



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 483

**ANTI-CIRCUMVENTION INQUIRY INTO THE SLIGHT
MODIFICATION OF GOODS**

**WIRE ROPES EXPORTED TO AUSTRALIA FROM
THE REPUBLIC OF SOUTH AFRICA**

VISIT REPORT - AUSTRALIAN INDUSTRY

BEKAERT WIRE ROPES PTY 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 ANTI-DUMPING COMMISSION

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1 BACKGROUND

On 18 December 2017 anti-dumping measures, in the form of a dumping duty notice, were imposed on wire rope exported to Australia from the Republic of South Africa (South Africa). This followed an investigation by the Anti-Dumping Commission (the Commission) (Investigation 401).

On 18 June 2018 the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an anti-circumvention inquiry into slightly modified wire rope exported to Australia from South Africa. The initiation of the inquiry followed consideration of an application received from Bekaert Wire Ropes Pty Ltd, trading as BBRG Australia (BBRG, or the applicant), a member of the Australian industry producing wire rope.

Anti-Dumping Notice (ADN) No. 2018/105 provides further information on the inquiry and is available on the Commission's electronic public record (EPR) at www.adcommission.gov.au.

The background relating to the initiation of this inquiry is contained in *Consideration Report No. 479 (CON 483)*, which is also available on the EPR.

Following initiation of the inquiry, the Commission arranged a visit to BBRG to gather information relating to its application. Specifically, the Commission sought to understand the differences between 6 and 8 strand wire rope, the goods currently subject to anti-dumping measures, and 9 strand wire rope, the goods which BBRG alleges are slightly modified, which allows for those goods to no longer be considered wire rope of the kind subject to anti-dumping measures.

As a result, the focus of this report will be on aspects relating to subsection 48(3) of the *Customs (International Obligations) Regulation 2015* (the Regulation), which sets out factors that the Commissioner may have regard to for the purpose of determining whether the circumvention goods are slightly modified.

2 THE GOODS SUBJECT TO ANTI-DUMPING MEASURES

The goods subject to the anti-dumping measures are:

Stranded wire rope, alloy or non-alloy steel, whether or not coated or impregnated, having both of the following:

- *not greater than 8 strands; and*
- *diameter not less than 58mm and not greater than 200mm;*

with or without attachments.

Further information regarding the goods is as follows:

- Stranded steel wire rope is rope and strand made of high carbon wire (whether or not containing alloys).
- The strand or rope can also be sheathed or impregnated and sheathed respectively in plastic or composites.
- The wires can be layered-up in various configurations in order to give the strand or rope the desired physical properties.
- Variances can include:
 - strand diameter;
 - number of wires;
 - wire finish (e.g. typically black but may be galvanised);
 - wire tensile grade;
 - type of lubricant;
 - strand or rope length; and
 - whether or not an attachment is included (but not limited to ferrules and/or beackets).
- Cores may be made of:
 - natural or synthetic fibre; or
 - Independent Wire Rope Cores (“IWRC”), which may or may not be sheathed or impregnated in plastic.

Typical uses include applications such as dragline hoist, drag and dump ropes, and shovel hoist, crowd and retract ropes.

Goods excluded from the measures are:

- stranded wire rope that is stainless steel as defined under Note (e) “Stainless steel” to the Customs Tariff;
- stranded wire rope with more than 8 strands, regardless of diameter; and
- stranded wire rope less than 58mm or greater than 200mm in diameter, regardless of the number of strands.

The goods are classified to the following tariff classifications in Schedule 3 to the *Customs Tariff Act 1995*:

PUBLIC RECORD

Tariff classification			
Tariff subheading	Statistical code	Unit	Description
7312.10.00	91 and 92	Kilograms (kg)	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated: 91: ...Of a diameter exceeding 50 mm but not exceeding 100 mm 92: ...Of a diameter exceeding 100 mm

**3 GOODS SUBJECT TO THIS INQUIRY
(THE CIRCUMVENTION GOODS)**

The circumvention goods are described as:

wire rope consisting of 9 strands

It has been alleged that the circumvention goods are like goods to the goods subject to the anti-dumping measures.

The circumvention goods are classified to the following tariff classification in Schedule 3 to the *Customs Tariff Act 1995*:

Tariff classification			
Tariff subheading	Statistical code	Unit	Description
7312.10.00	93	Kilograms (kg)	Ropes and cables containing more than eight strands, of alloy or non-alloy steel

BBRG proposed to have the original dumping duty notice altered to extend the meaning of 'the goods' to include wire rope of:

- no more than 10 strands; and
- diameter not less than 58 mm and not greater than 200 mm

with or without attachments.

4 THE AUSTRALIAN INDUSTRY

4.1 Manufacturing facilities

BBRG is the only Australian manufacturer of wire rope. BBRG specialises in designing, manufacturing and sales of wire ropes, steel cables and strands for various industries.

BBRG manufactures most of its wire strand and rope products at its main plant in Newcastle, NSW. There is a smaller facility where some dump ropes are produced. During the verification visit, the verification team conducted an inspection of the main production facility in Newcastle.

4.2 Range of wire ropes

The usage of wire rope in Australia has been predominantly for open-cut mining operations. With respect to the end use application, wire ropes are classified as:

- drag ropes;
- dump ropes;
- hoist ropes; and
- shovel ropes.

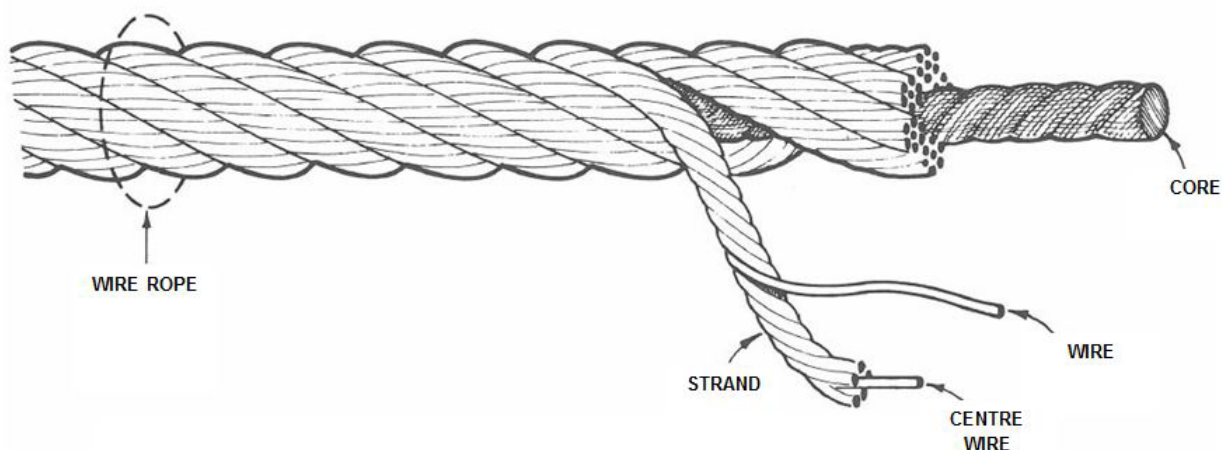
4.3 Wire Rope Manufacturing Process

The manufacture of wire rope by BBRG involves two major transformation stages: conversion of steel wire to strands; and conversion of strands to rope.

The production process is automated, involving utilisation of specialised machinery that make the operation very capital intensive. Wire rope consists of three basic components

- wires that form a strand;
- a core; and
- strands laid helically around the core to form the rope.

The below diagram illustrates wire rope construction.



PUBLIC RECORD

Wire for rope is made in several materials and types, with the most widely used material being high carbon steel of different diameters and tensile strengths.

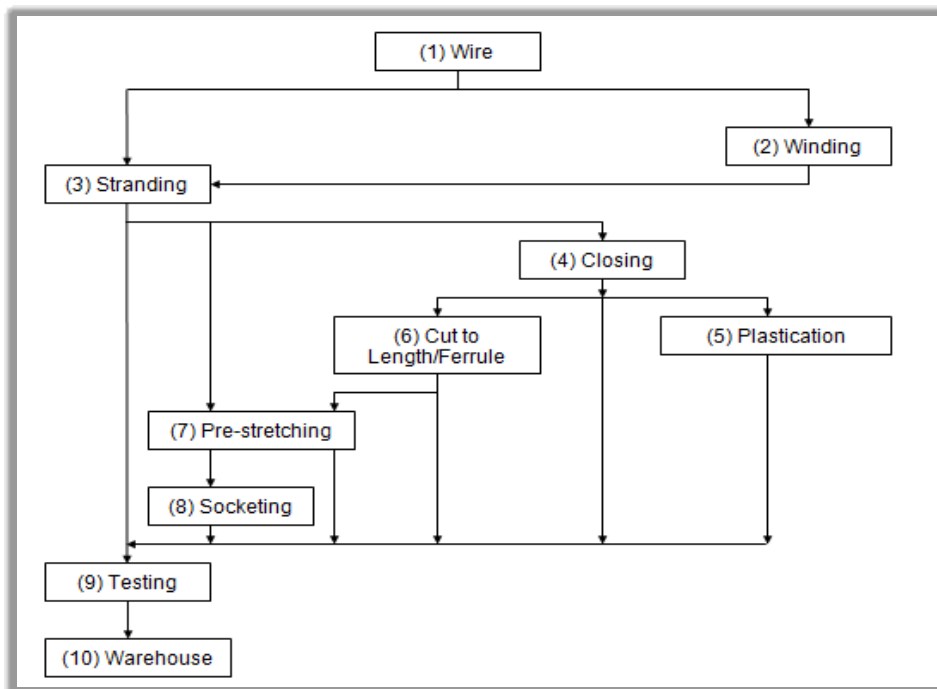
Strands are made up of two or more wires, laid in any one of many specific geometric patterns. Wires are twisted (wound) together in either a planetary or a tubular stranding machine. In the case of mining rope, each strand can have up to 62 wires of up to six different sizes and tensile strengths making up one strand.

Six or eight strands (depending on construction) are then wound around either a fibre core or an independent wire rope core (IWRC) in a processing known as “closing”.

The closing process depending on the product can be closed in a planetary or tubular closing machine to form what is known as a either 6 or 8 strand rope.

Once the rope has been “closed” a variety of further value adding work is carried out with respect to rope end terminations and/or encapsulating the rope in plastic to improve rope life.

The following flow chart illustrates the production of wire rope.



5 AUSTRALIAN MARKET

BBRG stated that wire rope subject to the anti-dumping measure is typically used in open-cut mining operations on electric draglines and shovels to lift and remove overburden, coal or minerals.

Wire rope's performance in relation to its breaking strength, fatigue resistance and predictability of service life are critical considerations to ensure effective operation of the equipment that is required to remove heavy loads of overburden, coal and minerals.

BBRG explained that in open-cut mining, wire rope is seen as a consumable with ropes having the following service life expectancies depends on the working conditions the rope is operated in – such as the operator, digging conditions and blasting patterns:

- drag ropes: 8 - 12 weeks;
- dump ropes: 1 - 3 weeks;
- hoist ropes: 12 - 24 weeks; and
- shovel ropes: 8 - 10 weeks.

BBRG stated that its main competitor in the Australian market is Haggie Reid Pty Ltd (Haggie Reid), which sells wire rope imported from South Africa. The imported wire rope is manufactured and exported from South Africa by Scaw South Africa (Pty) Ltd (Scaw).

BBRG provided information on sales trends before and after the introduction of anti-dumping measures on wire rope from South Africa (**Confidential Appendix 1**).

This information indicates that BBRG continued to suffer lost sales volume despite the introduction of anti-dumping measure in December 2017. BBRG claims that this is due to circumvention activities by way of switching from 6 and 8 strand to 9 strand wire ropes. The verification team was advised that the alleged circumvention activities are a significant threat to the company's financial position and this inevitably affects rate of investment into the business for the future.

6 ASSESSEMENT OF SLIGHT MODIFICATION FACTORS

Subsection 48(3) of the Regulation sets out the factors that that the Commissioner must consider in comparing the goods and circumvention goods to determine whether a circumvention good is slightly modified:

- (a) each good's general physical characteristics;
- (b) each good's end use;
- (c) the interchangeability of each good;
- (d) differences in the processes used to produce each good;
- (e) differences in the cost to produce each good;
- (f) the cost of modification;
- (g) customer preferences and expectations relating to each good;
- (h) the way in which each good is marketed;
- (i) channels of trade and distribution for each good;
- (j) patterns of trade for each good;
- (k) changes in the pricing of each good;
- (l) changes in the export volumes for each good;
- (m) tariff classifications and statistical codes for each good.

6.1 Physical Likeness

BBRG asserts that 8 strand wire rope (the goods) and 9 strand wire rope (the circumvention goods) are physically alike for the following reasons:

- Both products are manufactured to a specific diameter, breaking strength and length to meet the requirements of the end use.
- Breaking strength is determined by a combination of the wire tensile strength, number of wires, number of strands and construction of the rope.
- Wire tensile strength is determined by the size of the rod and the grade of the rod that the wire is drawn from and the amount of work hardening, which is the same for both products.
- Both products are coated with a lubricant to reduce friction in use,
- Both products are supplied on either a steel or wooden reel.

6.2 End use and interchangeability

BBRG asserts that the goods and the circumvention goods are interchangeable for the following reasons:

- Both products are sold to common users, and directly compete in the same market.
- The circumvention goods are used in applications where the goods were used exclusively until the imposition of anti-dumping measures.
- Both products are offered for sale into the market via similar channels and on similar commercial terms and conditions.
- The circumvention goods have replaced the goods and they directly compete with wire rope manufactured and sold by BBRG in the Australian market.

6.3 Production and costs

BBRG understands that the goods and circumvention goods are produced on the same production line in a similar manner from the same raw materials.

BBRG estimates the difference in the cost of production of the circumvention goods and the goods is sufficiently low at approximately 5 per cent and asserts that the cost of modification is not significant when considered in the context of total costs.

6.4 Demand drivers

BBRG stated that the 9 strand wire rope has been around for a long time but it had never been used in open-cut mining operations until the circumvention goods were introduced. This is despite the fact that the customer preferences and expectations relating to wire rope that is used on their machines remain the same.

BBRG emphasised that the customer requirements for specific wire rope products relate to the diameter, strength and length of the rope, and the strength are not dependant on the number of strands – i.e. you can have an 8 strand rope and a 9 strand rope that meet the same diameter, strength and length requirements.

6.5 Change in marketing and distribution

BBRG asserts that the circumvention goods and the goods are marketed in the same manner and the channels of trade and distribution remain the same – i.e. both products are imported and sold by Haggie Reid, which was the only importer of the goods in Investigation 401.

6.6 Pattern of trade and export volumes

BBRG asserts the following:

- The circumvention goods have only been offered by the importer following imposition of the anti-dumping measures.
- Exports to Australia of the circumvention goods were for the intention of replacing previous export volumes of the goods for the purpose of avoiding the measures.
- The pattern of trade for the circumvention goods from South Africa is such that they are exported to Australia to substitute for the goods.

6.7 Changes in pricing

BBRG claimed the change in pricing between the goods and circumvention goods is substantially lower than otherwise would be the case in normal market conditions. BBRG would have expected an increase in the price of wire rope generally due to the increase in the cost of carbon steel rod (75 per cent over the period January 2016 to May 2018), however this is not reflected in the price of wire rope from South Africa.

7 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Changes in sales trends (submitted by BBRG)
Confidential Attachment 2	Verification work program