



**INVESTIGATION 401**

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

**VISIT REPORT - IMPORTER**

**HAGGIE REID 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 THE ANTI-DUMPING COMMISSION**

**July 2017**

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## **1 BACKGROUND**

On 26 April 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an anti-dumping investigation in respect of wire rope exported to Australia from the Republic of South Africa (South Africa) in Anti-Dumping Notice (ADN) No. 2017/58. The background relating to initiation of this investigation is contained in Consideration Report No. 401.

Following initiation of the investigation, a search of the Australian Border Force (ABF) import database indicated that Haggie Reid Pty Ltd (Haggie Reid) had imported wire rope from South Africa during the period 1 January to 31 December 2016 (the investigation period).

The Anti-Dumping Commission (the Commission) notified Haggie Reid of initiation of the investigation, and sought its cooperation through the completion of an importer questionnaire regarding wire rope. Haggie Reid provided a completed response to the importer questionnaire, and relevant attachments, on 23 May 2017.

## 2 AUSTRALIAN SALES

### 2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of Haggie Reid's sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

### 2.2 Verification of sales to source documents

The verification team verified the accuracy of Haggie Reid's sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process, there were three amendments to the sales listing relating to sales quantities, consignment details and product codes. The verification team did not identify any further issues.

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

#### 2.2.1 Sales quantities

Prior to the visit, the verification team requested that Haggie Reid provide details in the sales listing of the volume sold in tonnes, rather than number of ropes. Haggie Reid amended the sales listing accordingly, and provided a copy to the verification team during the visit.

#### 2.2.2 Consignment details

Following the visit, the verification team requested that Haggie Reid provide details in the sales listing as to whether particular transactions were sold on a consignment or direct purchase basis. Haggie Reid amended the sales listing accordingly to reflect these details.

#### 2.2.3 Product codes

The verification team noted that Haggie Reid and the exporter, SCAW South Africa (Proprietary) Limited (SCAW), used different product codes when selling the goods to customers. As a result, the team requested that Haggie Reid provide information to link the product codes used by SCAW in export documentation to those used by Haggie Reid in Australia. To do this, Haggie Reid amended the sales listing to reflect the relevant codes against each transaction (for both SCAW and Haggie Reid), as well as providing supporting details (i.e. whether the particular product was plasticated).

### 2.3 Related party customers

The verification team did not identify any customers that might be related to Haggie Reid, based on the company's response to the importer questionnaire and documentation supplied for the purpose of verification.

## 3 IMPORTS

### 3.1 The goods

Haggie Reid confirmed that it imported the goods from SCAW in South Africa during the investigation period, and that these goods match the description of the goods that are the subject of this application.

### 3.2 The import listing

Haggie Reid has not confirmed whether the import listing extracted from the ABF import database was a complete list of imports of the goods over the investigation period. The verification team has elected to take all goods listed in the extract as the goods under consideration.

### 3.3 Verification of importation and selling costs

The verification team verified the accuracy of importation and selling costs shown for selected imports in Part B of Haggie Reid's response to the importer questionnaire by reconciling to source documents in accordance with ADN No. 2016/30.

During this process, there were three amendments to importation and selling costs relating to the general allocation of selling, general and administrative (SG&A) expenses, the treatment of particular SG&A items and the distribution of SG&A expenses across invoices in each shipment. The verification team did not identify any further issues.

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

#### 3.3.1 General allocation of SG&A

In the response to the importer questionnaire, Haggie Reid allocated most SG&A items to 'six and eight strand' (i.e. the goods) based on the proportion this product category comprised of total revenue for the investigation period (this methodology is referred to as the original general allocation methodology in this report).

Having reconsidered its treatment of particular SG&A items following the visit (as discussed in Section 3.3.2 below), Haggie Reid also proposed a revised general allocation to the goods, based on the average proportion that this product category comprised of total revenue over five years. Haggie Reid was of the view that this would present a fairer allocation of costs during the investigation period.

The verification team does not consider that it is appropriate to allocate SG&A costs incurred in one year (in this case, the investigation period) on the basis of a five year average. Specifically, allocating the costs based on historical sales results (which have not been verified) will produce misleading results for the actual costs incurred by the company in making wire rope sales during the investigation period. As a result, the verification team has retained the original general allocation methodology used in the response to the importer questionnaire, except where specific details are available to suggest that a different allocation is appropriate (as discussed further in Section 3.3.2).

### **3.3.2 Treatment of particular SG&A items**

Based on some observations made by the verification team around the allocation of certain items, Haggie Reid undertook a detailed assessment of its SG&A expenses following the visit. As a result, it has suggested:

- a full allocation of commission and transportation costs to the goods; and
- a tailored allocation of delivery, depreciation, employee accounts (i.e. salaries, payroll tax), travel and provisions/abnormal expenses based on a detailed assessment of the relevant sub-components.

Having assessed the calculations provided by Haggie Reid for each cost item, the verification team has accepted the revisions made to commission, delivery and transportation expenses. The team has also accepted the changes made to depreciation, employee accounts, travel and provisions/abnormal expenses, with the exception of:

- Haggie Reid's treatment of a settlement amount under provisions/abnormal expenses; and
- the methodology used to allocate any 'general' sub-components of those cost items (already addressed in Section 3.3.1 above).

In relation to treatment of the settlement amount, Haggie Reid has submitted that this cost should not be allocated to the goods, as the decision was made in 2015 (being relevant to sales made prior to the investigation period), and it is not in the ordinary course of business. Having considered this submission, the verification team remains of the view that this settlement amount should be allocated solely to the goods. This view takes into account the fact this amount was a cost incurred by Haggie Reid during the investigation period. It also takes into the account the observation that this settlement arose from certain value-add activities undertaken by Haggie Reid on wire rope (and is therefore considered a cost '... necessarily incurred in the importation and sale of the goods').<sup>1</sup>

The team also noted that Haggie Reid sought to exclude a 'legal and professional fee' from expenses allocated to the goods. The team discussed this item with Haggie Reid during the visit, noting that Haggie Reid advised this was a 'one-off' cost relevant to 2015 that was not in the ordinary course of business. However, given this was a cost incurred during the investigation period, the verification team has elected to allocate this item based on the original general allocation methodology.

The revised SG&A calculation is contained at **Confidential Attachment 2**.

### **3.3.3 Distribution of SG&A across invoices in each shipment**

The verification team noted that Haggie Reid has allocated SG&A expenses relevant to the goods across each of the eight selected shipments, and then further distributed those costs across the different invoices under each shipment. It was observed that three of the eight selected shipments contained consumable items that were not the goods; however, SG&A expenses allocated to those shipments had been distributed across all parts of the shipment, including the consumables. As a result, the verification team has revised the

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<sup>1</sup> Paragraph 269TAA(3)(b) of the *Customs Act 1901* refers.

distribution of SG&A expenses in those three shipments, so that selling costs are not distributed to consumable items.

The verification team also identified an error in the formula used to distribute the SG&A expenses allocated to shipment five across the different invoices. The team has amended this formula accordingly.

The revised SG&A calculation is contained at **Confidential Attachment 2**.

### **3.4 The importer**

The verification team considers Haggie Reid to be the beneficial owner of the goods at the time of importation and therefore the importer.

### **3.5 The exporter**

The goods were imported to Australia by Haggie Reid from the manufacturer, SCAW. Subject to further inquiries, the verification team considers SCAW to be the exporter of wire rope.<sup>2</sup>

### **3.6 Profitability of sales**

For seven selected shipments, the verification team compared selling prices into the Australian market with the corresponding cost to import and sell.<sup>3</sup> Based on this assessment, the verification team found that five of the seven shipments were not profitable, nor were the seven shipments profitable overall. Further consideration and analysis was conducted to assess whether the losses could be recovered within a reasonable time, being 12 months. After having regard to the price paid by the importer, and other related importation and selling costs, the team found that it is unlikely these costs will be able to be recovered within a reasonable period of time.

Details of this assessment are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**.

### **3.7 Related party supplier**

Haggie Reid purchased all wire rope from related party, SCAW, during the investigation period.

### **3.8 Arms length**

In respect of imports of wire rope by Haggie Reid during the investigation period, the verification team found no evidence that:

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<sup>2</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

<sup>3</sup> This assessment was not completed for shipment eight, as the goods remained in stock.

## PUBLIC RECORD

- there was any consideration payable for, or in respect of, the goods other than its price.

However, as:

- purchases of the goods by the importer were sold at substantial losses by Haggie Reid, and those losses were not recoverable within a reasonable period of time (Section 3.6 refers); and
- certain payment allowances have been made to Haggie Reid by the exporter,

the team considers that Haggie Reid has received a benefit for, or in respect of, the whole or any part of the price.<sup>4</sup> In addition, the verification team was not provided with evidence support the claim that price negotiations took place between Haggie Reid and the exporter.

The verification team therefore considers that import transactions between Haggie Reid and its exporter are not arms length transactions.

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<sup>4</sup> Subsection 269TAA(2) of the *Customs Act 1901* refers.



## 4 RECOMMENDATIONS

In respect of wire rope imported by Haggie Reid from South Africa, the verification team considers that:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were not arms length transactions (Section 3.8 refers); and
- the goods were not sold by the importer in the condition in which they were imported, to a person who is not an associate of the importer.

Accordingly, in relation to these shipments, the verification team considers the export price should be determined under paragraph 269TAB(1)(c) of the *Customs Act 1901*, having regard to all circumstances of the exportation. In particular, the verification team considers that this export price should be determined using the price at which the goods were sold by Haggie Reid, less any prescribed deductions.

**5 APPENDICES AND ATTACHMENTS**

<b>Confidential Attachment 1</b>	Verification work programme, with attachments
<b>Confidential Attachment 2</b>	Revised SG&A calculations