PUBLIC RECORD

Australian Government
Department of Industry, Innovation and Science

Anti-Dumping Commission

INVESTIGATION 319

ALLEGED DUMPING OF CHROME BAR EXPORTED FROM ITALY AND ROMANIA

VISIT REPORT - EXPORTER

NIMET SRL

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

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1 BACKGROUND

On 10 November 2015, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an anti-dumping investigation in respect of chrome bar exported to Australia from Italy and Romania in Anti-Dumping Notice (ADN) No. 2015/130. The background relating to initiation of this investigation is contained in Consideration Report No. 319.

Following initiation of the investigation, a search of the Australian Border Force import database indicated that NIMET srl (NIMET) exported chrome bar to Australia from Romania during the period 1 October 2014 to 30 September 2015 (the investigation period).

The Anti-Dumping Commission (the Commission) notified NIMET of initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding chrome bar. NIMET provided a completed response to the Exporter Questionnaire, and relevant attachments, on 29 December 2015.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period NIMET exported two grades of chrome bar to Australia, being C45E and 38MnVS6. These products were:

- both hard chrome plated and induction hardened and hard chrome plated;
- between 15 and 160mm in diameter;
- mostly of a commercial length (i.e. between five to seven metres); and
- coated with chrome of a 15 or 20 micron thickness (depending on the diameter of the product).

All chrome bar produced by NIMET for its Australian customer was made to order, and therefore no stock was kept on site.

2.2 Like goods sold on the domestic market

It was also observed that NIMET sold six grades of chrome bar to customers in Romania during the investigation period (including the two exported to Australia). These products were:

- both hard chrome plated and induction hardened and hard chrome plated;
- between six and 180mm in diameter;
- sold in a variety of lengths, including both commercial and cut lengths; and
- coated with chrome of a 15, 20, 30 or 50 micron thickness.

While most chrome bar is made to order, the company indicated that in some instances an extra bar will be produced in excess of an order quantity (to ensure the bath/continuous chrome line is full). These excess bars are kept, cut and further worked for sales to domestic customers in Romania when required.

Information available in the pricing documentation that was submitted by NIMET during the visit, indicated that the company charges an additional percentage for cut lengths, as well as an amount where material losses (per bar) exceed a designated meterage (although how this amount is calculated was not specified).

2.3 Model matching

Notwithstanding the differences in common specifications outlined above, the visit team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- do not appear to be distinguished from the exported goods during production;
- are produced at the same facility and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

For the purpose of model matching, the visit team considers that it is appropriate to have regard to five characteristics:

- grade (i.e. C45E, 38MnVS6);

- whether the product is induction hardened;
- length (i.e. commercial or cut to size);
- diameter range;
    - o 18 to 25.3mm;
    - o 25.4 to 29mm;
    - o 30 to 39mm;
    - o 40 to 101.6mm;
    - o 101.7 to 170mm; and
- chrome thickness (i.e. 15 or 20 micron).

The visit team also considers that only domestic models that were for commercial lengths are appropriate to compare with the Australian export models, taking into account the additional costs associated with cut products (Section 2.2 refers).

2.4 Like goods – preliminary assessment

The visit team considers that chrome bar produced by NIMET for domestic sale has characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).[1]

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

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The visit team verified the completeness and relevance of NIMET's export sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30. Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

3.1.1 Transactions outside the goods description

The visit team noted that a small number of items sent to Australia during the investigation period had a diameter less than 18mm (being outside the goods description), and were removed from the export sales listing.

3.2 Verification of Australian sales to source documents

The visit team verified the accuracy of NIMET's export sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Inland and marine freight costs

As inland and marine freight costs were invoiced together per container, NIMET's export sales listing allocated those costs based on the amount quoted by the supplier for each freight type. However, verification of freight costs down to source documents indicated that the quoted amounts did not reflect the invoice fully in each case. It was noted that these differences were considered to be port charges by NIMET and had been reported as 'handling and other' costs in the export sales listing (using a different currency to the invoice).

The visit team recalculated unit freight costs relevant to each sales invoice, using the currencies and exchange rates in the supplier invoices, as this was considered to be more accurate. Given some of the additional port charges were not separately itemised, the team is of the view that it would be difficult to accurately separate inland from marine freight in this instance.

A revised export sales listing is at **Confidential Appendix 1**.

3.2.2 Marine insurance

The export sales listing submitted by NIMET did not provide costs for marine insurance. The visit team requested this information during the verification and apportioned the relevant invoice amounts to all products (excluding Romanian sales, which were known to be at ex-works (EXW) terms).

A revised export sales listing is at **Confidential Appendix 1**.

3.3 The exporter – preliminary assessment

For all Australian export sales during the investigation period, the visit team considers NIMET to be the exporter of the goods.[2]

3.4 The importer – preliminary assessment

In relation to the chrome bar exported to Australia by NIMET during the investigation period, the visit team considers that the customer listed in the export sales listing was the beneficial owner of the goods at the time of importation, and therefore was the 'importer' of the goods.

3.5 Related party customers

NIMET stated in its response to the Exporter Questionnaire that it was not related to its Australian customer during the investigation period.

The visit team did not identify any information that might suggest this Australian customer was related to NIMET, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms length

In respect of export sales of chrome bar to Australia by NIMET during the investigation period, the visit team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

The visit team therefore considers that all chrome bar export sales to Australia by NIMET during the investigation period were arms length transactions.

3.7 Export price – preliminary assessment

In relation to the goods exported to Australia by NIMET, the visit team recommends that export price be determined under paragraph 269TAB(1)(a) of the Act, as the price paid by the importer less transport and other costs arising after exportation.

[2] 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.

The visit team considers it appropriate to conduct dumping margin calculations on an EXW basis, taking into account the difficulty in separating inland freight from the cost, insurance and freight prices (Section 3.2.1 refers).

The visit team's preliminary export price calculations are at **Confidential Appendix 1**.

3.8 Australian sales – summary

The visit team is satisfied that the sales data included in the export sales listing is complete, relevant and accurate, and can be used for assessing export price under paragraph 269TAB(1)(a).

The Australian sales spreadsheet is at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The visit team verified the completeness and relevance of NIMET's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30. This spreadsheet was provided separately for the Australian export and Romanian/European markets.

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

4.1.1 Compilation of the cost to make information

The visit team noted that NIMET's accounting system could not allocate costs to particular products (i.e. chrome bar), or to particular models. Because of this, information for the quarterly cost to make (CTM) in that spreadsheet comprised:

- a standard cost for steel bar, generated from NIMET's Navision system (uplifted by a percentage for chrome); and
- an allocation of the actual costs relevant to other manufacturing expenses for all products, based on the net sales value of chrome bar.

As discussed further in Section 4.2.1, the visit team has recalculated NIMET's CTM using actual cost data obtained during the visit.

4.1.2 Selling, general and administrative expenses

The visit team could not reconcile the allocation of selling, general and administrative (SG&A) expenses in the CTMS spreadsheet to the audited financial statements. As a result, the team revised the quarterly SG&A in the CTMS spreadsheet to reflect the audited financial statements, and to reflect Romanian sales only (**Confidential Appendix 2** refers).

4.2 Verification of costs to source documents

The visit team verified the accuracy of NIMET's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30. Details of the verification process are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Allocation methodology

Further to the observations made Section 4.1.1, the visit team has revised the CTMS spreadsheet for both Australia and Romania by:

- calculating a quarterly standard (steel bar) cost from NIMET's Navision system for each model of the goods sold during the investigation period, to provide greater accuracy over the aggregate figures submitted by NIMET;
- adjusting those standard costs by the quarterly variance to actuals for all products, to more accurately reflect raw material costs in the period; and

- allocating the actual quarterly cost of all other manufacturing expenses to both Australian and Romanian chrome bar based on the relevant sales volume (in kilograms), rather than net sales value, to more accurately distribute those costs across products and to avoid over allocation to higher value items.

A revised CTMS spreadsheet is at **Confidential Appendix 2**.

4.2.2 Travel expenses

NIMET advised during the visit that its sales agents attend overseas trade shows, and develop offshore markets by meeting with current and potential customers. These activities are not required for the domestic market, due to its retail nature. The visit team requested the relevant ledger for March 2015 (as well as sample invoices) to verify that these costs did not relate to domestic activities. As a result, the visit team considers it is appropriate to exclude those costs from the domestic SG&A calculation.

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

4.3 Related party purchases

NIMET stated in its response to the Exporter Questionnaire that it was not related to any of its suppliers during the investigation period.

The visit team did not identify any potential suppliers that might be related to NIMET, based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified NIMET's audited financial accounts down to source documents for chrome bar, the visit team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

The revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The visit team verified the completeness and relevance of NIMET's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30. Details of the verification are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**.

5.1.1 Transactions outside the goods description

The visit team noted that a number of chrome bar products sold in Romania during the investigation period had diameters that were outside the goods description, and had been excluded from the domestic sales listing.

5.2 Verification of domestic sales to source documents

The visit team verified the accuracy of NIMET's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. Details of the verification are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**. The visit team did not identify any issues during this verification process.

5.3 Related party customers

NIMET stated in its response to the Exporter Questionnaire that it was not related to any of its domestic customers during the investigation period.

The visit team did not identify any potential domestic customers that might be related to NIMET, based on the company's response to the Exporter Questionnaire, sales data and audited financial statements.

5.4 Arms length

In respect of NIMET's domestic sales of chrome bar during the investigation period, the visit team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The visit team therefore considers that all domestic sales by NIMET during the investigation period were arms length transactions.

5.5 Level of trade

NIMET has submitted to the Commission that its domestic sales are not suitable for calculating normal values because prices to Australian and domestic customers differ as a result of:

- the quantity sold and whether it fills a container. NIMET's Australian customers generally purchase large quantities of commercial length products, while domestic customers only buy small quantities of cut pieces (not leading to an overall high volume);
- the additional services provided to domestic customers (i.e. offering material from stock);
- the length ordered. While goods exported to Australia mainly comprise commercial length products (with no additional processing), it is the cuttings and scraps of chrome bar left in stock that are sold by NIMET to its domestic customers, mostly for hydraulic cylinder repairs; and
- NIMET's internal pricing policy, which stipulates a minimum price for each invoice. This means domestic sale prices (which do not occur based on full loads) often need to be increased to meet this threshold.[3]

The visit team is satisfied that during the investigation period the level of trade of domestic customers in Romania (i.e. end users) was likely to be different to that of NIMET's Australian customer. However, information obtained during the visit did not indicate that level of trade was, of itself, a factor in price. Rather, as outlined above, key factors included the volume ordered and any additional processing required. The visit team considers that domestic sales are suitable for calculating normal values, noting that:

- the data provided by NIMET indicated that it sold commercial lengths to domestic customers during the investigation period, as well as cut pieces;
- model matching considered whether products were of a commercial or cut length (Section 2.3 refers); and
- the visit team found a sufficient volume of domestic sales, both overall and in relation to three models exported to Australia (Section 5.7 refers).

5.6 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The visit team compared the revenue (i.e. net sales value) for each domestic sale of chrome bar to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the visit team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

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[3] EPR 319/007 refers.

5.7 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The visit team found there was a sufficient volume of domestic sales made in the OCOT for three models of chrome bar exported to Australia during the investigation period.

As a result, the visit team has calculated normal value for particular models under both subsection 269TAC(1) and paragraph 269TAC(2)(c), as appropriate (Section 7 refers).

5.8 Profitability of domestic sales

Where the conditions of subsection 269TAC(1) are not met (Section 5.7 refers), the normal value must be constructed under paragraph 269TAC(2)(c). In doing this, an amount for profit will usually be included.[4]

The visit team calculated the profitability of domestic sales of like goods by comparing the selling price of chrome bar with the corresponding quarterly CTMS.[5] In calculating the profit percentage, the team has only included domestic sales made in the OCOT.

5.9 Domestic sales – summary

The visit team is satisfied that the sales data included in the domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) for three models exported to Australia. For the remaining models, it is recommended that normal value be constructed under paragraph 269TAC(2)(c).

The domestic sales spreadsheet is at **Confidential Appendix 3**.

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4 Subject to the rules set out in regulation 45 of the *Customs (International Obligations) Regulation 2015*.

5 Subregulation 45(2) of the *Customs (International Obligations) Regulation 2015* refers.

6 ADJUSTMENTS

To ensure the normal value is comparable to the Australian export price at EXW terms, the visit team considered the following adjustments.

6.1 Specification differences

As outlined in Section 5.7, the visit team found a sufficient volume of domestic sales of chrome bar by NIMET for three models exported to Australia. For the remaining models, the visit team has considered whether it is appropriate to apply any specification adjustments to a surrogate model under paragraph 269TAC(8)(b). Taking into account the observed price differences between models, as outlined in the model matching methodology (Section 2.3 refers), the visit team considered that it was only appropriate to make adjustments under paragraph 269TAC(8)(b) for differences in diameter range and/or chrome thickness.

While the visit team found that an adjustment could be made to one model using an adjustment for differences in diameter range, the visit team noted that the relevant surrogate was not available in all quarters. As a result, it was considered reasonable to construct a normal value for this model under paragraph 269TAC(2)(c).

6.2 Export inland transport and port charges

As the visit team considers it appropriate to conduct dumping margin calculations on an EXW basis (Section 3.7 refers), adjustments for export inland freight and port charges are not required.

6.3 Export credit terms

As all export sales are at cash payment terms, the visit team does not consider an adjustment for export credit terms is required.

6.4 Adjustments – conclusion

The visit team is satisfied that no adjustments to the normal value are necessary under either subsections 269TAC(8) or (9), to ensure a fair comparison with Australian export prices.

7 NORMAL VALUE

As outlined in Section 5.7, the visit team is satisfied that, for three models exported to Australia, it found sufficient volumes of domestic sales of chrome bar that were arms length transactions and at prices that were within the OCOT. The visit team is therefore satisfied that the prices paid in respect of domestic sales of chrome bar for those models are suitable for assessing normal value under subsection 269TAC(1).

The visit team does not consider that these domestic selling prices require any adjustment under subsection 269TAC(8) to ensure proper comparison with export prices (Section 6.4 refers).

When calculating normal values under subsection 269TAC(1), the visit team noted there was one instance where no sales were recorded for particular model in a particular quarter, and so the team did not possess a weighted average normal value for the exported Australian model in this circumstance. In this case, the weighted average normal value from the later quarter has been used as the base for the normal value, with a timing adjustment applied based on the difference between quarters for a similar model sold domestically.

For the remaining models, the visit team has constructed normal values in accordance with paragraph 269TAC(2)(c). To construct the normal value for each quarter, the visit team has used:

- the weighted average CTM for Australian export sales; plus
- SG&A applicable to goods sold domestically; plus
- profit on domestic sales made in the OCOT (as discussed in Section 5.8).

In constructing normal values using CTMS information, the visit team considers that no adjustment is necessary to ensure a fair comparison with EXW export prices (Section 6.4 refers).

The normal value calculations are at **Confidential Appendix 4**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of chrome bar exported to Australia by NIMET for the investigation period is **35.3%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work programme, with attachments