PUBLIC RECORD

INVESTIGATION 316

ALLEGED DUMPING AND SUBSIDISATION OF
GRINDING BALLS
EXPORTED FROM
THE PEOPLE’S REPUBLIC OF CHINA

VISIT REPORT - IMPORTER

SINO GRINDING INTERNATIONAL 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

December 2015

Grinding Balls – Importer Visit Report – Sino Grinding International Pty Ltd
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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABF</td>
<td>Australian Border Force</td>
</tr>
<tr>
<td>the Act</td>
<td>Customs Act 1901</td>
</tr>
<tr>
<td>ADN</td>
<td>Anti-Dumping Notice</td>
</tr>
<tr>
<td>the applicants</td>
<td>Donhad Pty Ltd and Commonwealth Steel Company Pty Ltd (trading as Moly-Cop)</td>
</tr>
<tr>
<td>AUD</td>
<td>Australian dollars</td>
</tr>
<tr>
<td>China</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost, insurance and freight</td>
</tr>
<tr>
<td>Commission</td>
<td>Anti-Dumping Commission</td>
</tr>
<tr>
<td>Commissioner</td>
<td>Anti-Dumping Commissioner</td>
</tr>
<tr>
<td>FOB</td>
<td>Free on board</td>
</tr>
<tr>
<td>the goods</td>
<td>the goods the subject of the application (also referred to as the goods under consideration or GUC)</td>
</tr>
<tr>
<td>PAD</td>
<td>Preliminary Affirmative Determination</td>
</tr>
<tr>
<td>the Parliamentary Secretary</td>
<td>the Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science</td>
</tr>
<tr>
<td>SEF</td>
<td>Statement of Essential Facts</td>
</tr>
<tr>
<td>Sino</td>
<td>Sino Grinding International Pty Ltd</td>
</tr>
<tr>
<td>Sino Industries</td>
<td>Sino Grinding Industries Pty Ltd</td>
</tr>
</tbody>
</table>
1 BACKGROUND AND PURPOSE

1.1 Background

On 17 November 2015, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate an anti-dumping investigation in respect of grinding balls exported to Australia from the People’s Republic of China (China). Anti-Dumping Notice (ADN) No. 2015/132 provides further information and is available via the Anti-Dumping Commission’s (the Commission’s) public record.

1.2 Purpose of visit

The purpose of the visit was to:

- confirm that Sino Grinding International Pty Ltd (Sino) is the importer of grinding balls attributed to it within the Australian Border Force (ABF) import database and obtain information to assist in establishing the identity of the exporter(s) of the grinding balls;

- verify information on imports of grinding balls to assist in the determination of export prices and import volumes;

- establish whether the purchases of grinding balls were arms-length transactions;

- establish post-exportation costs;

- obtain general information about the Australian market for grinding balls; and

- provide Sino with an opportunity to discuss any issues it believed relevant to the investigation.

1.3 Meeting details

<table>
<thead>
<tr>
<th>Company</th>
<th>Sino Grinding International Pty Ltd (SINO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of visit</td>
<td>17 December 2015</td>
</tr>
<tr>
<td>Attendees: Sino</td>
<td></td>
</tr>
<tr>
<td>Director &amp; Manager (Americas)</td>
<td></td>
</tr>
<tr>
<td>Director &amp; Manager</td>
<td></td>
</tr>
<tr>
<td>Accounting Manager</td>
<td></td>
</tr>
<tr>
<td>Attendees: Staughton’s</td>
<td></td>
</tr>
<tr>
<td>Attendees: the Commission</td>
<td>Danielle Rudolph, Assistant Director, Operations 2</td>
</tr>
<tr>
<td></td>
<td>Roman Maevsky, Assistant Director, Operations 1</td>
</tr>
<tr>
<td></td>
<td>Lynn Stoneham, Investigator, Operations 3</td>
</tr>
<tr>
<td></td>
<td>Tim Davidson, Policy Officer</td>
</tr>
</tbody>
</table>

Table 1: Meeting details
1.4 Investigation process and timeframes

The visit team advised Sino of the investigation process and timeframes as follows.

- The investigation period is 1 October 2014 to 30 September 2015.
- The injury analysis period is from 1 July 2011 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (16 January 2016\(^1\)) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

Where a PAD is not made 60 days after initiation of the investigation, the Customs (Preliminary Affirmative Determinations) Direction 2015 directs the Commissioner to publish a status report providing reasons why a PAD was not made.

- The statement of essential facts (SEF) for the investigation is due to be placed on the public record by 7 March 2016 or such later date as the Parliamentary Secretary allows.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary. This final report is due no later than 20 April 2016.

1.5 Visit report

The visit team explained to Sino that we would prepare a report of our visit (this report) and provide it to Sino to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The visit team explained that, in consultation with Sino, we would prepare a non-confidential version of the report, and place this on the investigation’s public record.

\(^1\) If a due date in this report falls on a weekend or public holiday in Victoria, the effective due date will be the following business day.
2 THE GOODS

2.1 Description

The goods the subject of the investigation (the goods) are:

Ferrous grinding balls, whether or not containing alloys, cast or forged, with
diameters in the range 22mm to 170mm (inclusive).

The applicants provided further details as follows:

The goods covered by this application include all ferrous grinding balls, typically
used for the comminution of metalliferous ores, meeting the above description of
the goods regardless of the particular grade or alloy content.

Goods excluded from this application include stainless steel balls, precision balls
that have been machined and/or polished, and ball bearings.

2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs
Tariff Act 1995:

- 7325.91.00 (statistical code 26); and
- 7326.11.00 (statistical code 29).

The goods are currently subject to a 4 per cent Customs duty from China.
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3 COMPANY DETAILS

3.1 Company background

Sino advised it is a Melbourne-based company which promotes and sells grinding media worldwide. Sino has two overseas subsidiaries and has representatives internationally.

Sino is private company and solely owned by [Confidential information – personal private information] and was established in 2009.

Sino has an unrelated sales agent Boliver International (Boliver) which it uses to source Australian customers and South East Asian customers, and operates a distribution warehouse based in Western Australia.

Sino imports small amounts of grinding balls via a related company, Sino Grinding Industries Pty Ltd (Sino Industries). Both companies are based in the same office but are legally separate entities.

3.2 Accounting structure and details of accounting systems

Sino operates on a 1 July to 30 June financial year, and provided copies of its financial statements for the period.

Sino advised its accounts are audited on an annual basis, and it uses an MYOB accounting system.

3.3 Relationship with suppliers and customers

Sino advised that it imports 100 per cent of its grinding balls from unrelated suppliers in China. Sino does not receive any rebates or discounts from these suppliers, and the Commission found no evidence of any such discounts or rebates.

Sino advised it does not have a daily direct relationship with its customers. An unrelated Australian sales agent, Boliver International (Boliver), manages interactions with all customers (refer to section 4.2.3 for more information). As such, the Commission considers that all sales of the goods under consideration were made at arm’s length and that sales were completed at the stated invoice value.

3.4 Like goods

The only products sold within Australia by Sino are Chinese-manufactured grinding balls especially designed by Sino itself, which are manufactured in China under license granted by Sino through either a rolled and forged or hammered and forged process.

Sino works closely with its suppliers to develop the proprietary Sino designed moulds its licensed suppliers use to manufacture hammered grinding balls. Sino’s technical services include [Confidential information – relative Sino business strategy]
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The types of goods imported and sold during the investigation period, and the determinations made by the visit team in relation to whether or not they fit the goods description, are included in the below table.

<table>
<thead>
<tr>
<th>Size</th>
<th>Production method</th>
<th>Alloy content</th>
<th>Fits the goods description?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 and 20mm</td>
<td>Roll forged²</td>
<td>Not advised.</td>
<td>No – they are too small.</td>
<td>These products are used to produce very finely ground products.</td>
</tr>
<tr>
<td>20 - 75mm</td>
<td>Roll forged³</td>
<td></td>
<td>Yes.</td>
<td>These are most similar to those produced by the Australian industry.</td>
</tr>
<tr>
<td>80-140mm</td>
<td>Hammer forged⁴</td>
<td>Different by model, however can contain silicon, chromium and/or vanadium in varying degrees</td>
<td>Yes.</td>
<td>Sino submitted these are a higher quality product less prone to breakage, when compared to roll forged products.</td>
</tr>
</tbody>
</table>

Table 2: Like goods assessment for products sold by Sino.

The Commission verified this advice against product specification sheets provided by Sino, which showed the chemical composition and physical properties for roll forged and hammer forged goods ([Confidential Attachment GEN 1](#)).

² For a video showing the production process for roll forged grinding balls, refer to [proprietary information](#).
³ [Ibid.](#).
⁴ For a video showing the production process for hammer forged grinding balls, refer to [proprietary information](#).
4 AUSTRALIAN MARKET

4.1 General

Sino submitted that supply into the Australian market was dominated by the Australian industry. Sino viewed it comprised of the Australian market, while Arrium’s Moly-Cop (Moly-Cop) and Donhad Pty Ltd (Donhad) comprised approximately 90 per cent. Sino argued that in recent years the market has been contracting (due to the downturn in the mining sector), however the market share discussed above has been relatively static in recent years.

Australian end users comprised of mining companies, who can change suppliers based on their requirements. The size and type of grinding balls that are supplied to end users are largely determined by the size of the mines operated by end users, and the minerals that are processed in those mines. The smaller the grinding ball, the finer the minerals are ground.

4.2 Sales

4.2.1 Information submitted

Sino submitted Part C of the Importer Questionnaire, which showed the sales it made to domestic end users during the investigation period. Part C contained information in relation to:

- Customer name;
- Invoice number, date, and value (in USD);
- Quantity; and
- Product type (including size).

4.2.2 Customers

Part C showed the company Sino sold grinding balls to the following Australian customers:

[Confidential information]

Sino submitted that Australian sales are typically obtained via open tender processes. These processes are preferred by Australian end users, as most end users tend to be mining companies which use a very large amount of grinding balls and will typically seek supply on an ongoing basis. Contracts thereby tend to be longer term, stipulating the total volumes of supply needed, subject to requirements.
The company’s Australian sales agent (Boliver) identifies potential opportunities to tender. Sino advised that its supply contracts tend to be agreed with Australian customers with whom it conducts extensive testing of grinding balls.

4.2.3 Distribution and selling

A customer places a purchase order with Sino, upon which Sino orders the relevant products from its Chinese suppliers. From this point it takes about [redacted] weeks to receive the goods into Sino’s Western Australia-based warehouse (in Fremantle) and have the products delivered to end users.

The grinding balls are typically packaged one/two tonne bulk bags to its clients; however, a small number of customers received their products in steel drums.

Customers typically require monthly deliveries [redacted]-period. The warehouse typically [redacted] to ensure that the company can respond flexibly to fluctuations in customers’ supply requirements.

Prices are typically set using an agreed pricing mechanism which is stipulated in the supply contract. Typically, prices to customers are set according to a base rate which can be reviewed quarterly and adjusted according [Confidential Information – business confidential]. A small number of contracts have one set price list which cannot be altered during the life of the contract. No rebates, discounts or warranties are applicable to the grinding balls sold by Sino, irrespective of which pricing mechanism applies.

The invoicing and payment process is as follows:

- [Confidential Information – business confidential], the Commission cost is set at [redacted] per tonne. Sino advised these costs were accounted for in the cost of goods sold.

4.2.4 Competitiveness in the Australian market

Sino advised that its products are often more expensive when compared to products sold by the Australian industry, mainly because the Australian industry tends to be located in closer proximity to mining sites, and thereby avoids the substantial warehousing costs.
that are incurred by importers of grinding balls, but also, because Sino considers that it's grinding ball media is more productive for users than the normal general market ball. Sino suggested this was why Moly-Cop and Donhad have been the dominant suppliers in the market for so long, and why Sino has a relatively small share of the Australian market.

Sino claimed that, whilst its products tend to be more expensive than those supplied by Moly-Cop and Donhad—it tended to obtain supply contracts through its ability to supply high quality hammered grinding balls, as well as its ability to produce a wide range of products. Sino manufactures different types of grinding balls, while the Australian industry makes only three.

Sino further alleged that some steel billet used by Donhad to manufacture grinding balls was actually produced in China, and not all of their steel feed was sourced from Onesteele.

4.3 Verification

Sino supplied various documents for six sample sales, against which the visit team verified data included in Part C of the importer questionnaire. Source documents supplied are at Confidential Attachment SALES 3 and include:

[Confidential Information – business confidential]

Using these documents, we verified invoice numbers and values, invoice dates and model type.

As Part C sales data included all grinding ball sales, and grinding balls fully accounted for Sino's revenue, we were able to match the total sales values in Part C with the MYOB-generated profit and loss statements for the investigation period (Confidential Attachment SALES 4).

The visit team also matched the sales, general and administrative expenses (SG&A) rate of per cent as included in Part B of the Importer Questionnaire with the company's profit and loss statement. For expenses relating to warehousing and delivery of grinding balls to Australian customer – which were major SG&A expenses – the Commission further verified these costs, as shown in Sino's profit and loss statement, against invoices and proof of payment submitted by Sino (Confidential Attachment SALES 5).

Using the verified data in Part C of the company's importer questionnaire, the visit team determined weighted average unit sales prices by model, as shown in the below table and at Confidential Appendix 1.

<table>
<thead>
<tr>
<th>Product</th>
<th>Quarterly WA unit sales price</th>
<th>Yearly WA unit sales price</th>
</tr>
</thead>
<tbody>
<tr>
<td>40. mm Steel Ball</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50. mm Steel Ball</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65mm Steel Ball</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Grinding Balls – Importer Visit Report – Sino Grinding International Pty Ltd
4.4 Profit

The Commission has used Sino’s Part B importer questionnaire to determine a rate of profit on domestic sales. This was determined by comparing a quarterly weighted average sales price, by model, with the revenue made per sale.

The rate of profit has been calculated at \[ \text{per cent.} \]
5 IMPORTS

5.1 Volume of trade

The ABF import database indicates that Sino and Sino Industries imported, and entered for home consumption, a total of 5 tonnes of grinding balls during the investigation period. This included importations of grinding balls that were not the goods under consideration as they were not sized between 22mm and 170mm in diameter.

Due to the inclusion of items which are not the goods in Sino and Sino Industries’ ABF import data, the visit team recommends the case team does not use ABF import data relating to Sino for the purpose of this investigation.

5.2 Order process and price

5.2.1 Order process

Upon receiving a purchase order from an Australian customer, Sino requests the production of the goods from its licensed supplier in China. A sales contract is then negotiated with the supplier, outlining the terms and conditions of the sale. Prices are set mainly according to steel prices, at FOB terms and in United States dollars (USD). Upon completion of the order, the Chinese supplier issues an invoice to Sino, which is payable by electronic transfer upon receiving a bill of lading and before shipment of the goods.

Sino submitted sample copies of contracts between Sino and its suppliers for the purchase of grinding balls (Confidential Attachment IMP 1).

5.3 Forward orders

Sino did not submit a forward order analysis as part of its importer questionnaire. However, at the visit the company Sino advised that it only had forward orders active at the time it was notified of the investigation.

Sino submitted the purchase contracts for these sales (Confidential Attachment IMP 2). The visit team did not observe anything unusual about the nature of these contracts (particularly in relation to the size of the orders).

5.4 Verification of imports

Sino submitted, in Part B of its importer questionnaire, information about the cost to import and sell imported products. This included information relating to pre-exportation costs (i.e. the invoice price paid to the supplier) as well as post-exportation expenses (e.g. freight, customs duties) and SG&A expenses.

Prior to the visit, the visit team selected eleven shipments which were identified in Part B of the importer questionnaire and asked Sino to provide the following source documents:

- commercial invoices;
- packing lists;
- purchase orders;
PUBLIC RECORD

- bills of lading; and
- Customs broker and domestic freight invoices.

At the visit, Sino provided the source documents for all eleven shipments, as well as evidence of insurance costs that were included in Part B (Confidential Attachment IMP 3 refers).

For each shipment, the visit team matched the USD invoice values, quantities, and post-exportation costs shown in source documents with Part B of the importer questionnaire. The visit team further verified proof of purchase values against information in Part B.

The visit team was unable to verify the exchange rate used to convert export prices to Australian dollars in Part B, as it could not match those rates with those on the XE.com website (which SINO claimed were the rates upon which its accounting system converted USD purchase prices into AUD). The Commission thereby replaced Sino’s exchange rates with ones drawn directly from XE.com.

Using the data provided in Sino’s Part B importer questionnaire (with edits made to the relevant exchange rates – refer above), the visit team calculated weighted average export prices in AUD and USD for each selected shipments, as shown in the below table.

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Quantity</th>
<th>Description</th>
<th>FOB Unit Price AUD/T</th>
<th>FOB Unit Price USD/T</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

*Table 4: Weighted average unit prices for the sample importations of the goods, at FOB*

The visit team also calculated the following post-exportation costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Weighted average cost (AUD/T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas freight</td>
<td></td>
</tr>
<tr>
<td>Marine Insurance</td>
<td></td>
</tr>
<tr>
<td>Customs entry fee, brokers fees etc.</td>
<td></td>
</tr>
<tr>
<td>Port services charge</td>
<td></td>
</tr>
<tr>
<td>Inland transport / delivery</td>
<td></td>
</tr>
</tbody>
</table>

Grinding Balls – Importer Visit Report – Sino Grinding International Pty Ltd
Table 4: Weighted average post-exportation costs

[Confidential information – business confidential]
6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

The visit team, through its verification activities, found that Sino:

- is named as the customer on invoices and sales contracts from the supplier;
- is named as the consignee on the bills of lading; and
- pays for delivery to its premises, where it is consumed.

We consider Sino to be the beneficial owner of the goods at the time of importation, and therefore the importer.

6.2 Who is the exporter?

The visit team is satisfied that [blacked out] can be considered the exporters of grinding balls imported by Sino. To our knowledge, these entities are principles in the country of export, which manufacture the goods and gave up the goods for shipment directly to Sino.

---

5 The Commission will generally identify the exporter as: a principle in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or a principle in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc. In such cases, the trader typically acts as an intermediary who, although one of the principles, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principle who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.
In determining export prices under paragraph 269TAB(1)(a) and normal values under subsection 269TAC(1), the Act requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is 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; and
- in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of grinding balls, that:

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

Subject to further investigation, at this stage the verification team is satisfied that import transactions between Sino and its supplier are at arms length in terms of section 269TAA.
8 RECOMMENDATIONS

From our investigations, the visit team is of the opinion that, for the goods imported by Sino from [redacted],

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with the exporter, the visit team recommends that the export price for grinding balls imported by Sino from [redacted] can be established under paragraph 269TAB(1)(a), using the invoiced price which is at the FOB level.
9.1 Response to allegations of dumping

Sino queried why the application published on the electronic public record did not contain any information regarding allegations of injury, and stated it was difficult to respond to dumping allegations in the absence of such information.

Sino alleged this meant that there is no way that imported goods could be undercutting prices set by the Australian industry, and hence cannot be causing the industry any injury.

Sino further argued that the Commission could not make any positive finding in relation to price suppression in any case, as the input values applicable to the products (i.e. steel prices) have dropped in recent years and this has largely led to lower market prices for grinding balls in Australia.
## 10 APPENDICES AND ATTACHMENTS

<table>
<thead>
<tr>
<th>Confidential Appendix 1</th>
<th>Cost to import and sell, and sales prices for grinding balls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidential Attachment GEN 1</td>
<td>Specification sheets for roll forged and hammer forged products</td>
</tr>
<tr>
<td>Confidential Attachment SALES 1</td>
<td>Sino’s pricing formula</td>
</tr>
<tr>
<td>Confidential Attachment SALES 2</td>
<td>Invoices and proof of payment for Commission costs</td>
</tr>
<tr>
<td>Confidential Attachment SALES 3</td>
<td>Verification package – sales data</td>
</tr>
<tr>
<td>Confidential Attachment SALES 4</td>
<td>Sino’s income statements for the investigation period</td>
</tr>
<tr>
<td>Confidential Attachment SALES 5</td>
<td>Invoices and proof of payment for warehousing and delivery costs</td>
</tr>
<tr>
<td>Confidential Attachment IMP 1</td>
<td>Samples of contracts between Sino and its Chinese suppliers</td>
</tr>
<tr>
<td>Confidential Attachment IMP 2</td>
<td>Forward order purchase contracts</td>
</tr>
<tr>
<td>Confidential Attachment IMP 3</td>
<td>Verification package – cost data</td>
</tr>
</tbody>
</table>