



**QUICKLIME EXPORTED FROM THAILAND**

**End user visit report - Alcoa of Australia Limited**

**Attendees and details**

Company	Alcoa of Australia Limited (Alcoa)
Address	Corner Davy and Marmion Streets, Booragoon, Western Australia
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Date	15 December 2011
Present	
Alcoa	Lance Perry, Robert Whitham, Sourcing Specialist Lesley Jefferies,
Consultants	Michael Moulton, Clayton Utz
Customs and Border Protection	John Bracic, Director, Operations 1 Jason Farr, Supervisor, Operations 1 Edward Macgregor, Supervisor, Operations 1

**Introduction**

We outlined to Alcoa that we would prepare a basic visit report with a record of our discussion from the meeting. We also outlined the key dates of the investigation and advised that a non-confidential version of key investigation documents could be found on the electronic public file. We also confirmed that there was an electronic public file for the quicklime investigation.

Alcoa asked if we had received its submission and if we had had the opportunity to read it. We advised that its submission had not been considered as a non-confidential version of the submission had not been provided to the investigation. Alcoa stated that it would provide a non-confidential version of its submission as soon as possible, which was subsequently received.

**Issues paper**

We advised that Customs and Border Protection was considering releasing an Issues Paper on material injury and it would invite interested parties to respond.

**Company background**

Alcoa is involved in alumina refining in Western Australia. It has three alumina refineries in Western Australia at Kwinana, Pinjarra and Wagerup.

Alcoa advised that it has 9 alumina refineries around the world.

## PUBLIC RECORD

### Alcoa quicklime use and supply

Alcoa is an end user of quicklime and does not sell quicklime. Prior to seeking trial samples of quicklime from Chememan, Cockburn Cement was the sole supplier of quicklime to Alcoa's refineries in Western Australia.

Alcoa advised that quicklime is an essential part of the refining process for alumina and there are no substitutes for its use. The quicklime (the actual calcium oxide, CaO within the quicklime product) is used in its operations to filter out the mud and convert the sodium carbonate to sodium hydroxide.

Alcoa consumes about [REDACTED] tonnes quicklime a year, which represents approximately [REDACTED] of Cockburn Cement's sales. [REDACTED]

[REDACTED]  
[future quicklime requirements]

[REDACTED]  
[quicklime performance characteristics]

Alcoa submitted that quicklime particle size and quality was critical and correlated with its reactivity. [REDACTED]

[REDACTED]  
[quicklime performance characteristics]

We confirmed that Alcoa purchases the quicklime from Cockburn Cement based on 100% CaO content.

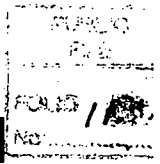
### Trials of quicklime from Chememan

Alcoa advised that it is only trialling the imported quicklime from Chememan and is currently only testing Chememan quicklime at its Wagerup refinery. Alcoa confirmed the imported quicklime outlined below was only imported for trial purposes.

[REDACTED]  
[REDACTED]  
[information relating to quicklime trials]

In response to our question, Alcoa advised that it could not consider blending the Australian and overseas sourced quicklime due to the variability in reactivity and the difficulties encountered in blending large volumes.

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[REDACTED]

### Alternative supply source

Alcoa argued that firstly it needs security of supply and that is why it was exploring alternative sources of quicklime from South East Asia. This forms part of its strategy to control its own supply chain.

Alcoa claimed that if Cockburn Cement was to shut down for any reason its operation would suffer substantially. Therefore, they were exploring other sources of supply quicklime, but not just from Thailand. This strategy formed part of its overall strategic risk assessment as it had identified only having one supplier of quicklime as a significant risk that needed to be addressed by the company. Quicklime is the only raw material in the Alcoa system which has only one supplier.

[REDACTED]

Alcoa claimed that it has concerns about its current supplier (Cockburn Cement) as they understand that Cockburn Cement is currently running at capacity and there have been environmental issues with the Cockburn Cement's facility, both of which could threaten to impact Cockburn Cement's capacity to supply. [REDACTED]

[REDACTED]. Furthermore, Alcoa claimed that any increased production of quicklime made in the 'clinker kilns' by Cockburn Cement is very poor quality, lower in Available Lime and has higher abrasive silica and would severely impact the operations if used for any period of time.

[REDACTED] [alternative supply options]

Secondly, Alcoa submitted that it was looking for greater quality quicklime (see like goods section below), for which Alcoa stated that they were willing to pay a premium above the Cockburn price based on the price in the investigation period. [REDACTED]

[REDACTED] [quicklime pricing information]

[REDACTED] Cockburn Cement have indicated in their annual shareholder reports that they price their products using Import Pricing Parity.

Finally, Alcoa advised that there would be increased demand for quicklime in Western Australia, particularly due to BHP Worsley's upgrade and expansion plans. Alcoa had concerns as above over Cockburn's Cement's capacity to meet this further demand.

## PUBLIC RECORD

PUBLIC FILE
FOLIO 10
No. ....

### Quicklime – like goods

Alcoa advised that Cockburn Cement's quicklime only had a calcium oxide content of 75%. Furthermore, the impurities contained within the quicklime produced by Cockburn Cement are an issue and make the quicklime unlike to the imported quicklime.

More specifically, Alcoa submitted that sulphur as an impurity in the quicklime contributed to production loss and silica attributed to wear and tear on facilities, which ultimately effected profitability. Alcoa claimed that the sulphur content for quicklime produced by Cockburn Cement was [REDACTED] while quicklime produced by Chememan was [REDACTED]

Alcoa submitted that the quicklime produced by Cockburn Cement was not substitutable with the quicklime produced by Chememan because Cockburn cannot reduce the levels of sulphur in the final product and therefore [REDACTED]

[REDACTED]

*[characteristics and performance of quicklime]*

### Causation and Material Injury

#### **No material injury and termination**

Alcoa argued that the investigation should be terminated as there could be no findings of injury to the Australian industry.

Alcoa claimed that there had been an increase in the price of quicklime from its sole supplier, Cockburn Cement, [REDACTED] compared to its previous contract. Alcoa claimed that it was hard to afford such a significant increase in price. Furthermore, there could be no loss of profit due to the price increase as outlined in the consideration report. Alcoa's previous contract with Cockburn Cement had built in price increase mechanisms that provided for increased costs to make quicklime, which did not represent such a significant increase. Cockburn are claiming material injury based on the final agreed increase compared to the initial proposed price in the negotiation which was [REDACTED] higher than the existing price.

Alcoa advised that the negotiations for quicklime supply with Cockburn Cement were pretty much settled at the time of the Heads of Agreement. Alcoa further stated that it did not use prices or the threat that it would be seeking alternative quicklime sources to negotiate the new prices with Cockburn Cement. Alcoa offered to provide minutes of meetings with Cockburn Cement to confirm this.

Alcoa needed [REDACTED] tonnes of quicklime a year based on 100% CaO content. As part of its new contract with Alcoa it had been locked in to source [REDACTED] tonnes of quicklime per year from Cockburn Cement.

[REDACTED]

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FOLIO 9

No. ....

[supply information]

### Threat

Alcoa submitted that the applicant did not claim a threat of material injury in its application and therefore Customs and Border Protection could not consider threat of material injury in its investigation. Furthermore, there was no threat of material injury during the investigation period since Alcoa was locked into a contract with Cockburn Cement, which has recently been renegotiated.

We advised that it was Customs and Border Protection's practice to consider actual material injury and any threat of material injury where past or present material injury isn't established.

### Import and verification

Customs and Border Protection's import list showed that Alcoa had imported one shipment of quicklime of [REDACTED] from Chememan International.

Prior to the visit, we asked that Alcoa confirm that the one identified import of quicklime was accurate. Alcoa confirmed that the volume, price and terms of the import were accurate.

Subsequently, Alcoa provided a copy of the commercial invoice detailing the FOB price and quantity along with relevant importation documents. These documents are at **confidential attachment IMP**. The FOB price was identified [REDACTED] in the commercial invoice. The sale was also identified as FOB in the commercial invoice.

### Conclusion

We recommend that Alcoa be identified as the importer of the goods in relation to single direct importation during the investigation period and the exporter of the goods is the producer, Chememan Thailand.

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