

28 July 2017

Mr Bora Akdeniz
Case Manager
Operations 3
Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne Victoria 3000

Received on 28 July 2017

Public File

Dear Mr Akdeniz

Investigation No. 401 – Wire Rope exported from South Africa – BBRG Australia submission re Scaw S.A. and Haggie Reid allegations of 19 July 2017

I. Introduction

I refer to your email of 25 July 2017 where you requested BBRG Australia's opinion concerning certain aspects of the claimed causes of injury as asserted by Scaw South Africa ("Scaw S. A.") and Haggie Reid Pty Ltd ("Haggie") in the submission dated 19 July 2017, including comments about "Part D" of the submission. Additionally, you have requested BBRG Australia to provide "comprehensive supporting evidence" concerning the assertions of Scaw S.A. and Haggie, and to provide "context" of each of the lost sales by BBRG Australia due to parked machinery or any other claimed causes.

BBRG Australia has reviewed the submission and provides the following comments.

II. BBRG Australia's application

The Scaw S.A. and Haggie submission is intent on discrediting BBRG Australia's claims that it has suffered injury from dumped exports of wire rope from South Africa by Scaw S.A., and that the injury suffered in 2016 was 'material' in nature. Scaw S.A. and Haggie refer to injury experienced by BBRG Australia as "illusory" and "follows a familiar formula in submissions from market-dominating Australian industry applicants".

The injury suffered by BBRG Australia in 2016 cannot be described as "illusory". The available evidence is supportive of BBRG Australia's claims, as reflected in the BBRG Australia Industry Verification Report¹:

"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."

BBRG Australia further agrees with the Commission's assessment concerning the "Comparison of BBRG prices in Haggie supplied mines to prices in non-Haggie supplied mines" to assess the price-impact of the Scaw S.A. exports to Australia on BBRG Australia's selling prices. The Commission noted:

"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 Commission correctly concluded that its analysis 'isolates' the price impact of the exports by Scaw S.A. on BBRG Australia's prices on the Australian market.

¹ BBRG Australia Industry Verification Report, EPR Document 8, P.23.

BBRG Australia does not retract from its claims as detailed in its application and considers the allegations have been supported during the Commission's analysis of BBRG Australia's records.

III. Scaw S.A. and Haggie Reid market analysis

BBRG Australia has analyzed Scaw S.A. and Haggie's assessment "Analysis of supply changes in the POI" – Section D of the submission.

BBRG Australia agrees with Scaw S.A. and Haggie that the wire ropes sold in Australia are not commodity products. The goods are manufactured to the specification requirements of the end-use customer, with unique design and performance attributes BBRG Australia offers a full range of products supported by its TRM rope management program that meet the markets high requirements as a leading global ropel supplier.

In analyzing the Australian market by the number of mine sites, Scaw S.A. and Haggie considered that the percentage of "shared" sites (i.e. sites where Haggie and BBRG Australia co-supply) accounted for 21 per cent of the market. It is noted that Scaw S.A. and Haggie refers to a 'shared' mine site' as one in which "*Bridon-Bekaert also has a supply arrangement in place with those mine sites*". As explained to the Commission during the verification visit, whilst BBRG Australia may be an accredited supplier to a mine, this does not mean that other suppliers, like Haggie, are prevented from securing business at those mine sites. In such situations, suppliers would term the supply of product as a "trial", however, it does not deter from the fact that both suppliers are "sharing" the available opportunity.

BBRG Australia has examined the break-up of 'shared' and individually supplied sites (as per Scaw S.A. and Haggie's assessment at P 7-8 of its 19 July submission).

BBRG Australia's assessment of the shared sites is included at Confidential Attachment 1.

BBRG Australia makes the following key points in response to shared business activities in 2016:

- BMA Blackwater mine both BBRG Australia and Haggie have supplied ropes with Haggie supplying hoist and dump ropes.
- The same situation existed at BMA Saraji mine with Haggie supplying drag ropes.;
- BMC's Poitrel mine does not use draglines or shovels for mining, so this mine should not be included in the assessment;
- The Glencore, Collinsville mine was placed in 'care and maintenance' in 2016, however, prior to this it was a BBRG-Australian mine as per Haggie's nomination.
- Ensham mine is once again a mine that both companies supply with Haggie supplying drag and dump ropes to the mine;
- The Blair Athol mine is non-operational;
- Clermont is not supplied by BBRG Australia;
- The Peabody, Coppabella mine is a mine where both BBRG Australia and Haggie supply, with Haggie supplying compacted dump ropes;
- The Wesfarmers, Curragh mine is also a mine that both businesses supply ropes, with Haggie supplying drag ropes.
- Anglo-American's Drayton mine is non-operational.

The above clarifies the alleged 'sharing' of mines, and demonstrates that at least a further 6 mine sites as per Scaw S.A. and Haggie's analysis on P.7-8 of its submission are "shared" mine sites where Haggie has some form of presence. The Scaw S.A. and Haggie analysis therefore understates Haggie's supply at mines in the Central and South Bowen Basin area of Queensland, in particular (instead of being 4 of 22, is in fact 10 of 22).

It is clear that BBRG Australia does not have "exclusive" sales to 21 of 28 mine sites as has been depicted by Scaw S.A. and Haggie. Three of the mine sites are either closed (2) or not a rope mine (1), and so only 25 mines in total are relevant. It therefore cannot be concluded that the competition between BBRG Australia and Haggie is "limited". To the contrary, there has been competition across approximately 50 per cent of the mine sites in the

Central and Bowen Basin of Queensland from the dumped ropes exported by Scaw S.A. BBRG Australia is largely unaware of the timing difference between Haggie Reid importing ropes into Australia, the invoiced sale date and when the rope is consumed on a dragline or shovel. The difference between these events can exceed 24 months.

The next component of the Scaw S.A. and Haggie analysis of the Australian market has sought to attribute lost sales by BBRG Australia to “factors unrelated to the price of the goods under consideration exported from South Africa”. Scaw S.A. and Haggie have argued that the loss of the sales volumes by BBRG Australia are not related to ‘price-effects’ from the dumped South Africa exports by Scaw S.A., but can be attributed to other factors such as parked machinery, mine closures, mine trials or, mine ropes imported pre the investigation period.

BBRG Australia has examined the listing by mine-site where Scaw S.A. and Haggie further claim that BBRG Australia has lost volumes during 2016 to factors other than price competition. Scaw S.A. and Haggie assert that of the 1,861 tonnes lost by BBRG Australia, it is alleged that 1,526.50 tonnes could be attributed to ‘machines being parked, mines shutting down, and intermittent use of machines’. It was further claimed that of the 334.5 remaining tonnes, some 172 tonnes were imported prior to 2016.

Scaw S.A. and Haggie conclude that only 162.5 tonnes could be considered ‘dumped’ and that this volume represents a ‘mere’ 1.3 per cent of the Australian 2016 market volume. This is not the case.

BBRG Australia’s assessment of the 1,861 tonnes in included at Confidential Attachment 2. BBRG Australia’s assessment by mine site may be summarized as follows:

- BMA/Blackwater – price negotiations due to Haggie offers – loss of xxx tonnes – supported by email correspondence²;
- BMA/Blackwater – price negotiations due to Haggie offers – loss of xxx tonnes – supported by email correspondence;
- BMA Goonyella – loss of xxx tonnes due to reduced prices – refer email correspondence, as well as BBRG Australia versus Haggie prices³ for drag, hoist and dump ropes which clearly indicate Haggie’s lower prices);
- BMA/ Saraji – ropes supplied at reduced price – loss of xxx tonnes – supported by email correspondence;
- Ensham – lost xxx tonnes due to pricing of dump ropes – refer email correspondence;
- Peabody/Coppabella – pricing was a key issue – lost xxx tonnes – refer email correspondence;
- Rio Tinto/HVO – BBRG Australia displaced due to Haggie bringing ropes from other site – loss of combined xxx tonnes;
- Rio Tinto/MTW – BBRG Australia lost volume on colour coded ropes due to Haggie reduced prices – xxx tonnes;
- Rio Tinto/MTW – BBRG Australia lost volumes on drag ropes due to price – refer email correspondence.

BBRG Australia attributes the loss of 1,121 tonnes of wire rope sales to pricing competition from Haggie supplying dumped wire ropes exported from South Africa by its affiliated supplier, Scaw S.A. This lost sales volume is approximately 10 per cent of the Australian market for wire ropes and is considered material in terms of the total market volume.

IV. Material injury to Australian industry

The Commission’s injury analysis as detailed in the BBRG Australia Industry Verification Report unequivocally evidences injury to the Australian industry above and beyond the reduced demand of a slowing mining industry sector during 2016. Additionally, evidence supplied to the Commission previously (and again in support of the above injury) confirms that BBRG Australia has lost sales volumes and/or reduced prices to hold volumes at various mine sites in the Central and South Bowen Basin in Queensland and, in the Hunter Valley, NSW.

² All email correspondence included at Confidential Attachment 3.

³ Refer Confidential Attachment 4

The impact of the dumping on BBRG Australia's sales volumes and revenues, has impacted its profit and profitability sharply. BBRG Australia has experienced a continued decline in total profit in each of the four quarters of the investigation period, with profitability also diminishing across 2016⁴.

The contrast of BBRG sales volumes and pricing across mine sites where Haggie is a supplier versus those where Haggie does not supply (or offer wire ropes) provides weighted evidence that Haggie's supply of dumped ropes is a determining factor in the pricing decisions of the mine as to whether to purchase imported or locally-supplied wire ropes. In Western Australia, a market that Haggie has nominated that they do not service, BBRG Australia - without the constraint of dumped ropes - has been able to recover international and Australian cost increases. This mining market is less than xx% of the Australian mining market.

BBRG Australia reiterates its position as stated in its application that it has experienced material injury in 2016 as a result of the supply of imported wire ropes at dumped prices from South Africa. BBRG Australia has lost sales volumes to imported wire ropes that have been sold at prices that undercut BBRG Australia at identified mines (refer Confidential Attachment 2) and reduced prices to hold volumes in response to dumped prices.

BBRG Australia welcomes any further questions from the Commission concerning matter raised in this submission and the subsequent impact of the South African exports on the Australian market. If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4968 6500 or BBRG Australia's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely



Stuart Callender
Vice President Oceania

⁴ Refer EPR Document No. 8, P. 21.