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INVESTIGATION 466

ALLEGED DUMPING OF CERTAIN RAILWAY WHEELS

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA AND

FRANCE

AND

ALLEGED SUBSIDISATION OF CERTAIN RAILWAY WHEELS

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT - EXPORTER

MG-VALDUNES

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

On 18 April 2018, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of certain railway wheels (railway wheels or the goods) exported to Australia from the People's Republic of China (China) and France and the alleged subsidisation of the goods exported to Australia from China. Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report 466.

Following initiation of the investigation, the Anti-Dumping Commission (the Commission) notified MG-Valdunes (Valdunes), an exporter of the goods from France, of the investigation and sought its cooperation by completing an Exporter Questionnaire.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period (1 January to 31 December 2017), Valdunes exported railway wheels to Australia meeting the description of the goods under consideration.

2.2 Like goods sold on the domestic market

During the review period, Valdunes sold steel wheels for use in certain railway applications to customers in France. Confidential Appendix 1 sets out the categories of wheels for rail applications sold by Valdunes in France and considers the factors relevant to whether these are like goods to the goods exported to Australia in the investigation period.

2.2.1 Conclusion on like goods

The verification team considers that the wheels sold by Valdunes in France have significant physical, commercial, functional and, in most cases, production differences to the wheels exported to Australia. The verification team considers that these wheels do not have characteristics closely resembling the goods exported to Australia and are, therefore, not like goods.

2.3 Model matching

As stated above, the verification team does not consider that the wheels sold by Valdunes on the domestic market of France in the investigation period were like goods to the goods exported to Australia.

2.4 Like goods – preliminary assessment

The verification team considers that wheels produced by Valdunes for sale for domestic consumption in France do not have characteristics closely resembling those of the goods exported to Australia and, therefore, are not like goods as defined in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 General

Railway wheels exported to Australia during the investigation period were sold by Valdunes to one unrelated Australian mining company.

3.2 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Valdunes' Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.3 Verification of Australian sales to source documents

The verification team verified the accuracy of Valdunes' Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.4 The exporter

For all Australian export sales during the investigation period, the verification team considers Valdunes to be the exporter of the goods.² Valdunes manufactures the goods in response to an order received by the unrelated Australian customer.

3.5 The importer

In relation to railway wheels exported to Australia by Valdunes, the verification team considers that the Australian entity that purchased the goods from Valdunes was the beneficial owner of the goods at the time of importation, and therefore was the importer of the goods.

3.6 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team did not identify any information that might suggest the Australian customer is related to Valdunes.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

3.7 Arms' length

In respect of railway wheels manufactured by Valdunes and sold to the Australian customer during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.³

The verification team therefore considers that all sales between Valdunes and its Australian customer were arms' length transactions.

3.8 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. The verification team considers that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter. The verification team recommends, therefore, that export prices be established under subsection 269TAB(1)(a) of the Act using the price paid or payable for the goods by the importer, other than 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.

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

³ Section 269TAA of the Act refers.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Valdunes' cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

4.1.1 Standard and actual costs

The verification team determined that the costs provided by Valdunes in its exporter questionnaire response were standard costs and that these costs had not been adjusted to include variances to the actual costs incurred.

During the visit, Valdunes provided revised CTMS information (referred to in the verification work program at **Confidential Attachment 2**) for the railway wheels exported to Australia in the investigation period that were uplifted to reflect the actual CTMS for the wheels.

4.1.2 Steel costs

Valdunes advised that its cost of steel used in wheel production was overstated as it was based on average purchase prices rather than steel consumed.

Valdunes provided a reconciliation of steel purchased and steel consumed in producing the railway wheels exported to Australia in the investigation period. It adjusted the steel cost in its revised CTMS to reflect the cost of steel consumed. The verification team is satisfied that the adjustment is appropriate. Further details are included in the verification work program at **Confidential Attachment 2**.

4.1.3 Scrap steel sales

As part of its wheel production process, Valdunes produces steel scrap, which it sells to unrelated third parties. Valdunes did not include any credit for its scrap steel sales in the CTMS provided in its exporter questionnaire response. Revenue from scrap steel sales is included in miscellaneous sales in Valdunes' profit and loss statement.

Valdunes provided information to support its calculation of a credit against its steel cost of producing the railway wheels exported to Australia in the investigation period. This information included the amount of scrap produced and Valdunes' average selling price of scrap in the investigation period. Valdunes revised CTMS includes a credit for the sale of scrap steel. Further details are included in the verification work program at **Confidential Attachment 2**.

4.1.4 Adjustments to production overheads and selling, general and administrative costs

Valdunes proposed adjustments to production overheads and selling, general and administrative costs to those recorded in its accounting records. The proposed adjustments were not accepted by the verification team.

PUBLIC RECORD

The verification team's revised CTMS (excluding the reallocation of costs proposed by Valdunes) for exports to Australia is at **Confidential Attachment 2**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Valdunes' revised CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues in this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

4.3 Related party purchases

Based on the company's response to the Exporter Questionnaire, audited financial statements and documentation supplied for the purpose of the verification visit, the verification team did not identify any suppliers that might be related to Valdunes.

4.4 Cost to make and sell – summary

Having verified Valdunes' revised CTMS spreadsheet to audited financial statements and to source documents, the verification team is satisfied that the CTMS spreadsheet is complete, relevant and accurate.

Valdunes' revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Valdunes' domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Valdunes' domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 2**.

5.3 Related party customers

Based on the company's response to the Exporter Questionnaire, sales data and audited financial statements, the verification team did not identify any information that might suggest domestic customers were related to Valdunes.

5.4 Arms' length

In respect of domestic sales of railway wheels made by Valdunes to its unrelated customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.⁴

The verification team therefore considers that all domestic sales made by Valdunes during the review period were arms' length transactions. As noted in section 2.4 above, the verification team considers that wheels sold by Valdunes on the domestic market are not like goods to railway wheels exported to Australia in the investigation period.

⁴ Section 269TAA of the Act refers.

5.5 Ordinary course of trade

As the verification team considers Valdunes does not make sales of like goods in France, it has not tested whether Valdunes' sales are in the ordinary course of trade.

5.6 Suitability of domestic sales

As the verification team considers Valdunes does not make sales of like goods in France, it has not considered the suitability of domestic sales.

5.7 Domestic sales – summary

The verification team considers that Valdunes did not make sales of like goods in France in the investigation period.

The verification team considers that the domestic sales listing of other types of railway wheels sold by Valdunes in the investigation period is complete, relevant and accurate, and can be used for assessing profitability of sales of the same general category of goods for the purposes of constructing a normal value in accordance with subsection 269TAC(2)(c).

The domestic sales listing and profitability calculation are at **Confidential Appendix 3**.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Credit terms

The verification team considers that the constructed normal value should be adjusted downwards for domestic credit costs and adjusted upwards for export credit costs extended to its Australian customer.

6.2 Packaging

Valdunes incurred additional packaging costs in association with railway wheels. These costs are included in the cost of production and therefore there is no need for an adjustment to the constructed normal value.

6.3 Commission

Valdunes incurred a commission expense paid to its selling agent in Australia in relation to the goods exported to Australia in the investigation period. The verification team considers that the constructed normal value should be increased by the verified commission amount.

6.4 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Domestic credit cost	Deduct the cost of domestic credit terms
Export credit cost	Add the cost of export credit terms
Export commission cost	Add the cost of export commission
Export inland transport	Add the cost of export inland transport

The verification team’s preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

7 NORMAL VALUE

The verification team considers that Valdunes did not sell like goods to the goods under consideration in France in the investigation period.

The verification team considers that, because of the absence of sales of like goods in France that would be relevant for determining a price under subsection 269TAC(1) of the Act, the normal value for exports from France should be established pursuant to subsection 269TAC(2)(c) of the Act, being the sum of:

- such amount as the Minister determines to be the cost of production or manufacture of the goods in the country of export; and
- on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export—such amounts as the Minister determines would be the administrative, selling and general costs associated with the sale and the profit on that sale.

The verification team has established the cost of production or manufacture of the goods in the country of export using the Valdunes' CTMS that was revised following the verification visit (as set out in Section 4 above).

As the verification team's view is that Valdunes does not sell like goods in France, it has not been able to work out an amount for SG&A costs under subsection 44(2) of the Regulation. The verification team has worked out an amount for SG&A under subsection 44(3)(c) of the Regulation using any other reasonable method and having regard to all relevant information. The verification team recommends using the SG&A costs incurred by Valdunes in relation to its sales to Australia, excluding amounts for inland transportation and the commission incurred in respect of these sales.

The verification team examined domestic sales of all categories of wheels over the investigation period and found that all were made at a loss. The verification team has calculated an amount for profit under subsection 45(3)(a) of the Regulation. The Commission calculated an amount of profit by identifying the actual amounts realised by Valdunes from the sale of the same general category of goods (other types of railway wheels sold by Valdunes on the domestic market) in the domestic market of France.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the review period, in accordance with subsection 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by Valdunes in the investigation period is **37.2 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Calculation of export prices
Confidential Appendix 2	Revised CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value calculations
Confidential Appendix 5	Dumping margin calculations
Confidential Attachment 1	Assessment of like goods sold in France
Confidential Attachment 2	Verification work program, with attachments