INVESTIGATION 316

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

VERIFICATION REPORT

HEBEI GOLDPRO NEW MATERIALS TECHNOLOGY CO., 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.

May 2016
1 BACKGROUND

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 on the investigation and is available on the Anti-Dumping Commission’s (the Commission’s) electronic public record (EPR).

The background relating to the initiation of this investigation is contained in Consideration Report 316.

Following this initiation, the Commission wrote to Hebei Goldpro New Materials Technology Co., Ltd (Goldpro) advising them of the initiation of the investigation, requesting co-operation with the investigation. Goldpro cooperated through submitting a completed exporter questionnaire response (EQR) and relevant attachments.

1.2 Purpose of this report

Based on the volume of Goldpro’s exports relative to the total export volume from China during the investigation period a decision was made not to conduct an on-site verification visit at Goldpro’s premises.

Whilst a decision was made not to conduct an on-site verification visit, a detailed analysis of the EQR provided by Goldpro was completed. This analysis included tests for the reasonableness, accuracy and completeness of the export sales, domestic sales and cost to make and sell (CTMS) data utilised in calculating the dumping and subsidy margins.

Prior to the publication of statement of essential facts no. 316 (SEF No. 316) on 21 April 2016, Goldpro provided updated information that affected its dumping assessment. Given the timing of the information received, the Commissioner did not have regard to the new information as part of SEF No. 316. This verification report has had regard to the new information.
2 VERIFICATION OF DOMESTIC AND AUSTRALIAN SALES

2.1 Australian sales listing

As part of its EQR, Goldpro provided a line by line basis Australian sales listing. A comparison of the Australian sales listing to information reported in the Australian Border Force (ABF) import database identified a missing shipment from the Australian sales listing. Goldpro provided an updated Australian sales listing (Confidential Appendix 1).

In addition, Goldpro provided source documents for a sample of Australian export sale transactions. The source documents cover around 19 per cent of Goldpro’s sales volume during the investigation period. The source documents included sales contracts, bill of lading, packing list, commercial invoice, customs declaration for shipments and bank remittances. These documents are at Confidential Attachment SALES 1.

2.2 Domestic sales listing

As part of its EQR, Goldpro provided a line by line domestic sales listing (Confidential Appendix 2).

In addition, Goldpro provided financial statements for the year ending December 2014 and provided management accounts for the investigation period (Confidential Attachment SALES 2). The assessment team was able to reconcile the total value of Australian export sales, domestic sales and third country export sales to the management accounts.

Goldpro also provided source documents for a sample of domestic sales transactions. The source documents included sales contracts, invoices and bank remittances. These documents are at Confidential Attachment SALES 3.

2.3 Conclusion

Having regard to the above desktop verification, the assessment team is satisfied that the domestic and Australian sales listings provided by Goldpro are reasonably accurate, relevant and complete can be relied upon for the purpose of assessing the export price and normal value.
3 EXPORT PRICE

3.1 Australian export sales

In its EQR, Goldpro stated that it was not related to its Australian customers during the investigation period and does not offer discounts, rebates or allowances. The assessment team found no evidence to suggest otherwise.

The assessment team has adopted the invoice date as the date of sale.

3.2 Export price

The assessment team considers that:

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

The export price has been determined under subsection 269TAB(1)(a) of the Customs Act 1901 (the Act)\(^1\) using the invoiced price by Goldpro to the importer less any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Details of the export price calculations are at Confidential Appendix 3.

\(^1\) All legislative references in this report relate to the Customs Act 1901, unless stated otherwise.
4 COST TO MAKE AND SELL

4.1 Cost to make and sell

In its EQR, Goldpro provided a CTMS spreadsheet for the goods showing quarterly costs data for the goods sold domestically and exported to Australia. The cost to make and sell for the goods from Goldpro is contained in Confidential Appendix 4.

4.2 Verification of Goldpro’s costs to financial statements

The assessment team notes that the CTMS spreadsheet provided by Goldpro as part of its EQR shows only unit costs. It is also noted that Goldpro’s factory is also producing cylebs, which are not the goods. Due to unitised CTMS data and the absence of CTMS data for cylebs, the assessment team was unable to reconcile the CTMS figures to the management accounts.

In consideration of the above factors, to determine whether the CTMS was reasonably complete, the assessment team multiplied the unit CTMS figures by the volumes sold to calculate a total CTMS.

This figure accounted for around 40 per cent of the total company CTMS. This was compared to the volume and sale of the goods, which accounted for 85 per cent and 8% respectively. On this basis, the assessment team considers that the CTMS allocated to grinding ball production is reasonable.

In addition, the average quarterly unit costs of Goldpro’s raw material purchases and other cost items were also benchmarked against other verified exporters of the goods. On balance, the CTMS was found to reasonable. The assessment team is reasonably satisfied that Goldpro’s CTMS is complete.

4.3 Verification of costs to source documents

4.3.1 Grinding bar

The assessment team notes that grinding bar accounts for approximately 30 per cent of Goldpro’s cost to make. Given the materiality of grinding bar costs, the assessment team verified the accuracy of grinding bar costs to source documents.

As part of its EQR, Goldpro provided a spreadsheet detailing its grinding bar purchases for the investigation period (Confidential Appendix 5). From this listing, Goldpro provided source documents for 27 purchases, including invoices, which reconcile with the spreadsheet (Confidential Attachment CTMS 2).

4.3.2 Electricity

In its EQR, Goldpro provided a spreadsheet detailing its electricity costs for the investigation period (Confidential Attachment CTMS 3). In addition, Goldpro also provided source documents for 14 invoices, which details its electricity costs for the months of December 2014 and June 2015 (Confidential Attachment CTMS 2). These details reconcile with the spreadsheet listing.
4.3.3 Selling, general and administrative expenses (SG&A)

While no source documents were provided for SG&A expense, as noted in section 4.2 of this report, Goldpro’s SG&A expenses allocated in its domestic CTMS spreadsheet are consistent with other verified exporters and appear to be reasonable.

4.4 Cost to make and sell summary

Having verified a large proportion of Goldpro’s CTMS data for grinding ball to financial accounts and to source documents, the assessment team is satisfied that Goldpro’s CTMS data is reasonably complete, relevant and accurate.

Goldpro’s verified CTMS spreadsheet is at Confidential Appendix 4.
5 DOMESTIC SALES AND NORMAL VALUE

5.1 Domestic sales

As outlined previously, in its EQR, Goldpro provided a detailed domestic sales listing for investigation period on a line-by-line basis.

A review of the transactions found that the domestic sales listing included sales of goods that did not meet the goods description, specifically, grinding balls below 22mm in diameter, grinding bar and cylpebs. As such, these transactions were excluded from ordinary course of trade (OCOT) and profitability calculations. Goldpro provided an updated domestic sales listing.

Of the remaining goods, the assessment team considers that the goods manufactured for domestic consumption have characteristics closely resembling the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1).

In its EQR, Goldpro stated that it was not related to domestic customers during the investigation period and does not offer discounts, rebates or allowances. The assessment team found no evidence to suggest otherwise.

The assessment team has adopted the invoice date as the date of sale.

5.2 Arms length

In respect of Goldpro’s domestic sales of grinding balls during the investigation period, the assessment team found no evidence that:

- there is any consideration payable for or in respect of grinding ball 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 assessment team therefore considers that all domestic sales by Goldpro during the investigation period were arms length transactions.

5.3 Market situation

As outlined in SEF No. 316, the Commissioner has formed a view that there is a particular market situation in China such that the Chinese domestic grinding ball prices are not suitable to be used for establishing normal values under section 269TAC(1).

5.4 Constructed normal value

The Commission has utilised subsection 269TAC(2)(c) to construct Goldpro’s normal value. As was the approach for SEF No. 316, the assessment team replaced
Goldpro’s grinding bar cost with a benchmark that reflects costs from a competitive market.

The Commission has constructed Goldpro’s normal values as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>Platts monthly Latin American FOB steel billet prices uplifted by the average cost for the investigation period for each alloy necessary to bring the billet to the chemical specification required for each grade of grinding ball exported to Australia.</td>
</tr>
<tr>
<td>Conversion costs</td>
<td>An average of actual verified costs from the Australian industry and Chinese exporters to convert billet to grinding bar. Goldpro’s actual verified costs to convert grinding bar to grinding balls.</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>Goldpro’s actual verified SG&amp;A expenses</td>
</tr>
<tr>
<td>Profit</td>
<td>Goldpro’s profit on domestic sales which met the original OCOT testing based on Goldpro’s verified (non-substituted) CTMS.</td>
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</table>

A full reconstruction of this method is attached under **Confidential Appendix 7**.

**5.5 Model matching**

The verification team has determined normal values under 269TAC(2)(c) which does not require matching domestic models to export models of grinding balls.

**5.6 Ordinary course of trade and profitability**

Subsection 45(2) of the *Customs Regulations (International Obligations) 2015* allows for sales of like goods sold in the OCOT to be used for the purposes of providing data for a constructed normal value under subsection 269TAC(2)(c)(ii).

Section 269TAAD 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 made in the OCOT.

In order to test whether the domestic sales are in the OCOT, the profitability of each arm’s length transaction was first tested individually by comparing the unit selling price to the corresponding quarterly weighted average CTMS for each model.

For those sales found to be sold at a loss, its recoverability was then tested by comparing the unit selling price to the weighted average CTMS of the relevant model over the whole of the investigation period. This test was undertaken for each model individually and where the volume of unrecoverable sales exceeds 20 per cent, the unrecoverable sales for those models were deemed not to be made in the OCOT.

An overall profit figure was determined on a weighted average basis across the different models of grinding balls.

The domestic sales spreadsheet, including OCOT test and profitability, is at **Confidential Appendix 8**.
5.7 Adjustments to normal value

In constructing normal values, the assessment team considers that certain adjustments are necessary to ensure fair comparison of normal values with export prices. The following adjustments have been made in accordance with subsection 269TAC(9):

<table>
<thead>
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<th>Export inland transport, handling and other expenses</th>
<th>Add an upwards adjustment for export inland transport, handling and port charges based on the verified costs incurred for each export transaction</th>
</tr>
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<td>Non-refundable value added tax (VAT)</td>
<td>Add an upwards adjustment of 12 per cent to the normal value being the difference between the non-refundable VAT expense of 17 per cent incurred less a 5 per cent VAT rebate on export sales of grinding balls</td>
</tr>
<tr>
<td>Domestic inland transport, handling and other expenses</td>
<td>Deduct a downwards adjustment for domestic export inland transport and handling charges based on the verified costs incurred for each domestic transaction</td>
</tr>
</tbody>
</table>

The above adjustments were calculated using actual costs for domestic adjustments and weighted averages for export adjustments and applied to the normal value.

The assessment team’s adjustment calculations are included in normal value calculations at Confidential Appendix 8.
Dumping has been assessed by comparing the weighted average export prices to corresponding weighted average normal values for the investigation period, in accordance with subsection 269TACB(2)(a).

The weighted average product dumping margin for grinding balls exported to Australia by Goldpro for the investigation period is **51.5 per cent**.

The dumping margin calculations are at **Confidential Appendix 8**.
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