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

STELMI ITALIA SPA

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

1.1 Background

Public notification of the initiation of an anti-dumping investigation into chrome bars exported from Italy and Romania was made on 10 November 2015 in Anti-Dumping Notice No. 2015/130[1]. The background relating to the initiation of this investigation is contained in Consideration Report 319[2].

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

The Anti-Dumping Commission (the Commission) notified Stelmi of the initiation of the investigation and sought its cooperation through the completion of an Exporter Questionnaire regarding chrome bar. Stelmi provided a completed response to the Exporter Questionnaire, and relevant attachments, on 8 January 2015.

[1] Electronic Public Record (EPR) 319/001 refers.

[2] EPR 319/002 refers.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

The table below summarises the models of chrome bars exported to Australia by Stelmi, as shown in Stelmi's Australian sales spreadsheet.

Models	Aste in acciaio 42CrMo4, Aste in acciaio 42CrMo4 temprato, Aste in acciaio C45, Aste in acciaio C45 temprato, 20 MnV6
Grade/international standards	SAE/AISI 1045, SAE/AISI 4140, 20MnV6
Induction hardened	Aste in acciaio 42CrMo4 temprato, Aste in acciaio C45 temprato
Chrome Thickness	20 mm
Chrome layer hardness	850 HV
Diameter	19.05 - 127 mm
Length	5-8 metres
Production Method	continuous chrome plated

2.2 Like goods sold on the domestic market

Stelmi submitted in its EQR that it produced goods that are like to those exported to Australia and sold the same models to the domestic market during the investigation period. Stelmi submitted that the only difference between goods sold domestically and to Australia may be diameter, as the Australian market often demands imperial sizes (inches) rather than the metric sizes sold in Italy.

Stelmi sold the following models of chrome bar to Australia during the investigation period:

Models	Aste in acciaio 42CrMo4, Aste in acciaio 42CrMo4 temprato, Aste in acciaio C45, Aste in acciaio C45 temprato, 20 MnV6
Grade/international standards	SAE/AISI 1045, SAE/AISI 4140, 20MnV6
Induction hardened	Aste in acciaio 42CrMo4 temprato, Aste in acciaio C45 temprato
Chrome Thickness	20, 40, 50 mm
Chrome layer hardness	850 HV
Diameter	15.88 - 150 mm
Length	5-8 metres
Production Method	continuous chrome plated

Using Stelmi's supplied product brochure, the visit team identified the European standard C45 as equivalent to SAE/AISI 1045 grade and 42CrMo4 as equivalent to SAE/AISI 4140 grade. The table below provides more detail regarding the properties of the goods and like goods.

Model	European standard	Equivalent International standard	Alloy
Aste in acciaio 42CrMo4	UNI EN 10083/1 42CrMo4	SAE/AISI 4140	SAE/AISI 4140
Aste in acciaio 42CrMo4 temprato	UNI EN 10083/1 42CrMo4	SAE/AISI 4140	SAE/AISI 4140
Aste in acciaio C45	UNI EN 10083/1 2 C45	SAE/AISI 1045	
Aste in acciaio C45 temprato	UNI EN 10083/1 2 C45	SAE/AISI 1045	
20 MnV6	20 MnV6	20 MnV6	

2.3 Model matching

The visit team established the key characteristics of the goods and therefore the model matching criteria and hierarchy were as follows:

- grade (C45, 42CrMo4 and 20MnV6);
- induction hardening;
- chrome thickness; and
- diameter range.

Diameter range

As the goods description covers a wide range of diameters, the visit team considered it necessary to group chrome bar into a number of diameter ranges in order to calculate a dumping margin. With this in mind, the verification team asked Stelmi to put forward their view on appropriate diameter groupings for chrome bar. Stelmi provided a breakdown of five diameter groups, based on their cost of raw materials and selling price per kilo: as follows:

- A ≤ 35mm;
- 35 < B ≤ 50;
- 50 < C ≤ 80;
- 80 < C ≤ 125;
- E ≥ 125.

2.4 Like goods – preliminary assessment

The visit team considers that chrome bars produced and sold domestically by Stelmi have characteristics which are closely resembling those of the goods exported to Australia and are “like goods” in terms of subsection 269T(1) of the *Customs Act 1901.*[3]

[3] References to any section or subsection of legislation are references to the *Customs Act 1901* unless otherwise specified.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of sales to audited financial statements

The visit team verified the completeness and relevance of Stelmi's export sales spreadsheet by reconciling it to audited financial accounts in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

At the visit, in discussion with Stelmi, the team determined that additional grades of chrome bar fell within the goods description. These included 20MnV6, 38MnV6 and 45MnV1 grade models. The team noted that of these goods, only 20MnV6 was exported to Australia during the investigation period, and therefore requested a sales listing of 20MnV6 models for this period. This data was added to the existing listing of C45 and 42CrMo4 grade product previously supplied by Stelmi in the EQR.

It was possible to reconcile the value and quantity of chrome bar shown in the Australian sales listing to the company's 2014 income statement without variance.

3.2 Verification of export sales to source documents

The visit team verified the accuracy of Stelmi's export sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

3.2.1 Inland and marine freight costs

Stelmi was unable to quantify the inland freight costs separately from all other overseas freight costs as these were included in the total overseas freight cost. Stelmi provided the visit team with an estimate of inland freight costs provided by the freight provider for one shipment; however the visit team consider that this was unverified and may not be reflective of all shipments. Thus the visit team consider it appropriate to calculate export prices (and subsequently domestic prices) at ex works (EXW) level.

3.3 The exporter

For all export sales during the investigation period, the visit team considers Stelmi to be the exporter[4] of the goods.

[4] The Commission generally identifies the exporter as a principal 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 principal 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.

3.4 The importer

The verification team considers that, in relation to the goods exported by Stelmi, the customers listed in the consolidated Australian sales listing were the beneficial owners of the goods at the time of importation and therefore were the "importers" of the goods.

3.5 Related party customers

The visit team did not identify any Australian customers which were related to Stelmi.

3.6 Arms length

In respect of export sales of chrome bars to Australia by Stelmi and its Australian customers, the visit team found no evidence that:

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

The verification visit team therefore consider that all chrome bars export sales to Australia by Stelmi during the investigation period were arms length[5] transactions.

3.7 Export price – preliminary assessment

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

The visit team decided to calculate normal value at EXW terms, as it was not possible to accurately identify inland transport cost from the expenses incurred for goods shipped on CIF terms.

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

[5] Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as being at arms length. These are where: there is any consideration payable for or 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; or 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.

4 COST TO MAKE AND SELL

4.1 Verification of Stelmi's costs up to audited financial statements

The visit team verified the completeness and relevance of Stelmi's cost to make and sell spreadsheet by reconciling it to audited financial accounts in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

In the EQR, Stelmi initially provided cost to make and sell data at a single level, that is, one set of data for all products identified as chrome bar. At the visit, the verification team requested a breakdown of these standard costs by each of the five models identified as the goods. Noting that Stelmi records actual cost data, the team requested management reports to calculate the variance between standard cost estimates and actual costs for the investigation period. Stelmi supplied this information, allowing the team to apply the variances in steel and other costs, by quarter, to an updated pivot of CTMS data. The verification team did not identify any other issues during the upwards verification of CTMS.

4.2 Verification of costs down to source documents

The visit team verified the accuracy of Stelmi's cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

4.3 Cost to make and sell – summary

Having verified Stelmi's CTMS data for chrome bars to audited financial accounts and to source documents, the visit team is satisfied that Stelmi's CTMS data is complete, relevant and accurate.

Stelmi's verified CTMS spreadsheet (as amended during the verification) is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

As noted previously, the team identified additional grades of chrome bar at the visit which fell within the goods description. Of these, only 20MnV6 grade product was exported to Australia during the investigation period, and so for model matching purposes, the team requested a sales listing of 20MnV6 grade models sold domestically during the investigation period. As the team had identified sufficient sales of similar or identical goods of the other models of chrome bar exported to Australia, we did not request a domestic sales listing of 38MnV6 and 45MnV1 grade models.

The visit team verified the completeness and relevance of Stelmi's domestic sales spreadsheet by reconciling it to audited financial accounts in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The upwards verification of domestic sales was done in conjunction with export sales and the verification team did not identify any issues.

5.2 Verification of domestic sales to source documents

The visit team verified the accuracy of Stelmi's domestic sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

5.3 Level of trade

Using information from the EQR and collected at the visit, the verification team identified two distinct levels of trade in domestic sales, to distributors and end users. The team considered it appropriate to match domestic sales against comparable levels of trade in export sales. In making this determination, the team considered the price setting practice by the company, as well as an analysis of price based on the sales data supplied (broken down by month, model and diameter).

5.4 Related party customers

The verification team did not identify any domestic customers which were related to Stelmi.

5.5 Arms length

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

- there is any consideration payable for or in respect of chrome bars other than their price; or

- 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; or
- the buyer, or an associate of the buyer, will directly or indirectly, be 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 Stelmi during the investigation period were arms length transactions.

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, they are taken not to have been paid in the ordinary course of trade (OCOT).

The visit team compared the quarterly domestic CTMS to the corresponding net invoice price to test whether domestic sales were profitable. Where the volume of unprofitable sales exceeded 20 per cent for the product category, the team then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.[6]

5.7 Sufficiency of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market that would be relevant for determining normal values (insufficient sales in OCOT).

Low volume is defined in Section 269TAC(14) as less than five per cent of the total volume of goods under consideration that are exported to Australia.

The visit team found sufficient sales in OCOT to match 45 models of chrome bar exported to Australia during the investigation period. Of these, 37 were exact model matches. Timing adjustments were applied to six models and for the remaining two models, the team identified substantially similar models (meeting the arms' length, OCOT and sufficiency tests) which were then adjusted for differences in diameter. In all cases, surrogate models for the required model were selected from the same model type (denoting grade and induction hardening) and level of trade group.

5.8 Domestic sales – conclusion

Based on the information provided and the verification conducted on site, the visit team is satisfied that prices paid for domestic sales of chrome bar are suitable for use in determining normal values for exports of the goods to Australia.

Domestic sales spreadsheet is at **Confidential Appendix 3**.

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[6] Section 45(2) of the *Customs (International Obligations) Regulation 2015*

6 ADJUSTMENTS

To ensure that the normal value was comparable to the Australian export price at EXW terms, the following adjustments were made.

6.1 Packaging charges

The visit team considers an upward adjustment to normal values based on the export packaging charges is necessary to ensure a fair comparison to the export price. The visit team applied an upwards adjustment based on a per tonne packaging fee as verified to source documents.

6.2 Domestic and export credit terms

Due to a difference in credit terms between markets, the visit team considers that an adjustment for credit terms is required to ensure fair comparison. The visit team has applied a downwards adjustment to normal values by removing the cost of domestic credit, and an upwards adjustment to normal values to account for the cost of credit costs on export sales. The calculation was based on the actual number of day's credit extended and the company's effective borrowing rate, for each transaction.

6.3 Specification adjustments to surrogate models

In accordance with subsection 269TAC(8), the visit team has applied a specification adjustment to the normal values of those products exported to Australia that were not exact model matches (surrogate models) as discussed at section 5.7. Adjustments were made for differences in diameter, calculated on the basis of selling price.

6.4 Adjustments – conclusion

The visit team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Export packaging charges	**Add** cost of export packaging charges
Domestic credit charges	**Subtract** cost of domestic credit
Export credit charges	**Add** cost of export credit
Specification adjustment	**Add** amount for specification adjustment to normal value of surrogate models

7 NORMAL VALUE

Based on the information provided by Stelmi and the verification conducted on site, we are satisfied that prices paid in respect of these domestic sales are suitable for assessing normal values under subsection 269TAC(1) for export sales of chrome bar to Australia during the investigation period.

In using domestic sales as the basis for normal values, the visit team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above, as well as for physical differences where exact model matches have not been found and similar models used instead.

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

8 DUMPING MARGIN

The dumping margin has been assessed by comparing the weighted average export prices to the corresponding weighted average normal values for the investigation period[7].

The dumping margin in respect of chrome bars exported to Australia by Stelmi for the investigation period is **-6.7 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

[7] In accordance with subsection TACB(1)(a)

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export sales
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program