



Australian Government
Department of Industry,
Science and Resources

Anti-Dumping
Commission

Importer verification report

Verification and case details

Initiation date	17/01/2022	ADN	2022/007
Case number	595		
The goods under consideration	Wire Rope		
Case type	Continuation Inquiry		
Importer	Haggie Reid Pty Ltd		
Verification date	7 April 2022 and 3 May 2022		
Inquiry period	1/01/2021	to	31/12/2021

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

The Anti-Dumping Commission (the commission) has undertaken verification of data provided by Haggie Reid Pty Ltd for Continuation Inquiry 595. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 595.

This 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 sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ 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

Haggie Reid Pty Ltd (Haggie Reid) is a privately held Australian registered company, incorporated on 10 December 1996. It is an importer and seller of wire ropes (the goods) in the Australian market. The goods are sold to the Australian mining industry for use on electric draglines and shovels. Haggie Reid also imports and sells other rope and wire products for construction and industrial purposes.

Haggie Reid is a wholly owned subsidiary of Scaw South Africa (Pty) Ltd (Scaw). Scaw is Haggie Reid's supplier of the goods.

Haggie Reid was previously known as Reid Products Pty Ltd (10 December 1996 to 25 October 1999) and Reid Ropes Pty Ltd (25 October 1999 to 7 March 2001).

1.2 Related parties

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

1.2.1 Related suppliers

During the inquiry period, Haggie Reid purchased the goods from Scaw.

1.2.2 Related customers

The verification team found that Haggie Reid did not have any related party customers during the inquiry period.

2 Goods under consideration

2.1 Importation of the goods under consideration

Haggie Reid confirmed that it imported the goods from the Republic of South Africa (South Africa) during the inquiry period matching the description of the goods that are the subject of this inquiry.

2.2 Model control codes (MCCs)

Haggie Reid provided sales and cost data in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) 2022/077.

Haggie Reid did not propose any changes to the MCC (including any sub-category groups) in relation to the goods under consideration.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Form	The form is captured in Haggie Reid’s accounting system under ‘Inventory Item Maintenance’.
Number of strands	The number of strands is captured in Haggie Reid’s accounting system under ‘Inventory Item Maintenance’ and stated on the commercial invoice.
Nominal diameter (mm)	Based on the nominal diameter shown on the commercial invoice.
Compacted	Compacted or not compacted is captured in Haggie Reid’s accounting system under ‘Inventory Item Maintenance’ and stated on the item description on the commercial invoice.
Impregnated	The plastication is captured in Haggie Reid’s accounting system under ‘Inventory Item Maintenance’ and based on the item description shown on the commercial invoice as either ‘P’ for plasticated or not plasticated.

Table 1: MCC sub-category determination

2.3.1 Amendments to the MCC structure

The verification team considers that the following changes to the MCC are necessary:

- remove the category ‘Form’ from the MCC structure as all imports and sales of wire rope are in ‘reel’ form. Removing this category will simplify the MCC.
- add a category for the ‘Number of ferrules’ as the ferrule attached to the wire rope has a material impact on the price of wire rope.

The verification team’s recommended MCC structure for wire rope is at Table 2.

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Exception		Resolution
1	The verification team has found that all imports and sales of wire rope are in 'reel' form. In addition, the verification team has found that the number of ferrules attached to the wire rope has a material impact on the price of wire rope.	The verification team proposes to remove from the category 'form' and add the category 'number of ferrules' to the MCC structure.

Exception: MCC amendments

Item	Category	Identifier	Sub-category
1	Number of strands	#	<i>Specify number</i>
2	Nominal diameter (mm)	#	<i>Specify number</i>
3	Compacted	CC	Compacted
		NC	Not Compacted
4	Impregnated	NP	Not Plasticated
		P	Plasticated
5	Number of Ferrules	0	No ferrules attached
		1	One ferrule attached
		2	Two ferrules attached

Table 2: Recommended MCC structure

2.3.2 Subsequent claim that the MCC is confidential

During the verification, Haggie Reid did not make a claim that the MCC is confidential and its importer questionnaire response (RIQ) provided a list of the MCCs it imported and sold in Australia in accordance with the proposed MCC structure in ADN No. 2022/077.

Subsequent to Haggie Reid’s verification, Scaw made a submission on behalf of itself and Haggie Reid that certain categories in the proposed MCC structure revealed confidential information about technical know-how, product offering and customers.²

The verification team is not in a position to assess this MCC confidentiality claim. In order to progress the verification and publication of this report, the verification team has recommended that the MCC structure for Haggie Reid be described in the manner detailed in Table 3 below.

The verification team advises that:

- 'X' denotes the diameter of the rope.
- Rope use is not included in the MCC structure, but has been included in the table to provide some information about the type of ropes imported and sold by Haggie Reid.
- The repetition of the MCC in the table is not an error. For example, '8-X-NC-NP-0' repeated in both the dump rope and drag and hoist rope descriptions means that the differentiating factor is diameter and/or application.

² [EPR 595 – document no 7.](#)

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The verification team used the recommended MCC structure in Table 2 to verify Haggie Reid's data and to perform its calculations.

2.4 The goods imported and sold in Australia

The verification team were satisfied that Haggie Reid sold imported goods with the following MCCs during the investigation period.

Dump ropes		8-X-CC-P-1	
		8-X-NC-NP-0	
		8-X-NC-NP-1	
		8-X-NC-NP-2	
		8-X-CC-NP-1	
		8-X-CC-NP-2	
Drag & Hoist ropes	6-X-NC-NP-0	8-X-NC-NP-0	9-X-NC-NP-0
	6-X-NC-P-0	8-X-NC-NP-0	
	6-X-CC-NP-0	8-X-NC-NP-0	
		8-X-NC-P-0	
		8-X-NC-P-0	
Shovel ropes		8-X-CC-P-2	

Table 3: MCCs imported and sold in by Haggie Reid

2.5 Like goods

Haggie Reid advised that wire rope manufactured by the Australian industry are like goods to the wire rope imported from South Africa in terms of physical, commercial, functional and production likeness.

3 Verification of sales completeness and relevance

The verification team conducts verification of relevance and completeness by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listing provided in Part C of the questionnaire response by reconciling this to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- the revenue reported in Haggie Reid's reconciliation for the financial year was verified to its audit report, general ledger and trial balance for the same period.
- a complete sales report from Haggie Reid's enterprise resource planning (ERP) system was also reconciled with the data for the financial year.
- the revenue reported in Haggie Reid's reconciliation for the inquiry period was verified to Haggie Reid's profit and loss statement, trial balance and ERP sales report.
- the revenue for goods and non-goods reported in Haggie Reid's reconciliation for the inquiry period was reconciled with the ERP sales report.
- the Australian sales listing for the inquiry period was verified to the ERP sales report.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Exception	Resolution
<p>2 Prior to verification, Haggie Reid identified errors in the following questionnaire responses:</p> <ul style="list-style-type: none"> • Australian sales listing • Profit and Loss statement <p>Revised versions of these documents were provided.</p>	<p>The verification team verified the revised documents to Haggie Reid's general ledger, trial balance and audited financial statements. No errors were found in the revised data.</p>
<p>3 During verification, the verification team requested additional detail in the Australian sales listing. This detail was:</p> <ul style="list-style-type: none"> • which dump rope sales were imported as a master reel and subsequently cut to length by Haggie Reid • which dump rope sales were cut by Scaw and no further cutting required by Haggie Reid • identification of consignment sales <p>Haggie Reid provided this additional detail in a further revised Australian sales list.</p>	<p>The verification team also confirmed that the only changes to the further revised sales listing was the additional detail requested by the verification team.</p>

Exception: Exceptions identified during verification of sales completeness and relevance

3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Haggie Ried, including any required amendments as outlined in the exception table above, is complete and relevant.

4 Verification of sales accuracy

The verification team verifies the accuracy of data by reconciling selected data submitted 'downwards' to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to source documents in accordance with ADN 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1 Exceptions during verification of sales accuracy

Exception		Resolution
4	<p>Haggie Reid included the following costs in relation to the importation of the goods:</p> <ul style="list-style-type: none"> • cost of cutting dump ropes from a master reel to the required customer length • software fees for software used by mine sites to order ropes from Haggie Reid. The total fee for the inquiry period was allocated solely to the goods and therefore over stated. <p>These costs were allocated according to the CIF import value, notwithstanding that Haggie Reid also identified these costs as direct selling costs in its SG&A list.</p>	<p>The verification team considers that these costs are costs related to sale of the goods in the Australian market.</p> <p>Haggie Reid provided a revised sales listing which identified sales of dump rope, cut by Haggie Reid.</p> <p>The verification team allocated the quarterly cutting line costs, per tonne to those sales, taking into consideration the number of ferrules per length.</p> <p>The verification team also considered that the ordering software was not just used for ordering the goods under consideration, but all products sold by Haggie Reid. Therefore the verification team apportioned the amount relevant to the goods and calculated an annual per tonne amount which was allocated to sales of the goods.</p>
5	<p>Haggie Reid did not provide the delivery terms (ex-works, delivered) in its Australian sales listing.</p>	<p>The verification team verified that Haggie Reid delivered all ropes to its customers. Therefore the verification team amended the sales listing.</p>
6	<p>Haggie Reid did not calculate inland transport amounts for its Australian sales.</p>	<p>The verification team allocated the inquiry period amount for inland transport from Haggie Reid's trial balance.</p> <ul style="list-style-type: none"> • an annual amount for the goods was calculated according to the quantity • separate annual unit costs of AUD/MT were calculated for NSW and QLD sales <p>The annual unit cost for the year was calculated taking into account the different unit costs for different locations.</p>
7	<p>A customer contract-related expense was included in Haggie Reid's SG&A list and</p>	<p>The verification team allocated the contract-related expense on an AUD/MT basis to the</p>

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	was not identified as a direct selling expense. The amount was therefore not included in Haggie Reid's Australian sales list.	relevant customer sales in Haggie Reid's Australian sales listing.
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Exception: Exceptions identified during verification of sales accuracy

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by importer, including any required amendments as outlined in the exceptions table above, is accurate.

5 Verification of imports

5.1 Import listing

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

The verification team also verified the completeness and relevance of the import data provided by Haggie Reid to the data in the ABF import database and Haggie Reid's inventory account.

No issues were identified.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the commission selected 10 shipments for Haggie Reid to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, Haggie Reid provided the following source documents:

- commercial invoices from its related supplier, Scaw
- purchase orders
- packing lists
- bills of lading
- proof of payment
- invoices for port and handling fees, including and duties payable
- ABF import declarations
- invoices for inland freight

5.3 CTIS allocation method

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

Cost Area	Method applied
Duties	actual dumping and general customs duties paid based on ABF customs documentation and invoices
Customs fees	actual costs stated on the invoice, apportioned to the goods based on weight.
Port handling and other charges	actual costs stated on the invoice, apportioned to the goods based on weight.
Delivery (into warehouse from port of arrival)	actual costs stated on the logistics company's tax invoice and allocated to goods based on weight.
SG&A	based on SG&A costs incurred, as percentage of sales revenue for the period.

Table 4: Verification of cost calculation method

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.3.1 Exceptions during verification of CTIS allocation

Exception		Resolution
8	For all sampled shipments, importation costs (except general customs duty and interim dumping duty) were allocated to the goods according to CIF price.	The verification team noted that the commission’s practice is to allocate these costs according to net weight. The verification team allocated the importation costs according to net weight.
9	Haggie Reid under allocated the total amount of importation expenses for the goods in 2 shipments.	The verification team’s reallocation of importation expenses according to net weight, corrected this exception.

Exception: Exceptions identified during verification of CTIS allocation

5.4 Verification of CTIS accuracy

The verification team verifies the accuracy of data by reconciling selected data submitted ‘downwards’ to source documents. This part of verification involves the process of agreeing key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.4.1 Exceptions during verification of CTIS accuracy

Exception		Resolution
10	Evidence of Haggie Reid’s payment to Scaw was not provided for 4 invoices.	The verification team requested evidence of payment for these invoices. The documents were verified and no issues were found.
11	Partial evidence of Haggie Reid’s payment to Scaw was not provided for 1 invoice.	The verification team requested evidence of payment for this invoice. The documents were verified and no issues were found.
12	The gross weight was incorrectly recorded for 4 invoices.	Haggie Reid provided an explanation for the clerical error. The verification team was satisfied with the explanation and notes that there were no issues identified with the net weight recorded.
13	For 9 purchase orders, the date recorded in the CTIS spreadsheet did not match the source documents provided.	Haggie Reid explained that for: <ul style="list-style-type: none"> • 5 purchase orders, Haggie Reid was required to re-submit with Scaw. As a result the date in the CTIS spreadsheet was the date of resubmission. • 4 purchase orders resulted from a typographical error where the numbers for the date were reversed. • 4 purchase orders were entered into Scaw’s system on a later date than the date on the purchase order documentation. The later date was documented in the CTIS spreadsheet.

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		The verification team was satisfied with Haggie Reid's explanation and notes that there is no claim for purchase order date as the date of sale. Accordingly, the verification team accepts the explanation without further verification.
14	Variances were identified between the amounts listed in the SG&A listing and the trial balance provided by Haggie Reid.	Haggie Reid investigated the issue and advised that there was a data extraction error in the system used to generate its trial balance. A revised trial balance was provided which reconciled with the SG&A listing, except for reported inland transport costs. The verification team therefore accepted the revised trial balance and used the inland transport costs reported in the revised trial balance to allocate to Haggie Reid's Australian sales.

Exception: Exceptions during verification of CTIS accuracy

5.5 CTIS verification finding

The verification team is satisfied that the CTIS provided by Haggie Reid, including any required amendments as outlined in the exception tables above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 Injury and causation assessment

6.1 Market and demand

Haggie Reid stated that the demand for the goods has been stable over the past couple of years.

6.1.1 Market contraction

Haggie Reid claimed that the market could contract as:

- there have been no new electric draglines for many years. Existing machines are refurbished where possible. The cost of a new machine is in the millions. But the operational costs are relatively inexpensive by comparison to hydraulic excavators and shovels.
- the number of draglines is in decline. Draglines which were previously relocated to other sections of the mine or to a new mine are being parked (decommissioned). This is in part because some of the existing draglines have been in operation for approximately 40 years and it might not be viable to refurbish.
- hydraulic (diesel fuelled) excavators are becoming more prominent. These machines do not use wire ropes. Hydraulic machines are cheaper than electric to purchase, they are more manoeuvrable (relocation) than electric machines, but are more expensive to operate.
- open-cut coal mines could close as a result of the environment, the economy, end of useful life and a change to underground/shaft mining.

Haggie Reid also stated that:

- new mine sites may favour hydraulic machines as traditional draglines require high voltage electricians to relocate lines when working in different areas of a mine site.
- hydraulic machines are lighter, easier to use, transportable and use diesel fuel that allows for manoeuvrability compared to draglines with wire ropes.
- in the long run it is possible that hydraulic machines may eventually replace draglines using wire rope.

6.2 Factors other than price that influence purchasing decisions

Haggie Reid claimed that price is only one factor in the buying decision. Other factors such as performance benchmarks and maintenance schedule are also valuable for mining site customers in choosing the supplier of the goods, especially in a market with strong coal prices.

6.2.1 Performance

Haggie Reid explained that wire ropes have to operate within the particular mine environment. This included the physical environment – ie. rocky, sandy etc. as well as operator style – does the dragline operator move the dragline hard and fast to meet the mine's targets or slower and more gently.

In Haggie Reid's view, the actual performance of the rope in the specific mine and operator conditions is important. It is not just about the target performance of the rope.

6.2.2 Maintenance schedules

The mines set a schedule for rope maintenance. The schedule includes regular (weekly, fortnightly) check of wire rope performance and damage as well as dragline downtime to change ropes.

Therefore, Haggie Reid claims that the wire rope performance and life needs to align with the maintenance schedule and downtime schedule. Unscheduled (sudden or premature) wire rope changes can impact the mine (operational and financial considerations).

6.2.3 Being the incumbent supplier

Haggie Reid explained that the incumbent supplier is usually in a favoured position. It explained that it is difficult for mine sites to change suppliers, unless the potential supplier can demonstrate superior rope performance (ie. materially higher improvement on the incumbent).

6.2.4 Procurement policies

Haggie Reid claims that some mining companies have procurement policies which diversify suppliers for corporate, commercial and operational considerations. Therefore, for some mines it is not possible for one supplier to supply all the draglines and shovels in operation.

6.3 Haggie Reid cannot be causing injury

Haggie Reid claimed that:

- its selling prices are greater than the non-injurious price.
- BWR have increased profit over the years, which Haggie Reid stated was evident from BWR's financial report, registered with the Australian Securities and Investment Commission (ASIC).
- BWR has a large market share, whilst Haggie Reid's market share is small.
- BWR was expanding its market share, at Haggie Reid's expense.

7 Export price

7.1 The importer

The verification team considers Haggie Reid is the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Haggie Reid 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 the goods and all importation charges and duties
- arranges for the delivery of the goods from the port to its warehouse.

7.2 The exporter

Haggie Reid imported the goods to Australia from its related party supplier, Scaw. The verification team considers Scaw is the exporter of the goods³ on the basis that Scaw:

- is identified as the manufacturer of the goods
- is named as the seller on the commercial invoice and packing lists
- is named as consignor on the bill of lading
- knows that the goods are destined for Australia
- receives payment from Haggie Reid for the goods.

7.3 Profitability of imports

For the shipments selected for examination, the verification team calculated profit.

For shipments that could be aligned with a particular customer sale, the revenue for that sale was used.

For shipments that contained goods that were modified by Haggie Reid prior to sale (cutting and welding attachments) and for goods that that could not be aligned with a particular sale, the verification team used a weighted average unit price for the goods for sales that occurred after the shipment was entered for home consumption.

Profit was calculated using:

- Revenue *minus* SG&A *minus* Importation costs (including duties) *minus* Scaw invoice price

Table 5 below provides the verifications results, with 4 out of 10 selected import shipments being profitable. The weighted average profitability of the 10 shipments was slightly unprofitable.

³ 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.

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Shipment	Profitable (Y/N?)
1	Y
2	Y
3	N
4	N
5	Y
6	Y
7	N
8	N
9	N
10	N
Weighted average all shipments	N

Table 5: Profitability of sampled imports

The verification team considered whether Haggie Reid could recover the losses within a reasonable time, being 12 months. After having regard to the price paid for the goods by Haggie Reid, and other related importation and selling costs, the verification team found that it is likely that Haggie Reid could recover these losses within a reasonable period of time.

The assessment is at **Confidential Appendix 4**.

7.4 Related party suppliers

Haggie Reid purchased all of the goods from its related party supplier, Scaw during the inquiry period.

Haggie Reid gave information to the verification team which explained the pricing arrangement between it and Scaw. This pricing arrangement did not involve real bargaining.

7.5 Arms length

The verification team finds that the price of the goods imported by Haggie Reid from South Africa 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 as:

- Scaw wholly owns Haggie Reid
- Scaw is the exclusive supplier of the goods to Haggie Reid
- prices between Scaw and Haggie Reid are determined according to an internal pricing arrangement, which does not include real bargaining.

Therefore, the verification team is not satisfied that export sales to Australia from Scaw to Haggie Reid during the inquiry period were arms length transactions, pursuant to section 269TAA(1)(b).

This finding is subject to further inquiries.

7.6 Export price assessment

The verification team is of the opinion that for the goods imported by Haggie Reid from Scaw:

- the goods have been exported to Australia otherwise than by the importer

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- the goods have been purchased by the importer from the exporter
- the purchases of the goods by the importer were not arms length transactions.

For the goods that are subsequently sold by the importer, in the condition in which they were imported, to a person who is not an associate of the importer, the verification team recommends that:

- the export price for wire rope imported by Haggie Reid from Scaw be established under section 269TAB(1)(b) of the Act, being the price at which the goods were sold by the importer less the prescribed deductions.

For the goods that are modified by Haggie Reid (cutting and welding attachments) after importation and sold to a person who is not an associate of the importer, the verification team recommends that:

- the export price for wire rope imported by Haggie Reid from Scaw be established under section 269TAB(1)(c) of the Act, being the price that the Minister determines having regard to all the circumstances of the exportation.

8 Attachments

Confidential attachment 1	Verification work program
Confidential appendix 1	Export price
Confidential appendix 2	Forward orders
Confidential appendix 3	CTIS and profit