INVESTIGATION 316

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

VERIFICATION REPORT - IMPORTER

CIA ELECTROMETALURGICA SA

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

March 2016
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# ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<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>CIA</td>
<td>CIA Electrometalurgica SA</td>
</tr>
<tr>
<td>Commission</td>
<td>Anti-Dumping Commission</td>
</tr>
<tr>
<td>Commissioner</td>
<td>Anti-Dumping Commissioner</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>USD</td>
<td>United States dollars</td>
</tr>
</tbody>
</table>

Grinding Balls – Importer Verification Report – CIA
1 BACKGROUND AND PURPOSE

1.1 Background

On 5 October 2015, Commonwealth Steel Company Pty Ltd (trading as Moly-Cop) and Donhad Pty Ltd (the applicants) lodged an application requesting that the Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary) publish a dumping duty notice and a countervailing duty notice in respect of grinding balls exported to Australia from the People’s Republic of China (China).

The applicants provided further information and data in support of the application on 23 October 2015. As a result, the Anti-Dumping Commission (the Commission) restarted the 20 day period for considering the application in accordance with subsection 269TC(2A) of the *Customs Act 1901* (the Act).

The applicants allege that the Australian industry suffered material injury caused by grinding balls exported to Australia from China at dumped and subsidised prices. The applicants allege that the industry has been injured through:

- Lost sales volume;
- Price depression;
- Price suppression;
- Loss of profits;
- Reduced profitability;
- Reduced revenues;
- Reduced return on investment;
- Reduced capacity utilisation; and
- Reduced employment.

On 17 November 2015, the Commissioner of the Anti-Dumping Commission (the Commissioner), decided not to reject the application and initiated an investigation. Notification of this decision was published in Anti-Dumping Notice (ADN) No. 2015/132 on the Commission’s electronic public record.

There has been no previous dumping or subsidisation investigations in relation to grinding balls in Australia.

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1 On 23 December 2014, the then Minister for Industry and Science delegated his powers and functions under Part XVB of the *Customs Act 1901* to the Parliamentary Secretary to the Minister for Industry and Science. On 20 September 2015, the Department of Industry and Science became the Department of Industry, Innovation and Science. The titles of the Minister and Parliamentary Secretary also changed to the Minister for Industry, Innovation and Science, and the Parliamentary Secretary to the Minister for Industry, Innovation and Science. On 20 September 2015, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Science.

2 All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.
1.2 Purpose of verification

Based on CIA Electrometalurgica SA (CIA) being a non-resident importer of grinding balls during the investigation period a decision was made not to conduct an on-site verification visit.

Whilst a decision was made not to conduct an on-site verification visit, an analysis of the importer questionnaire response provided by CIA was completed.

The purpose of the analysis was to:

- confirm that CIA 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; and
- establish post-exportation costs.

1.3 Investigation process and timeframes

The investigation process and timeframes are 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) 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. A status report was published on 18 January 2016.

- Following an extension of time to publish the statement of essential facts (SEF) for the investigation, the SEF is now due to be placed on the public record by 21 April 2016 or such later date as the Parliamentary Secretary allows.

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3 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
Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide his final report and recommendations to the Parliamentary Secretary. This final report is due no later than 6 June 2016.
2 THE GOODS

2.1 Description

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

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

The applicants provided further details as follows:

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

\[ \text{Goods excluded from this application include stainless steel balls, precision balls} \]
\[ \text{that have been machined and/or polished, and ball bearings.} \]

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 exported from China prior to 20 December 2015 were subject to a 4 per cent rate of general duty. On 20 December 2015 the China Australia Free Trade Agreement came into force at which time the goods became subject to a reduced rate of duty. From 1 January 2016 the rate of duty applicable to the goods is 1.7 per cent, and from 1 January 2017 the goods will be free of duty.
3 COMPANY DETAILS

3.1 Company background

CIA is a Chilean metal parts manufacturer and mining services company headquartered in Santiago, Chile.

The company was founded in 1917 and supplies the mining industry with cast steel spare parts designed to improve ground engaging and mineral grinding performance. Its products include grinding mill liners, crushing components and ground engaging tools, among other items used in the mining industry.

CIA primarily holds financial investments in the steel parts, glass packaging, and wine sectors. ME Elecmetal, the steel parts business of CIA, is comprised of the operations business of CIA and its affiliates.

CIA is a non-resident importer of grinding media for the Australian mining industry.

3.2 Relationship with suppliers

CIA advised that it currently imports per cent of its grinding balls from The grinding balls supplied by are manufactured by.
4 AUSTRALIAN MARKET

4.1 General

CIA stated grinding balls are imported to maintain inventory from which sales are made to customers as required.

During the investigation period CIA made sales from inventory of [REDACTED] tonnes of grinding balls totalling approximately AUD$ [REDACTED].

4.2 Sales

4.2.1 Information submitted

CIA 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 and date;
- Product type (including size);
- Credit and delivery terms; and
- Quantity and value (in USD and AUD).

4.2.2 Customers

Part C detailed sales of the goods imported during the investigation period to [REDACTED], however due to CIA importing to maintain inventory, sales were only made to [REDACTED] within the investigation period.

4.2.3 Distribution and selling

[REDACTED]

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.

4.3 Verification

CIA supplied the documents requested by the Commission in relation to sales of grinding balls.

The Commission was able to use these documents to verify invoice numbers, dates, product types and quantities and values.
Using the verified data in Part C of the company’s importer questionnaire, the Commission was able to determine 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 per tonne sales price (AUD$)</th>
<th>Yearly per tonne sales price (AUD$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14 - Q4</td>
<td>15 - Q1</td>
</tr>
</tbody>
</table>

4.4 Profit

The Commission has used CIA’s Part B importer questionnaire to determine a rate of profit on domestic sales. The rate of profit has been calculated at  per cent.
5 IMPORTS

5.1 Volume of trade

The ABF import database indicates that CIA imported, and entered for home consumption, a total of [redacted] tonnes of grinding balls under the relevant tariff subheadings during the investigation period.

5.2 Forward orders

Part B of CIA’s importer questionnaire listed the following forward orders:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Shipping Terms</th>
<th>Expected Arrival</th>
<th>Quantity</th>
<th>Description</th>
<th>Unit Price USD/T</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

5.3 Verification of imports

The Commission selected one shipment which was identified in Part B of the importer questionnaire (Confidential Appendix 2 refers) and asked CIA to provide the following source documents:

- commercial invoices;
- packing lists;
- overseas freight invoices;
- purchase orders;
- bills of lading; and
- Customs broker and domestic freight invoices.

CIA provided all the source documents requested. The source documents provided were used to cross-check the listed quantity, invoice value, insurance, exchange rate, customs duty, importation costs, expenses to Part B of the importer questionnaire. The Commission was able to reconcile the shipment number, quantity, value, and price and delivery terms for the selected shipments with the data in the source documents. The documents provided are contained at Confidential Attachment IMP1.

5.3.1 Shipment costs

CIA’s imports are invoiced at [redacted] terms. The weighted average marine insurance and overseas freight are outlined below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Weighted average cost (AUD/T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas freight</td>
<td>[redacted]</td>
</tr>
</tbody>
</table>

Grinding Balls – Importer Verification Report – CIA
5.3.2 Post exportation costs

Based on evidence provided by CIA, the Commission calculated the following post exportation costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Weighted average cost (AUD/T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs entry fee, brokers free etc.</td>
<td></td>
</tr>
<tr>
<td>Port services charge</td>
<td></td>
</tr>
<tr>
<td>Duty (4% of FOB)</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
</tr>
<tr>
<td>Storage</td>
<td></td>
</tr>
</tbody>
</table>

5.4 Export prices for selected shipments

Based on verified data from the selected shipments, the Commission calculated the following weighted average export price for grinding balls over the investigation period at [ ] terms:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Quantity</th>
<th>Description</th>
<th>FOB Unit Price USD/T</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

The Commission reviewed the documents provided in respect of the selected shipments, noting that CIA:

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

The Commission considers CIA to be the beneficial owner of the goods at the time of importation, and therefore the importer.

6.2 Who is the exporter?

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.

Subject to further inquiries, the Commission is satisfied that [blurred text] can be considered the exporter of grinding balls imported by CIA. To the Commission’s knowledge, [blurred text] is the principle in the country of export, which manufactured the goods and gave up the goods for shipment directly to CIA.
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.

The Commission 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 CIA or an associate of CIA, and its supplier or an associate of the supplier; and/or
- CIA or an associate of CIA 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 Commission is satisfied that import transactions between CIA and its supplier are at arms length in terms of section 269TAA.
The visit team is of the opinion that, for the goods imported by CIA 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 CIA from [Redacted] can be established under paragraph 269TAB(1)(a), using the invoiced price, less deductions to the FOB level.
9 APPENDICES AND ATTACHMENTS

<table>
<thead>
<tr>
<th>Confidential Appendix 1</th>
<th>Verification team’s importation calculations (Part B of import questionnaire)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidential Attachment IMP 1</td>
<td>Importation source documents</td>
</tr>
</tbody>
</table>