



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION NO. 401

**ALLEGED DUMPING OF WIRE ROPE
EXPORTED TO AUSTRALIA FROM
THE REPUBLIC OF SOUTH AFRICA**

VISIT REPORT - AUSTRALIAN INDUSTRY

BEKAERT WIRE ROPES PTY LTD

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

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1 BACKGROUND

On 26 April 2017, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an investigation into the alleged dumping of wire rope (the goods) exported to Australia from the Republic of South Africa (South Africa).

The application was lodged by Bekaert Wire Ropes Pty Ltd (BBRG Australia) requesting that the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry Innovation and Science (Parliamentary Secretary) publish a dumping duty notice in respect of the goods exported from South Africa.

In its application, BBRG Australia alleges that the Australian industry has suffered material injury caused by wire rope exported to Australia from South Africa.

The background to the initiation of this investigation is contained in Consideration Report No. 401 (CON 401). Public notification of the initiation of the investigation was made on 26 April 2017 in Anti-Dumping Notice (ADN) No. 2017/58.

The public record version of the application, CON 401 and ADN 2017/58 are available on the Anti-Dumping Commission's (the Commission) website at www.adcommission.gov.au.

2 THE GOODS AND LIKE GOODS

2.1 The goods

The goods the subject of this investigation are stranded wire rope, alloy or non-alloy steel, whether or not coated or impregnated, having both of the following:

- Not greater than 8 strands;
- Diameter not less than 58mm and not greater than 200mm,

with or without attachments.

Further information regarding the goods is outlined below:

- (i) *Stranded steel wire rope is rope and strand made of high carbon wire (whether or not containing alloys);*
- (ii) *The strand or rope can also be sheathed or impregnated and sheathed respectively in plastic or composites;*
- (iii) *The wires can be layered-up in various configurations in order to give the strand or rope the desired physical properties;*
- (iv) *Variances can include:*
 - *strand diameter;*
 - *number of wires;*
 - *wire finish (e.g. typically black but may be galvanised);*
 - *wire tensile grade;*
 - *type of lubricant;*
 - *strand or rope length; and*
 - *whether or not an attachment is included (but not limited to ferrules and/or beckets).*
- (v) *Cores may be made of:*
 - *natural or synthetic fibre; or*
 - *Independent Wire Rope Cores (“IWRC”), which may or may not be sheathed or impregnated in plastic.*

Typical uses include applications such as dragline hoist, drag and dump ropes, and shovel hoist, crowd and retract ropes.

Goods excluded from this application are:

- *stranded wire rope that is stainless steel as defined under Note (e) “Stainless steel” to the Tariff;*
- *stranded wire rope with more than 8 strands, regardless of diameter; and*

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- *stranded wire rope less than 58mm or greater than 200mm in diameter, regardless of the number of strands.*

2.2 Tariff classification

The goods are generally, but not exclusively, classified to the following tariff classifications in Schedule 3 to the *Customs Tariff Act 1995*:

| Tariff classification | | | | |
|-----------------------|-------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <i>Tariff code</i> | <i>Statistical code</i> | <i>Unit</i> | <i>Description</i> | <i>Duty rate</i> |
| 7312.10.00 | 91 and 92 | Kilograms (kg) | Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated: 91: ... <i>Of a diameter exceeding 50 mm but not exceeding 100 mm</i> 92: ... <i>Of a diameter exceeding 100 mm</i> | 5% |

3 THE AUSTRALIAN INDUSTRY

3.1 Manufacturing in Australia

BBRG Australia has two manufacturing sites in Newcastle, NSW. Its main plant covers 39,000 m² and most of the strand and wire rope manufacturing takes place in this facility. There is also a smaller facility that covers 2,208 m² and dedicated to RAPTEK™ manufacturing.

BBRG Australia specialises in designing, manufacturing and sales of wire ropes, steel cables and strands for various industries.

The company produces wire ropes at its premises in Newcastle, NSW. The production process is automated, involves utilisation of specialised machinery and is considered as capital intensive.

BBRG Australia explained that with respect to the end use application, wire ropes are classified as:

- Drag Ropes;
- Hoist Ropes;
- Dump Ropes; and
- Shovel Ropes.

Wire rope consist of either six strands or eight strands. Wire rope can also be classified according to having either a steel core or fibre core; being plasticated or non-plasticated; compacted or un-compacted; based on the design of strands and the geometry of winding of the strands around the core; and whether or not having rovings between the strands. It is observed that BBRG Australia has the capability to manufacture all of the goods that are subject to this investigation.

Wire rope can also be sold with or without end attachments such as links, ferrules or beckets.

BBRG Australia is capable of manufacturing wire rope between 16mm to 200mm diameters (note that only the wire ropes that has diameters not less than 58mm and not greater than 200mm are subject to this investigation). BBRG Australia also manufactures strands between 4.8mm to 102mm with different geometries.

During the verification visit, the verification visit team conducted an inspection of the main production facility at Newcastle.

BBRG Australia explained that it designs its range of wire rope and develops and refines processes to manufacture its wire rope to enhance product life and performance.

The manufacture of wire rope by BBRG Australia involves two major transformation stages. These include:

- conversion of wire to strand; and
- conversion of strand to rope.

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Having examined BBRG Australia's manufacturing facilities and observed the processes undertaken by BBRG Australia in manufacturing the goods, the verification visit team considers that BBRG Australia carried out, in Australia, at least one substantial process in the manufacture of the goods. In coming to this conclusion, the verification team have considered:

- BBRG Australia's role in the design of the wire rope; and
- the conversion of wire to strand and conversion of strands to rope processes as well as other additional processes such as compacting and plastication undertaken by BBRG Australia.

The verification team considers the processes undertaken by BBRG Australia is more than simple assembly, packaging or labelling.

The verification team conclude that the goods can be taken to have been wholly or partly manufactured in Australia and that they are, therefore, produced in Australia.

3.2 Like goods

Subsection 269T (1) of the Act defines like goods as:

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

BBRG Australia considers that its range of wire ropes are like goods to wire ropes exported to Australia from the South Africa. BBRG Australia claims that its wire ropes and the imported wire ropes:

- are alike physically;
- compete directly in the same market;
- are substitutable; and
- have the same end-uses.

Based on discussions and verification with BBRG Australia, at this stage, the Commission considers that:

- the primary physical characteristics of the goods and locally produced goods are similar;
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the goods and locally produced goods are functionally alike as they have the same end-use; and
- from information available it appears that the goods and locally produced goods are likely to be manufactured in a similar manner.

Accordingly, the Commission is satisfied that the Australian industry produces like goods to the goods the subject of the application, as defined in section 269T of the Act.

3.3 Conclusion

The verification visit team are satisfied that:

- the wire rope produced by BBRG Australia are like to the imported goods¹;
- at least one substantial process of manufacture of wire rope is carried out in Australia²;
- the like goods were, therefore, wholly or partly manufactured in Australia by BBRG Australia³;
- there is an Australian industry, consisting solely of BBRG Australia, which produce like goods in Australia.⁴

¹ Section 269T(1)

² Section 269T(3)

³ Section 269T(2)

⁴ Section 269T(4)

4 AUSTRALIAN MARKET

4.1 Market structure

BBRG Australia explained that it categorises the global rope market into three broad categories, with BBRG Australia focussed on Tier 1 and to a lesser extent Tiers 2 and 3.

- Category 1 – mining, oil and gas, and niche construction;
- Category 2 – cranes, elevators and construction; and
- Category 3 – commodity ropes.

BBRG Australia stated that mining ropes segment, which consists of the goods under consideration for this investigation, is characterised by rope performance and predictability that is critical to operational security.

Wire rope is typically used in open cut mining applications on electric draglines and shovels to lift and remove overburden over coal.

In open cut mining, overburden must first be removed to expose the coal seam, which can then be mined using various techniques. Wire rope is critical to the operational effectiveness of the equipment required to remove overburden and mine coal – such as draglines and electric shovels to excavate overburden to allow hydraulic shovels to dig coal, and dump trucks to haul overburden and coal.

Open cut mining accounts for almost 80 per cent of coal production in Australia.

BBRG Australia explained that, in open cut mining, dragline and shovel ropes are seen as a consumable with ropes having the following life expectancies:

- Dump ropes: 1 - 3 weeks;
- Drag ropes: 8 - 12 weeks;
- Hoist ropes: 12 - 24 weeks;
- Pendants: + 5 years; and
- Shovel ropes: 8 - 10 weeks.

4.2 Marketing and distribution

As noted above, the vast majority of BBRG Australia's sales of wire rope is to open cut mining companies. These companies use the wire rope in draglines and shovels that are used to remove the overburden and mine coal. BBRG Australia explained the wire rope sales process as below:

- mining companies send out a request for quotation (RFQ) to wire rope suppliers;
- BBRG Australia develops a bid to RFQs which typically takes between three to six weeks;
- mining companies evaluate the bids and often negotiate further on the bids provided; and
- once the offer is accepted, a contract is drafted between the mining company and the wire rope supplier.

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BBRG Australia explained that the period from date of release of the request for quotation, the award of the contract, may be three months or more. BBRG Australia further stated that the durations of the contracts were getting shorter and a contract between a mining company and a supplier did not guarantee continuous sales of wire rope for the duration of the contract as the mining companies often sought or accepted offers from third party suppliers during the contract periods. When asked, BBRG Australia explained that these purchase contracts did not include any punitive clauses against the mining companies should they prefer to procure their wire rope requirements from third parties. BBRG Australia further explained that the mining companies would have the discretion to end the contract or cease placing orders at any time without providing any reasons to the supplier of wire rope.

To verify these claims, the verification team obtained a copy of an actual contract between BBRG Australia and one of its prominent mining customers. The verification team observed that the contract did not require the mining company to commit to purchase any amount of wire rope. Further, the verification team observed that the contract included a clause stating that “[T]he Company may, in its absolute discretion, and without being obliged to give any reasons, end this Contract at any time by giving not less than 5 Business Days written notice to the Contractor”.

Therefore, the verification team considers that the contracts between wire rope suppliers and mining companies are indeed mechanisms for mining companies to pre-qualify their wire rope suppliers and does not constitute any legal obligation for the mining company to buy from the contracted wire rope supplier. As a result, the verification team is of the view that these supply contracts do not eliminate head-to-head competition in the wire rope market place and do not provide the contracted supplier any shelter against the competition in the market.

A copy of the supply contract between BBRG Australia and its customer is available at **Confidential Attachment 1**.

4.3 Demand

BBRG Australia advised that demand for wire rope is mainly driven by demand for coal and other mining commodities. As explained in section 4.1 of this report, wire rope is a consumable for electric draglines and shovels in open cut mines and product demand in the surface mining market segment is driven by introduction of new machinery in new mines or rationalising and upgrading of existing equipment in existing mines.

At the verification visit, BBRG Australia provided the verification team with a spreadsheet listing the details of all operational and parked machinery in Australia together with the type of ropes used by these machinery and each machine’s monthly and yearly average consumption rates from 2013.

Other possible demand drivers are further discussed in section 8.3 of this report.

4.4 Market size

At the visit, BBRG Australia explained that due to suppression orders on the tariff classes in the Australian Bureau of Statistics database, BBRG Australia calculates the size of

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Australian wire rope market in 2016 calendar year based on its detailed market intelligence. As explained in Consideration Report 401⁵, eight statistical codes, including statistical codes 91 and 92 for tariff subheading 7312.10.00 which have been identified as most relevant to the goods at section 2.2 of this report, were added effective from 1 January 2015. Therefore, the Commission is only able to filter the data from the Australian Border Force (ABF) import database with a greater degree of certainty for the two most recently completed calendar years, 2015 and 2016. The verification team's analysis shows that, for 2015 and 2016 calendar years, BBRG Australia's estimates of the Australian wire rope market size agree with the import statistics from ABF's import database.

⁵ Available at <http://www.adcommission.gov.au/cases/Pages/CurrentCases/EPR-401.aspx>

5 VERIFICATION OF SALES

5.1.1 Verification of Australian sales to financial statements

The verification visit team verified the completeness and relevance of BBRG Australia's sales spreadsheet by reconciling it to the company's financial statements in accordance with ADN. No 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 2**.

The verification visit team did not find any significant variances or issues.

5.1.2 Verification of sales data to source documents

The verification visit team verified the accuracy of BBRG Australia's sales spreadsheet by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 2**.

The verification visit team did not find any significant variances or issues.

5.2 Imports by applicant

Most sales of the goods of BBRG Australia are its own products. BBRG Australia also sells small volumes of other types of steel rope that it imports and a negligible volume of imported wire rope that are within the scope of the goods the subject of this investigation.

5.3 Verification of sales data – conclusion

Having regard to all of the above, the verification visit team consider the Appendix A4 sales data provided by BBRG Australia is an accurate, relevant and complete account of its sales of wire rope during the period from 1 January 2016 to 31 December 2016.

6 VERIFICATION OF COST TO MAKE AND SELL

6.1 Verification of cost to make and sell data to financial statements

The verification visit team verified the completeness and relevance of BBRG Australia's cost to make and sell (CTMS) spreadsheet by reconciling it to the company's financial statements in accordance with ADN. No 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

The verification visit team found an issue relating to the cost of one model in relation to version control of the cost data. No other discrepancies or issues were found.

6.1.1 Version control

In performing this verification, the visit team found abnormalities in the cost data relating to one particular model. This appeared to be an error that occurred between subsequent versions of the CTMS spreadsheets. The costs shown for this model were therefore replaced with the costs from an earlier version of the CTMS spreadsheet.

6.2 Verification of production costs to source documents

The verification visit team verified the accuracy of BBRG Australia' CTMS spreadsheet by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

The verification visit team did not find any other discrepancies or issues reconciling data in the CTMS spreadsheet to source documents and consider that BBRG's allocation methods are reasonable.

6.3 Relationship with suppliers

Prior to the acquisition by Bekaert Wire Rope Industry NV, the company used to purchase the majority of its raw material wire from its related company, [redacted] [entity] in Newcastle. BBRG Australia explained that, at the time of the acquisition,

[redacted]
[commercially sensitive details on raw material competitiveness] was competitive enough when compared to the prices Bekaert pays for its wire purchases globally.

BBRG Australia advised that it has no relationship or association with its raw material suppliers.

6.4 CTMS – conclusion

The verification visit team consider that BBRG Australia's CTMS data in Appendix A6 (revised as discussed above) is a reasonably complete, relevant and an accurate reflection of the actual costs to manufacture and sell wire ropes during the period from 1 January 2013 to 31 December 2016.

Accordingly, the verification visit team consider BBRG Australia's CTMS data in the revised Appendix A6 are suitable for analysing the economic performance of its wire rope over the injury analysis period.

7 ECONOMIC CONDITION

7.1 Applicant's injury claims

BBRG Australia claims that the Australian industry has been injured through:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced sales revenue;
- reduced capital investment;
- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced productivity.

7.2 Commencement of injury, and analysis period

BBRG Australia claims that injury commenced in 2015, and that loss of sales volume and reduced selling prices had a material impact on its financial position in 2016.

7.3 Volume injury

7.3.1 Sales volume

In its application, BBRG Australia claims that it lost sales volume due to the growth in the volume of imports of wire rope from South Africa.

Figure 1 below illustrates the volume of BBRG Australia's sales of wire rope in the domestic market during 2015 and 2016.

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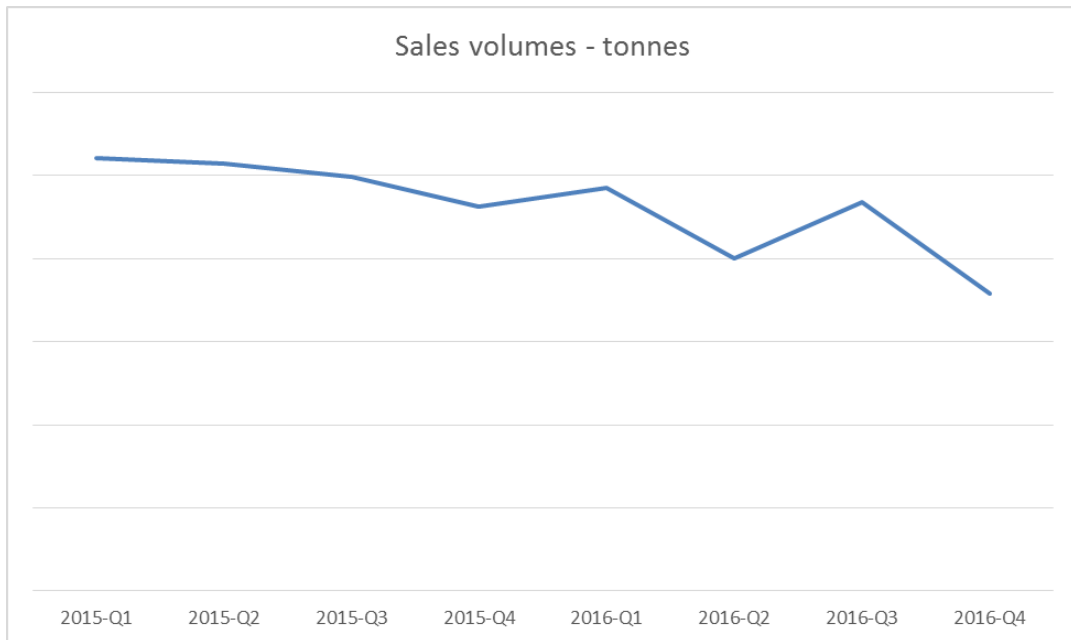


Figure 1: BBRG Australia's domestic sales quantity of wire rope

BBRG Australia's sales volumes of wire rope declined overall during 2015 and 2016. Sales volumes decreased significantly in 2016 notwithstanding some pickup in volumes in the first and third quarters of 2016. BBRG Australia's decrease in sales volumes came despite an improvement in market conditions for coal miners, BBRG Australia's customers (see below assessment of coal prices in 2016).

7.3.2 Further analysis of volume injury

The verification team looked at the effect on BBRG Australia's sales volumes of having Haggie Reid Pty Ltd (Haggie, the importer) present at a mine. The following example assesses the effect of Haggie's presence on BBRG Australia's sales of drag ropes (with diameter less than 100mm).

The following graph shows BBRG Australia's drag rope (with diameter less than 100mm) sales volumes for 2016 at mines that Haggie does not supply. Consistent with the market conditions for coal miners during 2016, volumes dropped in the first quarter and then increased for the rest of 2016 (see below assessment of coal prices in 2016).

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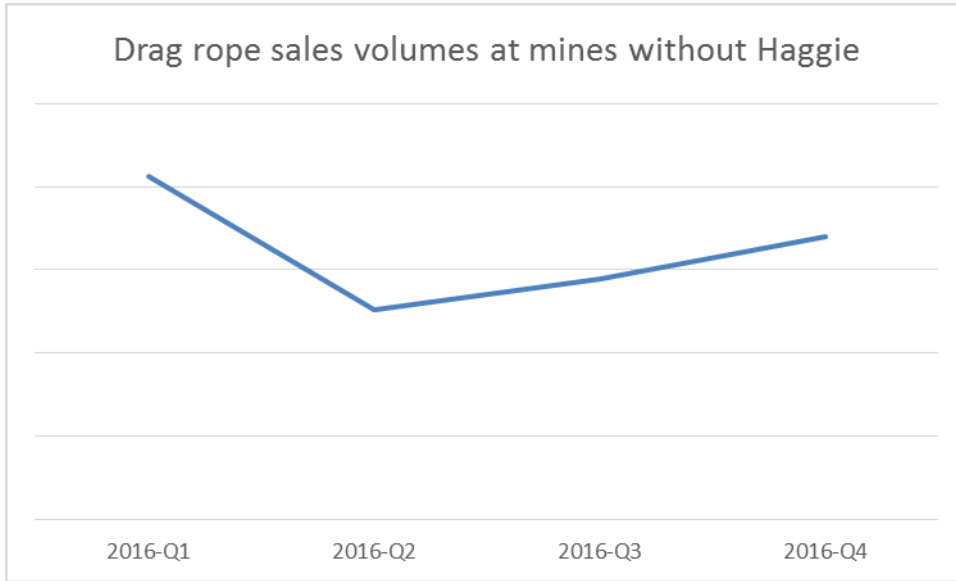


Figure 2: BBRG Australia’s drag rope sales volumes at mines without Haggie

The following graph shows BBRG Australia’s drag rope (with diameter less than 100mm) sales volumes for 2016 at mines that Haggie also supplies. In contrast to mines where Haggie does not supply, sales volumes of drag ropes dropped significantly at mines that Haggie also supplies.

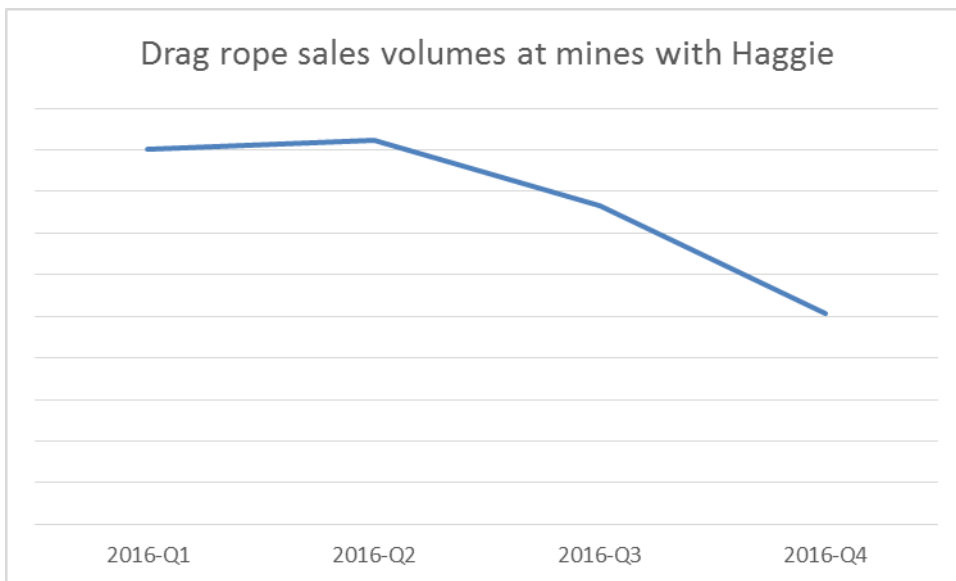


Figure 3: BBRG Australia’s drag rope sales volumes at mines with Haggie

The verification teams considers that there is strong evidence of volume injury at mines where Haggie also supplies wire rope.

7.3.3 Market Share

Figure 4 below depicts the change of market shares for all suppliers of wire rope during the injury analysis period.

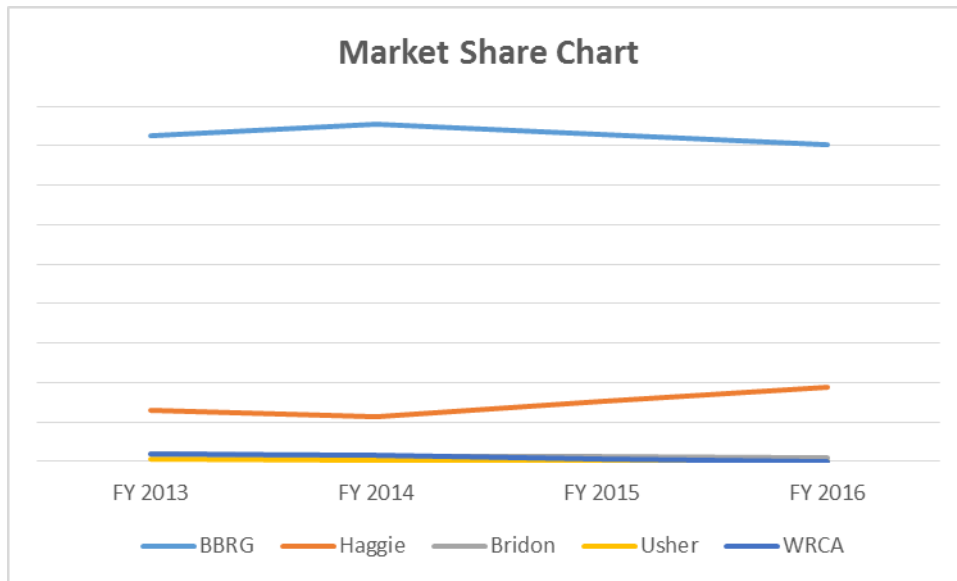


Figure 4: Market shares of all suppliers of wire ropes in Australia

From Figure 4, it is observed that from 2014 financial year, while the Australian industry and other suppliers of wire rope such as Bridon, Usher and WRCA continuously lost market share, Haggie consistently improved its market share. From the graph above, the verification team considers that BBRG Australia appears to have experienced loss of market share from FY 2014 onwards.

Analysis of change in market share is available at contained in **Confidential Appendix 1 – Market Share**.

7.3.4 Conclusion – volume effects

Based on the available information, the verification visit team considers that there is evidence to support BBRG Australia's claim that the Australian industry has experienced injury in the form of lost sales volume and market share.

Further analysis of the verification team's assessment of volume effects is contained in **Confidential Appendix 2 – Injury effects**.

7.4 Price suppression and depression

BBRG Australia claims that it experienced injury in the form of price depression and price suppression. BBRG Australia claims that lost sales volumes to dumped goods have led to production volumes declining. Declining production volumes have led to higher unit fixed and SG&A costs. BBRG Australia claims that the increase in costs, along with downwards pressure on its selling prices as a result of the allegedly dumped goods, have led to price suppression.

BBRG Australia staff described a number of instances, and provided supporting documents and correspondence, of where its customers negotiated rope prices by reference to Haggie's prices. Some examples of these negotiations are contained in **Confidential Attachment 3 – Negotiation summary**.

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The verification team found that price decreases for Australian industry ropes were more likely and more pronounced at mines where Haggie also sold its ropes. For example, the graph below shows price per tonne during 2016 for drag ropes at mines where Haggie does not supply rope. The increase in prices is consistent with the improvement in the fortunes of buyers of wire rope during 2016.

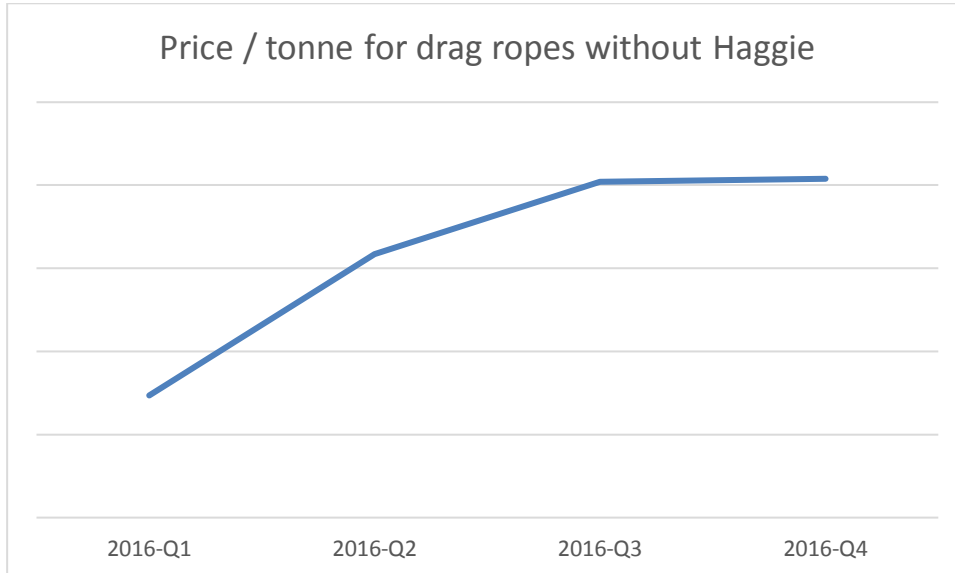


Figure 5: Price per tonne for BBRG Australia's drag ropes at mines without Haggie (vertical axis does not start at zero)

In contrast, the price received by BBRG Australia for its drag ropes fell during 2016 at mines where Haggie supplies wire rope. The graph below shows price per tonne during 2016 for drag ropes rising between the first and second quarters but falling overall during 2016. This decrease in prices is inconsistent with the improvement in the fortunes of buyers of wire rope during 2016. Further analysis of the verification team's assessment of mine level price effects is contained in Confidential Appendix 2 – Injury effects.

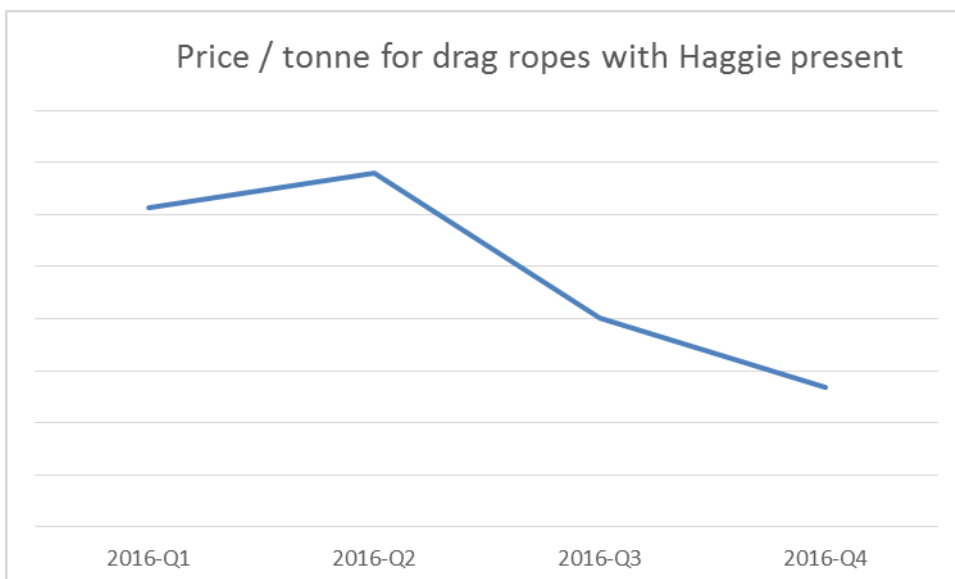


Figure 6: Price per tonne for BBRG Australia's drag ropes at mines with Haggie (vertical axis does not start at zero)

The verification team found that price suppression was generally evident through unit costs rising without those costs being reflected in per unit sales revenue. For example, the following graph shows BBRG Australia’s unit sales revenue and CTMS for hoist and drag rope⁶ for 2015 and 2016. The graph show increasing unit CTMS and reducing per unit sales revenues during 2016. Unit sales revenue is not increasing despite increasing CTMS during the investigation period. Further analysis of the verification team’s assessment of price suppression is contained in **Confidential Appendix 3 – Price effects**

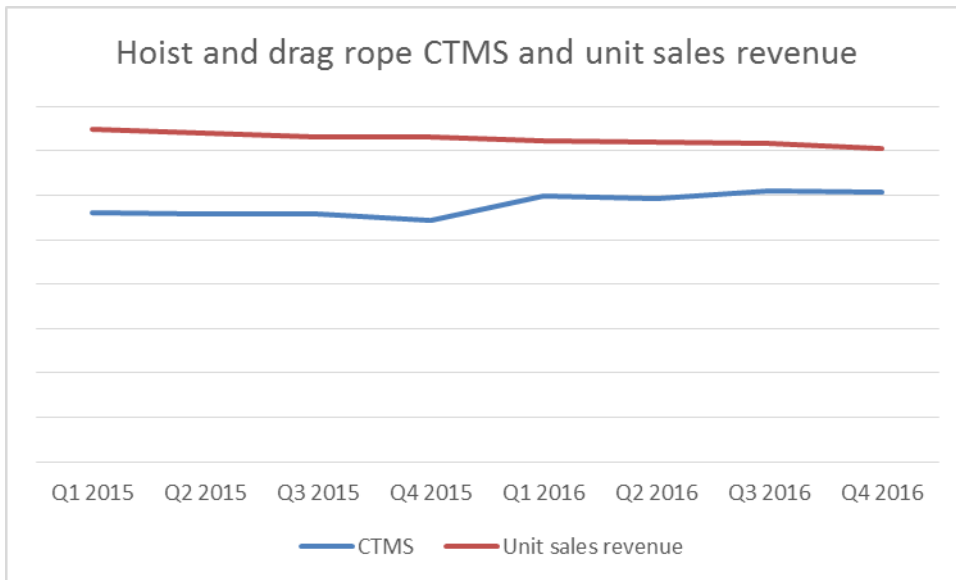


Figure 7: Unit CTMS and sales revenue for BBRG Australia’s hoist and drag rope

7.4.1 Conclusion – price effects

Based on the available information, the verification visit team considers that BBRG Australia has experienced injury in the form of price depression and suppression.

7.5 Profits and profitability

The verification team found that BBRG Australia’s profits and profitability were generally falling. For example, the following graph shows total profit and profitability for hoist and drag rope. The graph shows a significant decline in profits and profitability for hoist and drag rope in 2016 compared to 2014 and 2015.

⁶ Hoist and drag rope make up over half of BBRG Australia’s sales.

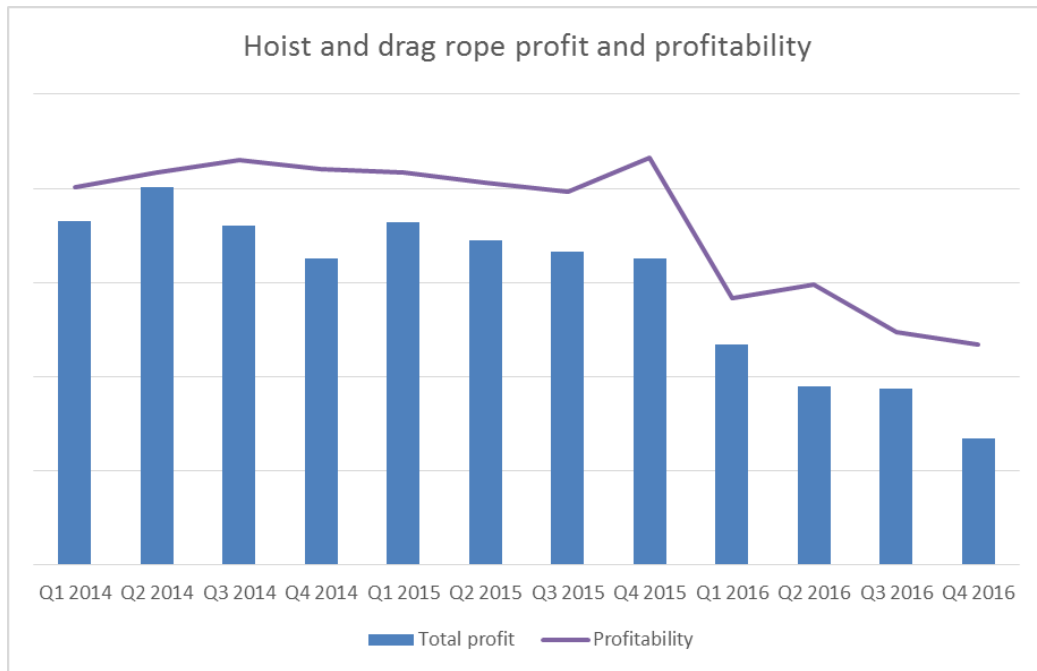


Figure 8: Total profit and profitability for hoist and drag rope

The verification team considers that the profit and profitability figures cannot be explained by general trading conditions. The verification team notes in this respect that conditions for BBRG Australia’s customers were markedly better in 2016 than in 2015.

7.5.1 Conclusion – profit and profitability effects

Despite general trading conditions improving in the coal industry (evidenced by increasing coal prices in 2016) BBRG Australia’s profit and profitability related to sales of wire ropes deteriorated in 2016 compared to 2015.

BBRG Australia’s CTMS increased in 2016 compared to 2015 as its fixed costs were spread over lower volumes.

Further analysis of the verification team’s assessment of profit and profitability effects is contained in **Confidential Appendix 3 – Price and profit effects**.

7.6 Other economic factors

In its application, BBRG Australia claimed that it had experienced injury in the form of other injury factors regarding:

- reduced capital investment;
- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced productivity.

The verification visit team considers that the most significant manifestation of injury to BBRG Australia's operations was BBRG Australia's reduction of the number of shifts worked. This reduction in shifts has come with:

- reduced capacity utilisation of its rope making equipment and its Newcastle premises;
- reduced returns on the investment in productive capacity and other investments such as technical know-how;
- reduced employment as staff are no longer required for the third shift; and
- reduced productivity as remaining BBRG Australia staff are less able to specialise and productive capacity is not operated at efficient scale.

7.6.1 Conclusion – other injury factors

The verification visit team consider that there is evidence to show that BBRG Australia has suffered injury in the form of:

- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced productivity.

7.7 Conclusion on injury

Based on an analysis of the information contained in the application and obtained and verified during our visit, the verification visit team consider that the company has experienced injury in the form of:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced sales revenue;
- reduced return on investment;
- reduced capacity utilisation;
- reduced employment; and
- reduced productivity.

8 CAUSAL LINK

The Australian market for the goods is, in substance, supplied by two suppliers, BBRG Australia (the Australian industry) and Haggie. In addition, there are few customers and a high degree of transparency concerning the extent to which each supplier supplies a given customer. Accordingly, it is generally clear that sales lost by the Australian industry are gained by the importer.

The verification team has focussed on the investigation period in assessing causal link between injury and dumping because the Commission does not assess whether dumping has occurred outside the investigation period.

8.1 Price effects

BBRG Australia supplies wire rope to a cost-conscious customer base; this is the result of those customers' margins being squeezed by reducing coal prices during the period 2011 to 2016. BBRG Australia claims nonetheless that price reductions were caused, at least in part, by allegedly dumped imports.

Price negotiations

BBRG Australia supplied the verification team with email correspondence with customers that showed price negotiations expressly referencing the price of wire rope imported by Haggie. It seems clear from these negotiations that BBRG Australia had little choice but to lower its prices in response to Haggie's prices.

Comparison of BBRG prices in Haggie supplied mines to prices in non Haggie supplied mines

BBRG Australia supplies wire rope at mines where Haggie also sells wire rope and at mines where Haggie does not sell wire rope. The verification team considered that it was reasonable to expect that any price injury caused by Haggie would be greater at mines where Haggie also supplies wire rope.

The verification team compared prices obtained by BBRG Australia at mines where Haggie also sells wire rope to prices obtained by BBRG Australia at mines where Haggie does not sell wire rope. The verification team found that the prices BBRG Australia obtained at mines where Haggie also sells wire rope were generally lower than prices BBRG Australia obtained at mines where Haggie does not sell wire rope.

The verification team considers that there may be broader price effects on BBRG Australia from imported wire rope however this exercise isolates some of the price impact of imported wire rope on the Australian industry. The verification team considers that the results of this comparison shows that there is price injury caused by imported wire rope.

Further investigation

The Commission will further examine BBRG Australia's claims of the impact on prices during the course of the investigation.

8.2 Volume effects

There are only two effective suppliers in the Australian wire rope market. Accordingly volumes lost by BBRG Australia are almost invariably lost to imports.

There is a high level of transparency in the market for wire rope due to the small number of suppliers and customers and that many of the mines supplied by Haggie are also supplied by BBRG Australia. This means that when a customer stops using BBRG wire rope on a given machine, BBRG Australia field staff are able to observe first hand whether the customer is switching to Haggie wire rope or whether there is another reason why the customer has stopped using BBRG wire rope. An example of another reason why a customer has stopped using BBRG wire rope is that a customer has “parked” a machine that used BBRG wire rope.

Confidential Attachment 4 lists the mines where Haggie supplied wire rope during 2016.

8.3 Injury caused by factors other than dumping

In assessing whether there has been any injury to the Australian industry the verification team considers whether injury is being caused by a factor other than the exportation to Australia of the allegedly dumped goods. The verification team does not attribute any such injury to the exportation of the allegedly dumped goods (subsection 269TAE (2A) of the Act).

8.3.1 Coal prices

BBRG Australia stated that there had been a sustained downturn in the price of coal following the GFC. This downturn had seen some coal mines close operations entirely and some others had reduced output. Mines that remain in operation have become increasingly cost sensitive in recent years as falling coal prices reduced their margins. BBRG Australia stated that there were no new mine expansions or mines opening, either currently or expected in the next 2 to 3 years.

The verification team’s researches indicated that coal prices reached their nadir in April 2016 for the period since the GFC but spiked to their highest in 5 years in November 2016 as shown in the following graph.⁷

⁷ Coal, Australian thermal coal, 12000- btu/pound, less than 1% sulfur, 14% ash, FOB Newcastle / Port Kembla, AUD per tonne; World Bank.

PUBLIC RECORD

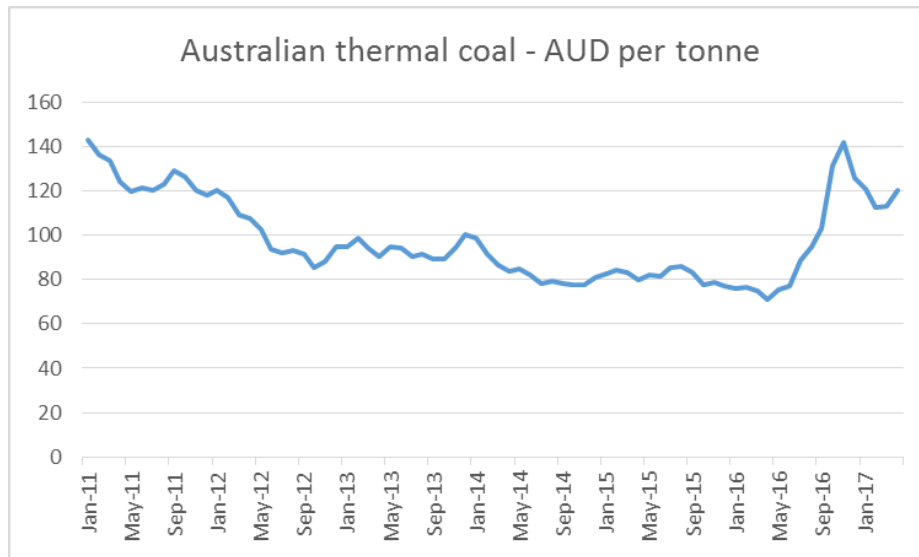


Figure 9: Monthly Australian thermal coal prices from January 2011

BBRG Australia considers that the spike in coal prices was due to flooding in Queensland during 2016 however the verification team considers that the recovery in prices may be more enduring.⁸

The Australian market has operated in the shadow of coal price reductions since early 2011 however coal prices increased significantly during 2016 such that average prices for coal during 2016 were 16 per cent higher than in 2015. Accordingly the verification team is not satisfied that material injury suffered by BBRG Australia during 2016 was caused by low coal prices.

8.3.2 Foreign exchange movements

The verification team briefly discussed the Australian dollar / South African rand exchange rate as a possible cause of injury to the Australian Industry. BBRG Australia noted that the South African rand had a period of weakness against the Australian dollar around the investigation period. The Commission will assess the effect of the Australian dollar / South African rand exchange rate on the Australian industry as the investigation continues.

⁸ *Economic outlook brightens on coal, iron ore price recovery*, The Australian, Alan Kohler, 5 November 2016.

9 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an investigation. The Commission generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

As part of the investigation, the Commission will establish the USP. The USP is generally established by using the following hierarchy:

- Market approach: industry selling price at a time when the Australian market was unaffected by dumping;
- Construction approach: the Australian industry's CTMS, plus a reasonable rate of profit; or
- Selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates the NIP by deducting costs incurred in getting the goods to the FOB point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

The Commission invited BBRG Australia to make a submission on its view on the most appropriate method to calculate the USP.

10 APPENDICES AND ATTACHMENTS

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|----------------------------------|---------------------------------------------------------------------|
| Confidential Attachment 1 | Wire rope supply contract |
| Confidential Attachment 2 | Verification work program |
| Confidential Attachment 3 | Summary of mine level price negotiations |
| Confidential Attachment 4 | List of mines that both BBRG Australia and Haggie supply wire ropes |
| Confidential Appendix 1 | Market share analysis |
| Confidential Appendix 2 | Volume injury effects |
| Confidential Appendix 3 | Price and profitability injury effects |