



## Importer Verification Report

### Verification & Case Details

|                                      |                       |             |                   |
|--------------------------------------|-----------------------|-------------|-------------------|
| <b>Initiation Date</b>               | 14 December 2020      | <b>ADN:</b> | 2020/146          |
| <b>Case Number</b>                   | 569                   |             |                   |
| <b>The goods under consideration</b> | Grinding Balls        |             |                   |
| <b>Case type</b>                     | Continuation          |             |                   |
| <b>Importer</b>                      | Karara Mining Limited |             |                   |
| <b>Verification from</b>             | 30 April 2021         | <b>to</b>   | 30 April 2021     |
| <b>Inquiry Period</b>                | 1 October 2019        | <b>to</b>   | 30 September 2020 |

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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## **PREFACE**

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record in relation to Continuation Inquiry No. 569.

As outlined in Anti-Dumping Notice (ADN) No. 2021/146, the inquiry is in relation to whether the continuation of anti-dumping measures in respect of certain grinding balls (the goods) exported to Australia from the People's Republic of China (China) is justified.

Karara Mining Limited was identified as an importer of the goods from China during the inquiry period.

This verification report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

## **1 COMPANY BACKGROUND**

### **1.1 Corporate structure and ownership**

Karara Mining Limited (KML) has operated in Australia since 2007 is owned by Ansteel Mining Co. Ltd. and is structured as a joint venture between Angang Group Investment (Australia) Pty Ltd and Gindalbie Metals Limited.

KML is the importer and end user of the goods, it does not on-sell the goods.

Details of the company and its business scope can be found at <https://www.kararamining.com.au>.

### **1.2 Related parties**

The verification team examined the relationships between related parties involved in the importation of the goods.

The verification team found that KML did not have any related party customers or suppliers of the goods during the inquiry period.

## 2 THE GOODS

### 2.1 The goods

The goods under consideration are defined in [ADN 2021/146](#) as follows:

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

The goods covered include all ferrous grinding balls, typically used for the comminution of metalliferous ores, meeting the above description of the goods, regardless of the particular grade or alloy content.

Goods that are excluded include stainless steel balls, precision balls that have been machined and/or polished, and ball bearings.

The goods are generally, but not exclusively, classified to the following tariff subheadings of Schedule 3 to the *Customs Tariff Act 1995*:

| Tariff Subheading | Statistical Code | Description                                   |
|-------------------|------------------|---|
| 7325.91.00        | 26               | Grinding balls and similar articles for mills |
| 7326.11.00        | 29               | Grinding balls and similar articles for mills |
| 7326.90.90        | 60 <sup>2</sup>  | Other   |

**Table 1: Tariff classification**

### 2.2 Model control codes (MCCs)

KML did not make any proposals for changes to the proposed MCC structure.

| Item | Category          | Sub-category   | Identifier       | Key Category |
|------|-------------------|----------------|------------------|--------------|
| 1    | Production method | Cast           | C                | Yes          |
|      |                   | Forged         | F                |              |
| 2    | Diameter          | Diameter in mm | ### <sup>3</sup> | Yes          |
| 3    | Product Code      | Chromium %     | ### <sup>4</sup> | No           |

**Table 2: MCC categorisation**

<sup>2</sup> The Australian Bureau of Statistics changed the statistical code from 59 to 60 on 1 January 2017. For further information see Department of Immigration and Border Protection Notice 2016/43 (<https://www.homeaffairs.gov.au/Customsnotices/Documents/2016-43.pdf>).

<sup>3</sup> Use a separate identifier for each diameter, e.g. 25mm, 30mm 35mm etc. The Commission may group certain categories of diameter in formulating a final MCC.

<sup>4</sup> The 'product code' category, if applicable, refers to the company's internal identifier for the model, grade or type of the goods, differentiated by the chemical composition of the grinding ball.

### **2.3 The goods imported and sold in Australia**

The verification team was satisfied that KML used goods with the following MCCs during the inquiry period:

|          |
|----------|
| F-50     |
| C-50-17% |
| C-50-19% |

**Table 3. MCC imported during inquiry period**

### **2.4 Like goods**

KML provided product specifications of the goods and agreed that the Australian Industry produced like goods to the goods that it imported during the inquiry period.

### **3 VERIFICATION OF IMPORTS**

#### **3.1 Import listing**

KML confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the inquiry period.

The verification team calculated the weighted average free-on-board (FOB) export price by supplier at **Confidential Appendix 1**.

#### **3.2 Verification of cost to import (CTI)**

Prior to the verification, the Commission selected 12 shipments for KML to complete the cost to import (CTI) spreadsheet of the importer questionnaire.

KML provided source documents for six of the selected shipments as following:

- Commercial invoice from the suppliers;
- Packing list;
- Certificate of Origin;
- Container weight declaration;
- Quality certification;
- Bill of lading;
- Logistic invoice;
- Customs entry;
- Bank remittance notice; and
- Payment schedule system extract.

#### **3.3 CTI allocation method**

The verification team verified the reasonableness of the method used to allocate the CTI provided in the questionnaire response.

| <b>Cost Area</b>     | <b>Method applied</b>   |
|----------------------|---|
| Ocean freight        | Based on the actual ocean freight cost, invoice by freight forwarder allocated to goods based on weight.  |
| Marine insurance     | Based on marine insurance cost to the shipment allocated to the goods based on weight.                    |
| Duties               | Based on the actual duties paid to the goods by shipment allocated to the goods based on weight.          |
| Customs fees         | Based on the actual custom fee cost, invoice by freight forwarder allocated to the goods based on weight. |
| Customs brokage      | Based on the actual brokage fee, invoice by freight forwarder allocated to the goods based on weight.     |
| Port service charges | Based on the port service charges invoiced by freight forwarder allocated to the goods based on weight.   |

## PUBLIC RECORD

|                        |   |
|------------------------|---|
| Delivery               | Based on the actual delivery and delivery fuel surcharge cost, invoice by freight forwarder allocated to the goods based on weight. |
| Storage charge         | Based on the total storage cost for a period of time allocated to the goods based on weight.  |
| Transportation charges | Based on the actual delivery cost, invoice by transportation company allocated to the goods based on weight.                        |

**Table 4 Verification of cost calculation method**

During this process, the verification team identified that the storage charge was a calculation based on an average storage period of 4 weeks at an industrial area in Perth. The verification team queried the allocation of the expenses and requested that KML provide supporting documentation.

### 3.3.1 Exceptions during verification of CTI allocation

| No. | Exception   | Resolution   |
|-----|---|--|
| 1   | There was an error in the storage expenditure calculation of the goods. | KML provided signed agreement with the storage provider and correct the minor discrepancy in its storage cost calculation. |

**Table 5 Exceptions during verification of CTIS allocation**

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 3.4 Verification of CTI accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing key information fields within the CTI data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTI provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

Following the verification KML submitted a new Part B to rectify the storage expenditure calculation and several immaterial variances. The verification team did not identify further issues after this was provided.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 3.5 CTI verification finding

The verification team is satisfied that the CTI provided by KML, including any required amendments as outlined in the exception table above, is accurate.



## **PUBLIC RECORD**

A table detailing the weighted average unit CTI is at **Confidential Appendix 2**.

## 4 INJURY AND CAUSATION CLAIMS

KML stated that as an end user it has general knowledge about Australia grinding media market. It is not aware that the Australian industry suffered from injury.

KML claimed that since the imposition of Anti-Dumping measures, the price gap between imported and local product has reduced. KML claims that it still chose to purchase from overseas suppliers, including non-Chinese suppliers, due to factors other than price. KML claims that although price is an important factor, other factors such as quality, lead time, and contract terms are vital factors in determining source of supply.

When commencing business, KML conducted a tender process for the supply of grinding media. A dozen Chinese, overseas and local suppliers were invited to participate. KML claims that it attempted to purchase the goods from Molycop, however they found Molycop's goods were not of superior quality, were not price competitive, and they were not open to flexible contract conditions.

KML currently maintains one to two year contract terms. It will send out a request for proposal to known suppliers at the end of a contract term. KML stated that it has started a trial of using high chromium grinding balls. If this trial is successful, KML may use more high chromium grinding media in the future. KML made an inquiry to Molycop about providing high chromium grinding balls, with Molycop proposing to provide imported goods to fulfil the contract.

## 5 EXPORT PRICE

### 5.1 The importer

The verification team considers KML to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as KML is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port to mining sites.

### 5.2 The exporter

The goods were imported to Australia by KML. The verification team considers Changshu Longte Grinding Ball Co., Ltd and Anhui Sanfang New Material Technology Co., Ltd in China to be the exporters of the goods<sup>5</sup>, as they are:

- identified as the manufacturer of the goods;
- named on the commercial invoice and packing lists; and
- named as consignor on the bill of lading;

### 5.3 Profitability of imports

As KML does not sell the goods in the condition in which they are imported, the verification team was unable to determine the profitability of the imports.

### 5.4 Related party suppliers

The verification team did not find any evidence that KML is related to its suppliers of the goods exported from China during the inquiry period.

### 5.5 Arms length

In respect of imports of the goods to Australia by KML 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.

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<sup>5</sup> 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.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between KML and its suppliers are arms length transactions.

## **5.6 Export price assessment**

The verification team is of the opinion that for the goods imported by KML from Changshu Longte Grinding Ball Co., Ltd and Anhui Sanfang New Material Technology Co., Ltd:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter(s); and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with these exporters, the verification team recommends that the export price for certain grinding balls imported by KML from Changshu Longte Grinding Ball Co., Ltd and Anhui Sanfang New Material Technology Co., Ltd can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

**6 ATTACHMENTS**

|                                  |                           |
|----------------------------------|---------------------------|
| <b>Confidential Appendix 1</b>   | Export Price              |
| <b>Confidential Appendix 2</b>   | CTI                       |
| <b>Confidential Attachment 1</b> | Verification Work Program |