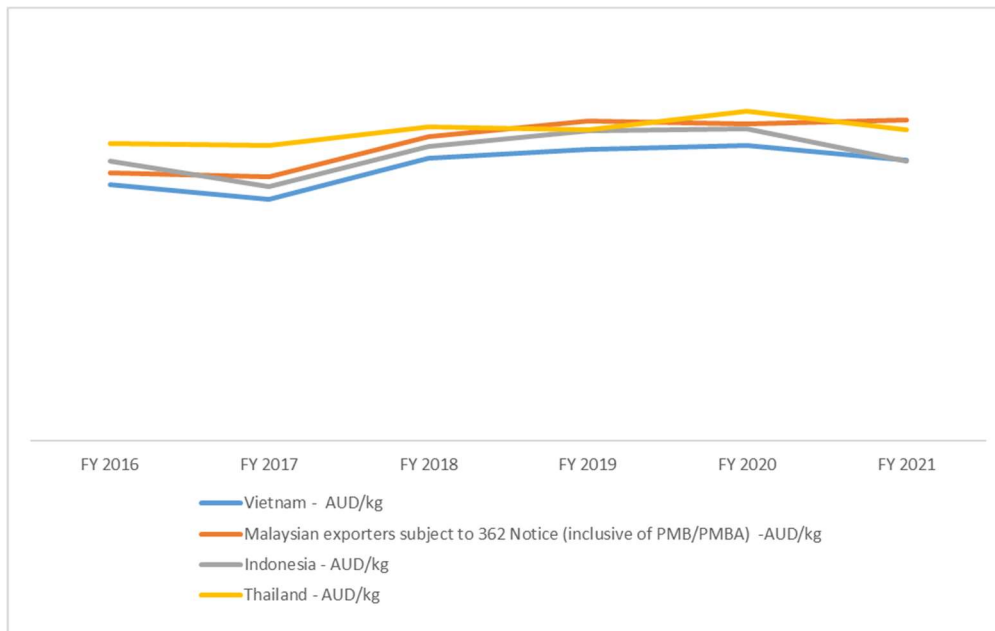


Figure 6 Landed import prices – Indonesia, Malaysia, Thailand and Vietnam (by FY)^{135, 136}

The commission notes that import volumes from Thailand are less than volumes from both Malaysia and Vietnam. Import volumes from Indonesia increased in financial years 2021 and 2022 to the point where they exceeded import volumes from either Malaysia or Vietnam. As noted in chapter 4, after the initial imposition of measures there were observed instances of importers switching to other sources not subject to duty. This included some importers switching to sourcing imports from Indonesia. This switching to Indonesia accounts for some of the increased volume from Indonesia.

As noted in Chapters 3 and 4, the Australian market is price sensitive, exhibiting characteristics including price transparency, customers sourcing from multiple suppliers and customers switching supply. The commission's undercutting analysis has also identified a significant degree of price competition between exporters, importers and the Australian industry.

The subject imports from Malaysia and Vietnam reflected approximately 4% of the Australian market during the inquiry period. The commission's common customer analysis indicates that as much as approximately 25% of each Australian industry member's sales volume was to customers also sourcing, or previously sourcing, aluminium extrusions from Malaysian and/or Vietnamese exporters subject to the measures applying in the continuation inquiry.¹³⁷ Given this degree of penetration and the nature of the observed price competition in the market, the commission considers that Malaysian and Vietnamese imports are likely influencing Australian pricing. The commission considers that the fact imports from other sources, including China, Indonesia, and Thailand, are also likely having an impact does not detract from this finding.

¹³⁵ The landed price used was the ABF reported VOTI value. For purposes of comparing prices, dumping and countervailing duty were deducted from landed prices for Malaysia and Vietnam to enable comparison to Indonesian and Thai prices, which are not subject to dumping or countervailing duty.

¹³⁶ This analysis is different to that completed in REP 591. REP 591 analysis was based on pricing for those subject to the notice and those not subject to the notice. In this analysis, PMB/PMBA was included in exporters subject to the notice. This has enabled analysis of the historical pricing behaviour of exporters currently subject to the notice.

¹³⁷ Sales data of each Australian industry participant in the inquiry was examined. Given the proportion of the Australian industry participating on a sales volume basis, this analysis is considered a reasonable reflection of the whole industry. Approximately 8%, 20% and 26% of each participant's sales volume were respectively to customers also sourcing, or previously sourcing, aluminium extrusions from Malaysian and/or Vietnamese exporters.

5.4.2 Impact of other Malaysian sources

To assess the impact of Malaysian exporters not subject to the measures, the commission examined the relative prices of Malaysian exports. This is reflected in Figure 7.

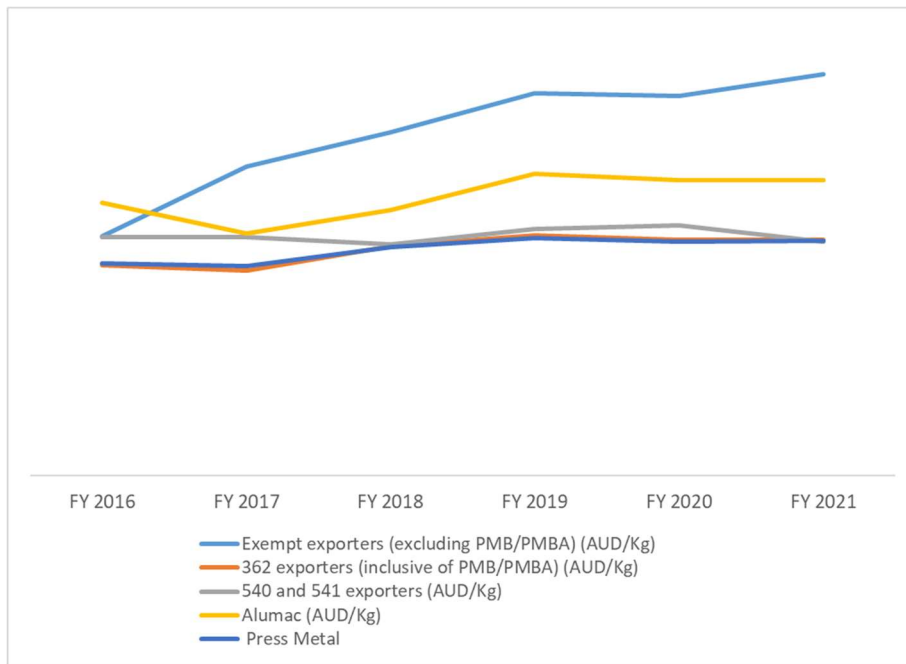


Figure 7 FOB export prices – Malaysia (by FY)¹³⁸

This analysis identified that the exporters currently subject to the measures (inclusive of PMB/PMBA) have consistently had amongst the lowest FOB export prices. The commission also notes that the export prices for Alumac, which was not found to have dumped during the inquiry period, have been historically higher than other exporters subject to measures.

Press Metal, in its submissions, queried the influence of other Malaysian import sources not subject to the notice.¹³⁹ The commission notes that Press Metal was, by a material degree, the largest exporter of the goods to Australia during the inquiry period and had amongst the lowest export pricing, which is reflected in Figure 7.

The commission’s analysis is contained in **Confidential Attachment 9**.

¹³⁸ This analysis is different to that completed in REP 591. REP 591 analysis was based on pricing for those subject to the notice and those not subject to the notice. In this analysis, PMB/PMBA was included in exporters subject to the notice. This has enabled analysis of the historical pricing behaviour of exporters currently subject to the notice.

¹³⁹ EPR 591, document numbers 48 and 53.

6 AUSTRALIAN MARKET CONDITIONS DURING THE INQUIRY PERIOD AND ITS IMPACT ON THE PRICE RELATIONSHIP

6.1 Findings

The commission has reinvestigated the market conditions applying during the inquiry period and the impact of these conditions on the price relationship between the Australian industry and import sources of aluminium extrusions.

The commission finds that the Australian market during the inquiry period was impacted by the pandemic. The market was impacted by supply constraints, increased shipping costs and government pandemic stimulus programs. The impacts of the pandemic on the market were generally favourable to the Australian industry.

In particular, the pandemic impacts affected the price relationship between the Australian industry prices and import sourced prices, such that any price advantage of dumping was diminished during the inquiry period.

Information indicates that the supply constraints and increased shipping costs observed during the inquiry period are now returning to pre-pandemic conditions. The government pandemic stimulus programs have also now been wound back. The commission considers that these reduced supply constraints and shipping costs are likely to be reflected in importers' Australian pricing. End users directly importing from Malaysia or Vietnam will also face reduced import costs.

For the purposes of the forward-looking assessment, as the impacts of the pandemic recede and following the expiration of measures, export supply will likely be more cost effective and timely. The commission considers that the observed price relationship between the Australian industry and import sources of aluminium extrusions is likely to return to conditions that are more consistent with those observed during the pre-pandemic period of 2019 and the original investigation period, removing any temporary advantage the Australian industry enjoyed during the inquiry period. In particular, absent the effects of the pandemic, prices of imports will likely become more competitive, increasing the degree of price competition in the Australian market.

6.2 Reinvestigation request

In the reinvestigation request, the ADRP noted that the commission had 'sought to differentiate its findings in REP 591 from the material injury findings in REP 362'. The ADRP commented that the commission 'did not consider that the same price relationship was established in REP 591 as that found in REP 362 for injury purposes'. The ADRP also commented that the commission had observed 'very different conditions apparent in the inquiry period'.¹⁴⁰

¹⁴⁰ The ADRP referenced a conference with the commission on 7 September 2022 where, at question 6, the commission was requested to elaborate on its comments that the price relationship in REP 362 was different to that found in REP 591. See conference summary at: https://www.industry.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_conference_summary_-_7_september_2022_-__.pdf.

Whilst acknowledging that ‘different economic conditions now app[lied]’, the ADRP considered that it was ‘appropriate to revisit the price relationship aspect given the possible changes to the price analysis as [a] result of the further consideration’.¹⁴¹

6.3 Findings in REP 591

REP 591 found that during the inquiry period:

- Capral had lowered its prices across all finishes in FY2020 and FY2021. This was in line with the trends shown from Malaysia and Vietnam over the same period. However, Capral’s unit cost to make and sell had declined at a steeper rate than its prices. Capral’s profit and profitability had also improved significantly during this period, with its overall sales revenue and return on investment also experiencing marked improvements.¹⁴²
- The commission’s analysis of the economic condition of the Australian industry in the inquiry period and in the period since measures were implemented found that the Australian industry (based on Capral’s data as a reasonable indicator of the performance of the whole industry) had generally experienced an improvement in its economic performance.¹⁴³
- The market for aluminium extrusions expanded by more than 15% during the inquiry period. In addition to the opportunities afforded by a growing market, the Australian industry may have benefitted during the inquiry period due to disruptions to global supply chains. The commission understood that a contraction in shipping availability combined with the increasing costs of international shipping opened opportunities for domestic suppliers to capture additional sales volumes and market share. Based on the most recent import data, it appeared that supply chains were returning to pre-2020 levels.¹⁴⁴

Capral stated in its submission on 15 December 2021 that it was unlikely that recent shipping constraints would prevail beyond early 2022.¹⁴⁵ As shipping availability improved, Capral claimed that aluminium extrusion exporters in Malaysia and Vietnam would capitalise on opportunities to export into the Australian market should the measures not reflect prevailing prices or be allowed to expire. Capral also submitted that it was unsafe to rely upon export volumes in the last 12 months (being 2021 calendar year) as indicative of an absence of injurious export volumes from Malaysia and Vietnam.

6.4 Reinvestigation analysis

For the purposes of the reinvestigation, the commission has assessed:

- the market conditions that existed during the inquiry period and the impact of those market conditions on the Australian industry and importers (section 6.4.1)
- the impact of these market conditions on prices, price relationships and the price advantage of dumping (section 6.4.2)
- impact of the pandemic on the forward-looking assessment (section 6.4.3).

¹⁴¹ ADRP (2022), Letter to the Commissioner regarding reinvestigation, 5 October 2022, page 9, on the ADRP’s website at https://www.industry.gov.au/sites/default/files/adrp/2022_155_aluminium_extrusions_-_request_for_reinvestigation.pdf.

¹⁴² EPR 591, document number 38, page 79.

¹⁴³ Ibid, page 85.

¹⁴⁴ Ibid.

¹⁴⁵ EPR 591, document number 16.

6.4.1 Market conditions during the inquiry period

Consistent with the commission’s findings in REP 591 and the ADRP’s comments, the commission finds that different market conditions existed during the inquiry period. These conditions were materially different to those during the original investigation period and the period up to when the pandemic commenced at the start of 2020.

Overall, the commission considers that the market conditions that existed during the inquiry period were impacted by both the growing Australian market and the pandemic. Based on information before it, the commission considers that the impacts of the pandemic on the market were generally favourable to the Australian industry.

The commission considers the relevant market conditions below.

6.4.1.1 Growth in the Australian market

The Australian industry was initially able to capture the growth in the Australian market. However, import sources have been able to capture a larger portion of that continued growth towards the end of the inquiry period at the expense of the Australian industry. This growth is reflected in Figure 8.

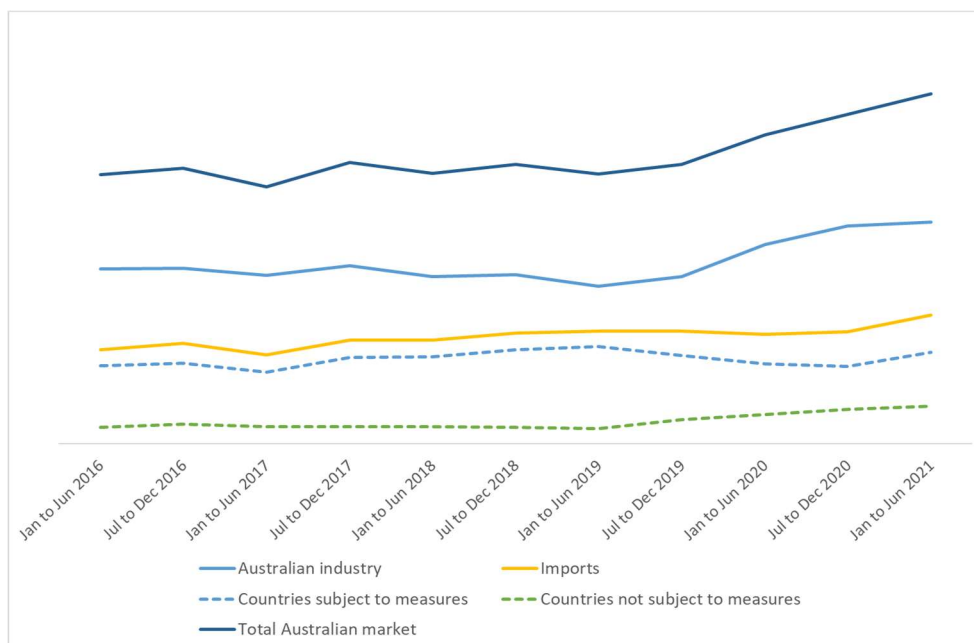


Figure 8 Australian market volume for aluminium extrusions (metric tonnes)

The growth in the Australian market was, in part, driven by government stimulus programs and travel restrictions, including:

- government income supplements, including the JobKeeper payment¹⁴⁶
- significant direct and indirect government stimulus initiatives intended to support confidence in the residential construction sector during the uncertainty caused by the pandemic, such as the HomeBuilder Grant,¹⁴⁷ and
- a change in consumption patterns away from experience services such as travel, hospitality and entertainment services toward spending on consumer goods, including home improvement materials.¹⁴⁸

¹⁴⁶ <https://treasury.gov.au/coronavirus/jobkeeper> (last accessed 8 June 2023).

¹⁴⁷ <https://treasury.gov.au/coronavirus/homebuilder> (last accessed 8 June 2023).

¹⁴⁸ Reserve Bank of Australia, *Tracking Consumption during the COVID-19 Pandemic*, 17 March 2022, Australian Government, 2022, (last accessed 9 June 2023).

These programs started being wound back during 2021. Consequently, it is considered that any stimulatory effects of these programs would have started diminishing after the inquiry period. The commission anticipates that any increased demand for aluminium extrusions created by these programs will reduce.

The commission's analysis of Australian market volumes is in **Confidential Attachment 10**.

6.4.1.2 Impact of the pandemic on Capral and the Australian industry generally

As noted in REP 591, Capral, as the largest Australian industry member, is considered a reasonable indicator of the performance of the whole industry.

Capral, in its application for the continuation inquiry and in response to an Australian industry questionnaire, claimed that the injury it sustained during the inquiry period was less than what would have been sustained absent the impacts of the pandemic.¹⁴⁹ Capral claimed that imports from all sources, including Malaysia and Vietnam, had been difficult to source, with Australian industry members experiencing increased demand from customers in Australia.¹⁵⁰

The commission examined Capral's 2020 and 2021 annual reports in relation to its financial performance and the Australian market during the inquiry period.¹⁵¹ The following comments were identified in relation to Capral's improved financial performance and the Australian market:

- Annual Report 2020
 - Demand plummeted during the pandemic lockdown restrictions. However, the market rebounded strongly in the second half of 2020 resulting in higher-than expected demand. Overall revenues were 3% higher and volumes increased 8% compared to 2019.
 - JobKeeper allowed Capral to operate without drastically cutting staffing levels with the initial steep drop in demand. JobKeeper then enabled them to rapidly respond to meet the unexpected surge in demand.
 - Capral benefitted from a strong shift to import replacement as the effects of anti-dumping measures, disruptions to import supply chains, shipping congestion and increased sentiment towards local supply occurred.
 - Government assistance targeted to the residential construction market began to take hold in the latter part of the year.
- Annual Report 2021
 - Revenues increased by 37% and sales volumes increased by 25% during 2021.
 - Plants were operating at full available capacity which led to greater operating leverage and there were improved operating efficiencies.
 - The residential market remained buoyant on the back of government stimulus programs. Industrial markets remained strong on the back of strong economic activity. However, the construction industry was impacted by the pandemic.
 - Local demand had lifted supply away from import sources. This was driven by import supply chain disruptions, high shipping costs, anti-dumping measures and local supply providing customers with the benefit of shorter and more reliable lead times. There was also a growing 'Australian Made' sentiment.

¹⁴⁹ EPR 591, document number 1.

¹⁵⁰ Ibid.

¹⁵¹ Capral provided a copy of its 2020 annual report as part its response to the Australian industry questionnaire (see EPR document number 7). Capral's 2021 annual report was referenced in various submissions to the inquiry regarding Capral's improved economic performance (see EPR 591, document numbers 34, 31 and 30).

6.4.1.3 Impact of the pandemic on importers

PMAA advised the commission that it considered that Capral was the cheapest provider (by about 10%) of the goods in the Australian market due to the surge in international shipping costs.¹⁵² In support of its claim, PMAA provided documents evidencing increases in its prices due to higher shipping costs. PMAA also indicated that the lead time for shipments from order date to arrival date had substantially increased.

The Australian Competition & Consumer Commission (ACCC) in its 2020-2021 Container Stevedoring Monitoring Report noted that the deterioration of global supply chains resulted in importers facing challenging conditions:

- Many were struggling to get all their cargo on ships and were facing rapidly escalating freight rates. Some were paying significant premiums and surcharges to shipping lines to obtain priority loading, but even this did not guarantee on-time delivery.
- The increase in disruptions and lack of reliable shipping services led importers to reconsider 'just-in-time' business models with an increase in onshore warehousing and distribution.
- Disruptions in international supply chains led to a shift in favour of local manufacturing. Importers commented on looking at ways of sourcing more products locally as a way of dealing with uncertainty in international shipping.
- Where vessels had omitted certain ports due to disruptions, containers had been diverted to alternative destination ports, resulting in additional costs and delays.
- Importers have experienced difficulties in de-hiring empty containers, resulting in additional costs.¹⁵³

The commission considers the findings of the ACCC and PMAA's observations indicate that importers faced import constraints which manifested as disruptions in supply and significant increases in the lead times for imports to arrive in Australia. The commission considers that this would have impacted the capacity of importers to supply their customers on a timely basis in the quantities sought.

In terms of costs, the commission examined the historic trend in shipping costs relating to aluminium extrusions from the original investigation, through subsequent inquiries and reviews to the inquiry period. Consistent with the claims of PMAA, the commission found that shipping costs from Malaysia substantially increased from mid-2020. This change in shipping costs is reflected in Figure 9.

¹⁵² EPR 591, document number 20.

¹⁵³ Australian Competition & Consumer Commission, [Container stevedoring monitoring report 2020–21](#), October 2021, Australian Government, 2021, (last accessed 9 June 2023).

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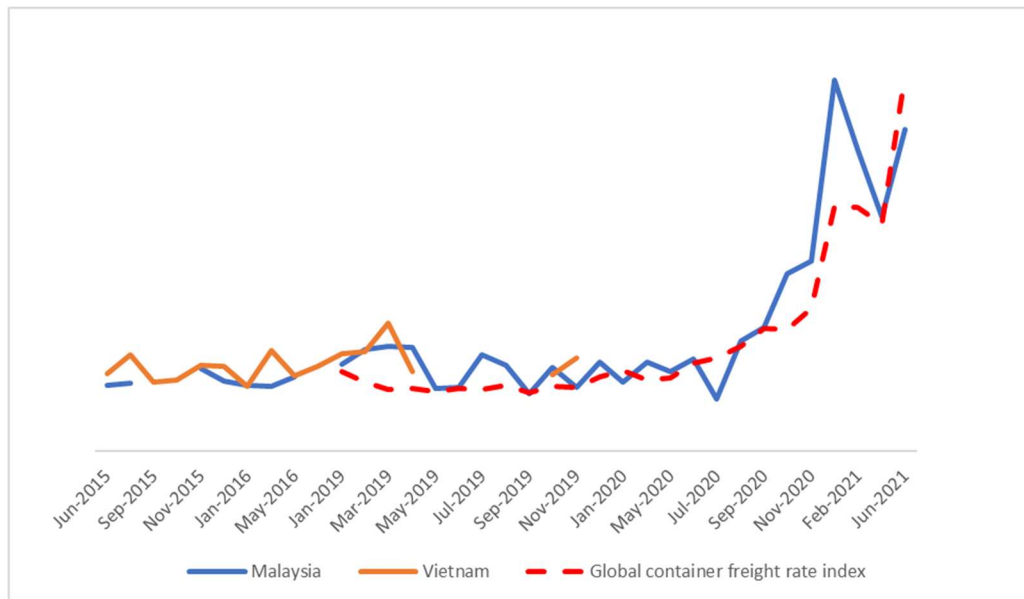


Figure 9 Shipping costs (AUD/kg)

The commission compared these shipping costs against an international shipping index and found that the trend in the Malaysian shipping costs was broadly consistent with the index.¹⁵⁴ Whilst the commission did not receive any verified shipping costs for Vietnam for the inquiry period, the commission considers that shipping costs from Vietnam would have followed a similar trend to that of the index given the close correlation of the Malaysian shipping costs to the index, the close geographic proximity of Vietnam to Malaysia and the observed correlation in Vietnamese shipping costs to Malaysian shipping costs prior to the pandemic.

The commission's analysis of shipping costs is in **Confidential Attachment 11**.

6.4.2 The impact of the pandemic during the inquiry period on pricing and the price advantage of dumping

To assess the impact of the pandemic on pricing and the price advantage of dumping, the commission compared relevant importer and Australian industry price data from a range of inquiries relating to aluminium extrusions during the 2019 calendar year to data obtained for the inquiry period.¹⁵⁵

Given that both Capral and PMAA had provided relevant data for both periods, the analysis focused on pricing data from both these parties. The commission considers that this analysis would be applicable to other importers and Australian industry members.

The commission examined the change in the effective 'spread' between the LME price (with a local premium) and the Australian industry and importers' pricing in the Australian market.¹⁵⁶ This analysis identified that:

- Between the end of 2019 and the start of the inquiry period, both Capral and PMAA increased the spread between their selling prices and the LME (plus local premium). PMAA increased its spread by a larger amount.

¹⁵⁴ See: <https://www.statista.com/statistics/1250636/global-container-freight-index/> (last accessed 16 March 2023).

¹⁵⁵ Investigation 540 – Mill Finish – Specific Malaysian exporters (REP 540), Investigation 541 – Surface Finish – Specific Malaysia exporters (541), Continuation 543 – China (REP 543); Review 544 – Malaysia and Vietnam (REP 544).

¹⁵⁶ Analysis focused on mill finish sales data. A similar pattern was observed for powder coated finishes. For adonised finishes, the change was less pronounced given the degree of price difference.

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- The effect of the change in spreads was of sufficient magnitude to result in the Australian industry's spread being lower than PMAA's. This is a reversal of what was observed during 2019.
- An examination of relevant profit and loss statements indicate that the increase in the spread by PMAA was likely driven by pricing decisions to recover greater costs, rather than a decision to capture greater profits. This is also consistent with the information provided by PMAA evidencing the reasons for its price increases.
- The size of the respective spreads reduced for both Capral and PMAA over the inquiry period. The reduced relative size of each party's spread corresponded with increasing LME prices. This reducing spread is considered reflective of price competition in a competitive market.

This pricing analysis indicates that, due to the increased shipping costs and possibly due to the supply constraints, the Australian industry was more competitive with import sources during the inquiry period.

Consequently, any price advantage of dumping was diminished during the inquiry period compared to earlier periods.

The commission's spread analysis is in **Confidential Attachment 12**.

6.4.3 Submissions

Capral submitted that the observed influences of the pandemic could only be considered short term in the context of the five-year duration of the measures.¹⁵⁷ It claimed that the benefit experienced by the Australian industry during the pandemic was short lived and the industry had returned to pre-pandemic conditions.

Referencing the Black Death pandemic of the 1300's, Press Metal submitted that at no time had there been a pandemic where economic conditions had reverted to those that prevailed prior to the pandemic. Press Metal also claimed that the commission's assessment assumed that all prices in the market would remain static while freight costs declined. It further claimed that a decline in a cost was unlikely to provide a competitive advantage, other than temporarily, if at all.¹⁵⁸

The commission's analysis does not assume that prices would remain static while freight costs declined, or that conditions would revert exactly back to those before the pandemic. Rather, the commission's assessment is that the price relationship between the Australian industry and import sources of aluminium extrusions was impacted by the events of the pandemic. The commission's assessment, in the context of making the forward-looking assessment, is that it is likely that conditions would return to those more consistent with those observed during the pre-pandemic period of 2019 and the original investigation period, rather than those observed during the inquiry period. The evidence of freight costs reducing is consistent with this finding.

Press Metal further claimed that the PRR referenced no evidence of any price advantage from increased freight charges during the pandemic, which translated into increased Australian industry sales given that the Australian industry's production capacity was insufficient to meet demand. Press Metal referenced the increased import volumes from Indonesia as evidence of Capral's insufficient production capacity.¹⁵⁹

¹⁵⁷ EPR 591, document number 49.

¹⁵⁸ EPR 591, document number 48.

¹⁵⁹ Ibid.

The commission disagrees with Press Metal's claim that the commission referenced no evidence of the pandemic translating into increased Australian industry sales. Relevant evidence relating to the Australian market and the impact of the pandemic on the Australian industry and importers was considered in sections 6.4.1.2 and 6.4.1.3 of this report and the PRR. REP 591 found that Capral's sales volume increased in financial years 2020 and 2021.¹⁶⁰ The commission's analysis also included analysis of Capral's spread during the inquiry period which was greater than in 2019, but starting to reduce towards the end of the inquiry period as LME prices increased.¹⁶¹

The commission notes that, whilst Capral's production capacity utilisation increased during the inquiry period, the information before the commission indicates that it was not at full production capacity for like goods during the inquiry period up to 30 June 2021.¹⁶² In regard to imports from Indonesia, whilst Capral's imports from Indonesia increased during the pandemic, Capral's proportion of the total imports from Indonesia declined.¹⁶³ This indicates that a larger proportion of the increased imports from Indonesia were driven by other importers. The commission further notes that the observed increased import volumes from Indonesia during the pandemic have now declined.

Press Metal further claimed that demand continued to exceed supply, with construction materials costs being historically high due to high demand. It claimed that these conditions were unlikely to abate in the foreseeable future, noting the government's proposals to invest in dwellings. It claimed that the PRR was missing analysis of the three market segments and their effect on the aluminium extrusion market post pandemic and the government stimulus programs.

The commission notes that Press Metal provided no evidence to support its claims that demand conditions are unlikely to abate in the future, beyond citing proposals for the government to invest in dwellings. The commission observes that there are also multiple indicators that counter against the claim of continuing high demand. These include progressive increases in interest rates and declines in building approvals and commencements since the middle of 2021.¹⁶⁴

6.4.4 Impact of the pandemic on the forward-looking assessment

Capral, in its application for the inquiry and submissions to the commission during the inquiry, claimed that the effects of the pandemic were short term and that caution should be applied in assessing material injury during the inquiry period.¹⁶⁵ The commission has examined Capral's claims in the context of completing the forward-looking assessment in relation to the likelihood of material injury in the absence of measures.

As noted above, the commission considers that the Australian market for aluminium extrusions was impacted by supply constraints, increased shipping costs and government pandemic stimulus programs.

¹⁶⁰ REP 591, page 29.

¹⁶¹ See section 6.4.2

¹⁶² REP 591, Confidential Appendix 2. This information relates to the A7 data provided by Capral, which included information on production capacity utilisation for producing like goods. This data relates to the period up to 30 June 2021. It is noted that Capral's annual report for the period up to 30 December 2021 specified that '...Capral increased its workforce and operated its manufacturing plants at full available capacity...'

¹⁶³ See Confidential Attachment 16.

¹⁶⁴ See <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/may-2023> and <https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/mar-2023> (last accessed 26 July 2023).

¹⁶⁵ EPR 591, document numbers 1 and 21.

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The commission considers supply constraints started diminishing as the impact of the pandemic receded. As noted in section 6.4.1.1, import volumes started trending upwards towards the end of the inquiry period. This upward trend is indicative of the supply constraints starting to reduce.

Information indicates that shipping costs have reduced after the inquiry period and are returning to pre-pandemic levels. The ACCC's 2021-2022 Container Stevedoring Monitoring Report identified that by the second half of 2022, shipping rates had fallen to near pre-pandemic levels and as of November 2022, shipping spot rates had fallen to around double the average of the 2019 rates.¹⁶⁶ Various subsequent articles published in early 2023 indicate that shipping rates have now fallen to near pre-pandemic levels.¹⁶⁷

Given the competitive nature of the Australian market for aluminium extrusions, the commission considers that:

- importers which sell into the Australian market will be pressed to reflect these reduced shipping costs in their pricing and
- end users which directly import will face reduced importation costs.

For the purposes of the forward-looking assessment, as the impacts of the pandemic recede and following the expiration of measures, export supply will likely be more cost effective and timely. The commission considers that the price relationship between the Australian industry and import sources of aluminium extrusions is likely to return to conditions that are more consistent with those observed during the pre-pandemic period of 2019 and the original investigation period, removing any temporary advantage the Australian industry enjoyed during the inquiry period. In particular, absent the effects of the pandemic, prices of imports will likely become more competitive, increasing the degree of price competition in the Australian market.

¹⁶⁶ ACCC, [Container stevedoring monitoring report 2021–22](#), October 2022 (last accessed 9 June 2023).

¹⁶⁷ For instance, see <https://www.bloomberg.com/news/articles/2023-02-13/shipping-rates-will-probably-dip-below-pre-pandemic-levels-barclays-warns> and <https://www.economist.com/graphic-detail/2023/01/09/global-shipping-costs-are-returning-to-pre-pandemic-levels> (last accessed 3 August 2023).

7 WHETHER MATERIAL INJURY IS LIKELY TO CONTINUE OR RECUR

7.1 Findings

The commission has reinvestigated, in accordance with the ADRP's request, whether material injury is likely to continue or recur in the absence of measures.

As such, following reconsideration of the matters identified by the ADRP, the Commissioner now finds that the expiration of the anti-dumping measures applying to exports from Malaysia and Vietnam would lead, or would be likely to lead, to a continuation of, or a recurrence of, the material injury that the anti-dumping measures are intended to prevent.

7.2 Reinvestigation request

The ADRP requested the commission reinvestigate REP 591's finding that material injury to the Australian industry was not likely to continue or recur in the absence of measures. This was because REP 591 found there was no demonstrable connection between the price advantage that dumping gives to Malaysian and Vietnamese exporters and the economic condition of the Australian industry, specifically in terms of how it sets its prices, which is distinct from the influence of other sources.

7.2.1 ADRP's observations in relation to the assessment of whether material injury is likely to continue or recur

The ADRP stated that 'the issue that must be addressed by the Commissioner [...] relates to whether the Commissioner is satisfied that, if the measures expired, would it lead or be likely to lead to the continuation or recurrence of dumping or subsidisation and the material injury that the anti-dumping measures are intended to prevent.'

The ADRP noted that REP 591 stated that the commission's 'assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires an assessment of a hypothetical situation. The Commission must consider what will [happen] in the future should a certain event, being the expiry of measures, occur. However, the Commissioner must nevertheless base their conclusions and recommendations on facts and not merely conjecture' (ADRP emphasis).

The ADRP also noted (referencing comments in an earlier reinvestigation request) that it is not sufficient simply to consider what has occurred during the inquiry period but based on the material and evidence obtained during the inquiry to consider what is likely to occur if the measures in place are not continued.

The ADRP stated that the finding that the commission could not find direct evidence of the impact of dumped exports on Capral's prices, needed to be revisited given the various references in REP 591 to the downward pressure on prices being exerted by dumped goods and that it was a price sensitive market. The ADRP further specified that this finding needed to be revisited in the context of:

- Capral's specific claims in its review application and its continuation application
- the reviewed price undercutting analysis
- the price analysis of the NIP with the LDPIS prices from exporters and the Australian industry's FIS prices.

7.3 Reinvestigation analysis

To reassess the likelihood of material injury in the absence of the measures the commission examined:

- the likely effect on prices (section 7.3.1)
- the likely effect on volumes (section 7.3.2)
- submissions received in relation to the likelihood of material injury (section 7.3.3)
- whether expiration of the measures would likely lead to a continuation or recurrence of the material injury that the measures are intended to prevent (section 7.3.4).

7.3.1 Likely effect on prices

The commission considers, on reinvestigation, that the Australian industry will be required to adjust its prices or, at a minimum, suppress any price increases in response to importers being able to advantageously price or source dumped goods in the absence of measures.

The revised finding is different to the findings in REP 591. REP 591 found that, in the absence of measures, there would likely be little change to the pricing behaviours of exporters and importers. REP 591 found that, while Malaysian and Vietnamese import prices may have put downward pressure on the prices achieved by the Australian industry during the inquiry period, there was no evidence before the commission which showed a link between the two. Whilst isolated examples of undercutting were identified, there appeared to be no consistent price undercutting behaviour occurring during the inquiry period.

As detailed in earlier chapters, the commission's reinvestigation has identified:

- A greater degree and more consistent pattern and frequency of undercutting by Malaysian and Vietnamese import sources during the inquiry period. The commission has also continued to observe that all suppliers during the inquiry period (both the Australian industry and imported sources) undercut each other.
- The undercutting analysis has also identified a significant degree of price competition between exporters, importers and the Australian industry.
- The analysis of the impact of the measures since implementation has found that importers sourcing from Malaysia and/or Vietnam have reflected the dumping duty paid in their prices to customers or, in the case of direct importers, have reflected the duty paid in the importation costs they have incurred.
- Importers, given the price sensitive nature of the market, are likely to adjust their prices in the absence of measures and the reduction in shipping costs. Future dumped exports from Malaysia and Vietnam, absent measures, will provide them with a price advantage in the Australian market.
- Australian buyers which import directly from either Malaysian and/or Vietnamese mills will likely be able to advantageously source cheaper landed prices from dumped imports in the absence of measures.
- Other importers may switch to sourcing dumped supply from Malaysia and/or Vietnam in response to the removal of the anti-dumping measures. Any switching may enable these importers to offer prices in the Australian market based on the price advantage of dumped exports from Malaysia and/or Vietnam.
- Import pricing analysis indicates that Malaysian and Vietnamese imports remain amongst the cheapest in the Australian market. Whilst China is the largest source of import supply, Malaysian and/or Vietnamese prices were, at times, lower than Chinese prices and on other occasions above Chinese prices, but in close alignment. Historically, pricing analysis is also indicative of the Australian industry

prices responding, at times, to Malaysian and/or Vietnamese import prices, rather than Chinese import prices.

- Despite Malaysia and Vietnam reflecting a smaller proportion of the market than Chinese imports, the commission's common customer analysis indicates that a material proportion (as much as 25%) of the Australian industry's sales volume is exposed to customers which source or have previously sourced supply from Malaysia and/or Vietnam.

As noted in Chapter 6, the inquiry period was impacted by the pandemic. The effects of the pandemic were such that any price advantage of dumping gained by importers and exporters was diminished during the inquiry period, resulting in the Australian industry being able to more competitively price against dumped import prices. Subsequent to the inquiry period, supply constraints and shipping costs have commenced returning to near pre-pandemic conditions.

To inform the forward-looking assessment of the likely impact of removing the measures, the commission considers that it is necessary to account for the impacts of the pandemic observed during the inquiry period.

The commission considers that, in the absence of measures and with the return to conditions more consistent with the original investigation period and the 2019 pre-pandemic period, importers will likely adjust their prices in the price sensitive Australian market. In addition, buyers importing directly from Malaysia and/or Vietnam, in the absence of duty and reduced shipping charges, will face reduced importation prices and costs. In the absence of measures, the commission finds that importers will be able to use the dumped import prices, absent the dumping duty previously paid, to advantageously adopt competitive pricing strategies which include further exacerbating the observed undercutting of the Australian industry prices during the inquiry period.¹⁶⁸

The commission considers that it is reasonable to conclude, based on the price sensitive nature of the market, that the Australian industry would respond to the import prices by reducing prices or suppressing any potential price increases to remain competitive.

7.3.2 Likely effect on volumes

In REP 591, the commission found that, should the measures expire, exports from Malaysia and Vietnam are likely to continue. However, REP 591 found that, in the absence of measures, exporters from Malaysia and Vietnam would be unlikely to increase export volumes to Australia from those observed during the inquiry period.

On reinvestigation, the commission considers that exporters from Malaysia and/or Vietnam could increase export volumes to Australia in the absence of measures because:

- During the inquiry period, import supply constraints likely impacted importers' ability to import goods on a timely basis from Malaysia and/or Vietnam (see analysis in section 6.4.2). This would have likely limited the capacity of importers to readily supply goods to customers for the quantities required and within the timeframes sought.
- Whilst the largest Vietnamese exporter, EAA, had no meaningful spare capacity during the inquiry period, the commission considers that it is open to EAA to switch supply from other export destinations to Australia in the absence of measures. This finding is based on:

¹⁶⁸ Analysis of the impact of measures indicate that importers from Malaysia and/or Vietnam reflected the impact of dumping duty in their pricing.

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- EAA having exported 58% more volume to Australia prior to the imposition of measures.
- Analysis of EAA's third country sales data indicates that during the inquiry period it achieved lower FOB export prices to certain third countries for certain models.¹⁶⁹
- The majority of PMBA's sales are to its domestic market. However, PMBA still sells into export markets in significant volumes.
- PMBA's spare capacity could be used to increase supply into the Australian market.

Whilst import volumes reflected 4% of the market during the inquiry period, the commission has observed, as outlined in Figures 2 and 4, that import volumes from exporters subject to the notice fell immediately after the imposition of the measures and have not recovered to the same levels. The commission considers that this fall in volumes is likely, in part, a result of the impact that the imposition of measures had on import prices from Malaysia and Vietnam.

As discussed in 7.3.1, in the absence of measures the subject exporters would gain a pricing advantage over other sellers, including the Australian industry, by exporting at dumped prices. However, in the event that the Australian industry does not adjust prices to compete with those dumped exports, the commission considers it likely that it would cede market share to imports from Malaysia and/or Vietnam, noting:

- that exporters from the subject countries have long standing relationships and distribution channels into the Australian market and could increase export volumes to Australia
- the high level of price transparency and supplier competition identified in section 4.3.2.

This in turn would lead to a reduction in sales volume by the Australian industry.

7.3.3 Submissions

7.3.3.1 Assessment of evidence

Submissions were received from Capral, EAA and Press Metal in relation to evidence provided to the original inquiry by Australian industry. Specifically;

- Capral submitted that the evidence provided in its application for the continuation inquiry and in response to SEF 591 could not be considered as small in degree or nature.¹⁷⁰ It claimed that the volumes of dumped imports from Malaysia and Vietnam were not insignificant and that the evidence provided was representative of the broader impact of total import volumes. Capral claimed that it was reasonable to conclude, beyond the evidence provided, that further customer volumes would have been influenced by the dumping.
- EAA submitted that the limited examples provided by Capral with its application and during the inquiry were infinitesimal to the overall volume produced by the Australian industry.¹⁷¹ EAA claimed this needed to be understood in the context of the assessment of 'material' injury and the overall economic condition of the Australian industry.

¹⁶⁹ See the commission's analysis in Confidential Attachment 14 EAA Third Country Export Price Analysis.

¹⁷⁰ EPR 591, document numbers 40 and 42.

¹⁷¹ EPR 591, document number 43.

- Press Metal claimed that the evidence provided was statistically insignificant.¹⁷²

As noted in REP 591, the examples provided evidence of industry members losing sales to certain customers on what appeared to be a price-based decision. However, no evidence was provided to establish any price response effect resulted from these lost sales.

In the context of the reinvestigation, the commission considers that these examples provide evidence of customers switching to an import source as a result of a lower price offer. The commission has considered these examples in conjunction with the other evidence and analysis to reach its finding.

7.3.3.2 Reliance on Capral to assess economic condition

Press Metal claimed that Capral's economic performance was not representative of the Australian industry.¹⁷³ It further claimed that the copies of audited financial statements it provided demonstrated that the economic performance of other Australian industry members was materially different.

The commission notes that these issues were considered in REP 591.

REP 591 found that Capral was a reasonable proxy indicator of the performance of the Australian industry generally. REP 591 further noted that the purpose of the analysis of Capral was not to demonstrate whether injury has been experienced by the whole Australian industry in the inquiry period. Rather, the analysis was to provide a context for judging the likelihood of injury in the event the measures were to expire.¹⁷⁴

REP 591 also considered the ASIC audited financial statements submitted by Press Metal. REP 591 found that profit was only one injury factor that the commission would examine and that any profits and/or losses reported to ASIC would need to be qualified to the extent that they may relate to the production and sale of like goods.¹⁷⁵

7.3.3.3 Link between the Australian industry performance and the subject imports

Both EAA and Press Metal claimed that no link had been established between the subject imports and the economic performance of the Australian industry.¹⁷⁶

EAA submitted that Vietnamese imports reflected 2% of the market and contended that the commission's analysis was insufficient to isolate the impact of Chinese and Malaysian sources.

Press Metal claimed that there was no causal link between the economic performance of the Australian industry and subject exports. Press Metal claimed that subject exports were not influencing the economic performance of the Australian industry and that no evidence was referred to that supports a conclusion that relevant imports were affecting Australian industry volumes or prices. Press Metal submitted that given such negligible volumes, it was inconceivable that it had caused or could cause material injury.

Press Metal further claimed that import prices could not have had an impact on the Australia industry given that demand exceeded supply, with the Australian industry importing the goods due to its limited production capacity. Press Metal further claimed that ABS import data would provide limited price guidance, and questioned the relevancy of the respective 2% portions of the Australian market held by Malaysia and Vietnam.

¹⁷² EPR 591, document number 53.

¹⁷³ EPR 591, document numbers 48 and 53

¹⁷⁴ REP 591, page 28.

¹⁷⁵ REP 591, page 14

¹⁷⁶ EPR 591, document numbers 48 and 50

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Capral submitted that Malaysia and Vietnam, respectively, were the third and fourth largest exporters to Australia of aluminium extrusions and their imports each exceed the negligible volume levels for dumped goods of 3 per cent.¹⁷⁷ Capral also claimed that there were well established distribution links between importers and exporters from Malaysia and Vietnam. Capral, in response to EAA and Press Metal's submissions, noted that the commission had identified that as much as 25% of each Australian industry member's sales volume was to customers also sourcing or having sourced the subject goods from Malaysia and/or Vietnam.¹⁷⁸ It claimed that in the absence of measures (and due to the relative ease of switching between supply sources where price transparency is high) it was likely that injury to the Australian industry would occur.

The commission notes the inquiry is not required to establish that injury was caused to the Australian industry during the inquiry period in order to determine that future injury is likely in the absence of measures.

In this regard, the commission considers that the susceptibility of the Australian industry to being required to reduce prices or, at a minimum, suppress any price increases is supported by evidence of:

- the competitive and price sensitive nature of the market
- Malaysian and Vietnamese imports continuing to be the amongst the cheapest in the market with evidence of their prices being, at times, lower than Chinese prices
- close price competition between the Australian industry and Malaysian and Vietnamese imports, and evidence of the Australian industry previously responding to lower prices from Malaysia and/or Vietnam
- customers simultaneously seeking supply from both domestic industry and Malaysian or Vietnamese imports
- the observed undercutting during the inquiry period and the observed instances of customers likely switching supply to a subject export source for what appears to be a lower price
- penetration of up to approximately 25% of subject imports across the Australian industry's customer bases (on a volume basis) and
- the evidence provided by the Australian industry prior to REP 591 of lost sales to certain customers on what appears to be a price-based decision.

7.3.3.4 Materiality of undercutting in relation to dumping

Submissions were received from Capral, EAA and Press Metal in relation to the materiality of the dumping margins in assessing the likelihood of material injury. Specifically;

- Capral submitted that the size of the dumping margins confirmed that dumping would likely result in material injury.¹⁷⁹
- EAA claimed that the commission's analysis did not address the discrepancy between the magnitude of the undercutting by EAA and the comparative levels of dumping. EAA claimed that a limited amount of its undercutting was attributable to dumping.¹⁸⁰
- Press Metal submitted that there appeared to be no flow-through analysis of the degree of undercutting in relation to the dumping margins and consideration of

¹⁷⁷ After adjusting for non-dumped Alumac exports.

¹⁷⁸ EPR 591, document numbers 51 and 52.

¹⁷⁹ EPR, 591 document number 42.

¹⁸⁰ EPR 591, document number 50. In support of its claim EAA provided a breakdown of its dumping margins for both mill and powder coated finish types. The commission notes that the EAA's quoted dumping margins in its submission were incorrect and understated the actual degree of EAA's dumping by finish type.

whether exports would undercut the domestic industry prices even at un-dumped prices.¹⁸¹

The commission notes that the price undercutting analysis shows that the Australian market exhibits a significant degree of price competition and price sensitivity, and there is price competition between the Australian industry and imports from Malaysia and Vietnam. Dumping provides a price advantage to imports from Malaysia and Vietnam, whether or not the amount of dumping aligns with the degree of price undercutting. The commission further notes that, in a continuation inquiry, the question is whether the expiry of the measures would lead to a continuation or recurrence of the material injury that the measures are intended to prevent.

7.3.3.5 Events since the expiry of the measures

Press Metal submitted that the events that have occurred since the expiry of the measures refute the findings in the PRR.¹⁸² Press Metal claimed that the Australian industry had not suffered injury and that, insofar as PMBA, its export volumes had fallen since the expiry of measures and the end of the pandemic.

The commission notes that it did not specifically ask parties to submit evidence relating to what occurred since the expiry of the measures. Consistent with not having regard to the new information provided by Capral as set out in section 2.2.1, the commission's view in the PRR was that the commission had sufficient information to complete its reinvestigation without seeking information from interested parties about what occurred since the expiry of the measures. The commission remains of that view in this reinvestigation report, however, notes the following:

- that Press Metal provided no evidence to substantiate its claim that the Australian industry had not suffered injury after the expiry of the measures.¹⁸³
- In relation to claims made by Press Metal about PMBA's export volumes, the commission makes the following observations:
 - The drop in import volumes from PMBA is consistent with an overall fall in import volumes of aluminium extrusions.
 - The fall in import volumes also coincided with the period in which PMAA commenced paying IDD. Subsequent to the removal of measures, import volumes from PMBA have increased, albeit not to the same level as during the inquiry period.

The commission's analysis of Press Metal's claims regarding import volumes are contained in **Confidential Attachment 18**.

In examining Press Metal's claims, the commission also observed that there had been a fall in import volumes from Vietnam, which was relatively greater than the fall in import volumes from Malaysia. Despite this fall, it is noted that the 2023 import volumes for Vietnam remain higher than those observed during 2018 and 2019 and are likely to continue.

The lower import volumes do not detract from the overall findings. As specified in the PRR and in this report, the commission has not found that exports will likely increase, but rather they could increase as a result of the expiry of measures. The commission's assessment

¹⁸¹ EPR 591, document number 48.

¹⁸² EPR 591, document numbers 48 and 53.

¹⁸³ Capral, in a submission in response to Press Metal's submission, stated that Press Metal's claim was unsubstantiated. See EPR 591, document number 54.

of the likely effect on prices is not affected by the lower import volumes. Further, the fall in overall import volumes is likely indicative of a decline in demand. The commission's comprehensive undercutting analysis and other evidence have established that prices of the goods from Malaysia and Vietnam influence Australian industry pricing. Pricing from Malaysia and Vietnam remains amongst the lowest in the market. For the reasons specified in this report, the commission remains satisfied that injury to the Australian industry will likely recur and/or continue in the absence of measures.

7.3.4 Whether expiration of the measures would likely lead to a continuation or recurrence of the material injury that the measures are intended to prevent

On reinvestigation and having considered submissions received, the commission finds that the expiration of the measures would likely lead to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent.

This is a change to the finding in REP 591.

The commission has, upon reinvestigation, found that:

- The Australian aluminium extrusions market is competitive and price sensitive. In addition to the observed examples of price undercutting, the commission has observed that there is a high degree of price transparency and supplier competition where customers obtain supply from multiple sources and switch supply sources.
- Imports from Malaysia and Vietnam are likely influencing how the Australian industry sets its prices. The fact that imports from other sources are also likely having an effect does not detract from this finding. In particular, the large volume penetration of Malaysian and Vietnamese imports across the Australian industry's customer base is indicative of a large exposure to likely price competition from these imports.
- The Australian market during the inquiry period was impacted by the pandemic, and these impacts were generally favourable to the Australian industry such that any price advantage of dumping was diminished. Despite this, Malaysian and Vietnamese imports were still able to outcompete the Australian industry on many occasions, as shown by the revised price undercutting analysis. To further assess the possible impact on the degree of undercutting, absent the measures and impacts of the pandemic, the commission conducted sensitivity analysis of prices. This sensitivity analysis identified that importers can more readily undercut the Australian industry prices with dumped imports absent the effects of the pandemic and anti-dumping measures. The commission's sensitivity analysis is in **Confidential Attachment 15**.
- As the impacts of the pandemic recede, export supply will likely be more cost effective and timely, as was the case during the original investigation and prior to the pandemic. Together with the ending of the government stimulus programs, any temporary advantage the Australian industry enjoyed during the inquiry period will be removed. In particular, absent the effects of the pandemic, prices of imports will likely become more competitive, increasing the degree of price competition in the Australian market.

Taken together, these factors indicate that, upon expiration of the measures, the Australian industry would likely be required to respond to Malaysian and Vietnamese import prices by reducing prices or suppressing any potential price increases to remain competitive (or otherwise risk losing sales volume to imports from Malaysia and/or Vietnam) – which is the material injury that the measures are intended to prevent.

7.3.4.1 Other injury factors

The commission examined whether there were any other factors that could effectively sever the link between the expiration of the measures on the one hand, and the likely continuation of, or a recurrence of, of material injury on the other.

The commission considers that the presence of imports from other sources may continue to adversely influence the economic condition of the Australian industry. However, as set out in the sections above, the commission has found that the Australian market is price sensitive and there is a large penetration of common customers across the Australian industry's customer base sourcing or having previously sourced from Malaysia and/or Vietnam. The fact that imports from other sources are also likely having an effect on the economic condition of the Australian industry does not detract from the finding that Malaysia and Vietnam are likely influencing how the Australian industry sets its prices.

7.3.4.2 Conclusion

Accordingly, the commission considers that the expiration of the anti-dumping measures relating to the exporters from Malaysia and Vietnam, would be likely to lead to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent.

8 FORM OF MEASURES

8.1 Findings

8.1.1 Dumping duty notice

If the event ADRP proposes recommending to the Minister that they revoke the reviewable decision and substitute a new decision which includes the continuation of the measures, the commission considers it appropriate that the combination duty method apply to all exporters of the goods from Malaysia (except Alumac) and Vietnam.

8.1.2 Countervailing duty notice

The Minister accepted the Commissioner's original recommendation that the countervailing measures (applying to exports of the goods from Malaysia) be allowed to expire. This followed the Commissioner's finding that it was not likely the expiry of the measures would lead to exporters in Malaysia being in receipt of countervailable subsidies.

As the ADRP has not requested the Commissioner reinvestigate this finding, the Commissioner maintains that the countervailing measures be allowed to expire.

8.2 Forms of measures available - dumping

The forms of dumping duty available to the Minister when imposing anti-dumping measures are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013*. In relation to IDD, the forms of duty are:

- fixed duty method (\$X per tonne)
- floor price duty method
- combination duty method or
- *ad valorem* duty method (i.e., a percentage of the export price).¹⁸⁴

The various forms of dumping duty all have the purpose of removing the injurious effects of dumping. However, in achieving this purpose, certain forms of duty will better suit particular circumstances more so than others. In considering which form of duty to recommend to the Minister, the Commissioner will have regard to the published *Guidelines on the Application of Forms of Dumping Duty November 2013* (the Guidelines) and relevant factors in the market for the goods.¹⁸⁵

8.3 Submission received in response to the PRR

Capral submitted, in response to the PRR, that the combination method form of measures should be applied to all exporters in Malaysia (except for Alumac) and all exporters in Vietnam. Capral submitted that the floor price method was appropriate for Alumac.¹⁸⁶

Capral claimed that the combination method was appropriate given that Malaysian and Vietnamese exporters, except for Alumac, had continued to export at dumped prices while the measures were in place.

¹⁸⁴ Section 5 of the Customs Tariff (Anti-Dumping) Regulation 2013.

¹⁸⁵ See [Guidelines on the Application of Forms of Dumping Duty November 2013](#), available on the commission website.

¹⁸⁶ EPR 591, document number 49

8.4 Conclusion

The commission remains satisfied that the combination duty method is appropriate to remove the injurious effects of dumping. The commission notes that Capral's submission to retain a floor price duty method for Alumatic would only be relevant if measures were to be continued in relation to Alumatic. As outlined in REP 591, the Minister accepted the Commissioner's finding that Alumatic was not likely to dump the goods if the measures were to expire. The ADRP did not request that the Commissioner reinvestigate this finding.

9 ATTACHMENTS

Confidential Appendix A	Revised comparison 1 Undercutting Analysis Assessment
Confidential Appendix B	Revised comparison 2 Undercutting Analysis Assessment
Confidential Attachment 1	Amendments Made to Undercutting Analysis in REP 591
Confidential Attachment 2	Australian Market Channels
Confidential Attachment 3	Capral Price Analysis
Confidential Attachment 4	PMAA Price Analysis
Confidential Attachment 5	Revised Price Undercutting Analysis
Confidential Attachment 5B	Further Revised Price Undercutting Analysis
Confidential Attachment 6	Post FOB Import Costs to FIS
Confidential Attachment 7	Volume Analysis
Confidential Attachment 8	Importers Pricing Behaviour
Confidential Attachment 9	Other Import Sources
Confidential Attachment 10	Australian Market Volume Analysis
Confidential Attachment 11	Shipping Costs Analysis
Confidential Attachment 12	Spread Analysis
Confidential Attachment 13	Aus Star Common Customer Analysis
Confidential Attachment 14	EAA Third Country Export Price Analysis
Confidential Attachment 15	Sensitivity Analysis
Confidential Attachment 16	Assessment of Press Metal's import volume claims