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Anti-Dumping
Commission

Exporter verification report

Verification and case details

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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 Scaw South Africa (Pty) Ltd (Scaw) 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

Scaw is a company incorporated in South Africa. Scaw and its subsidiaries (the group) manufacture and sell rolled steel products, steel chain, wire rope and strand products. Scaw produces these specialty products for the mining, construction, industrial, power and rail sectors. The group also rents out certain industrial properties. The groups operations are mainly in South Africa with marketing and distribution operations internationally. The group operates in South Africa, Namibia, Canada and Australia.

Scaw is currently divided into three main divisions being wire rod products, rolled products and corporate.

Under the wire rod products division are steel wire rope (SWR), wire and strand, chain and the distribution network subdivisions. The distribution network consist of 13 branches across South Africa and one in Namibia. The distribution networks act similar to a retail type supplier, offering full lifting solutions to end users including sale of wire rope.

Under the rolled products divisions (RD) are directly reduced iron (DRI), scrap processing, meltshop and mill subdivisions. The rolled products division supplies steel rod to the wire rod products division which is used in the production of wire rope.

The corporate division includes treasury, procurement, marketing, legal and other support services.

Scaw is in the process of undertaking a corporate restructure, taking place over the course of 2022 and early 2023. Scaw advised that from 1 June 2022, it was undertaking a corporate restructure which involved corporatizing its wire rope business unit to a separate standalone entity called Haggie Steel Wire Rope Pty Ltd (“Haggie SWR”). It stated that the Haggie SWR business would remain fully owned by Scaw and its operations would essentially remain unchanged.

Scaw explained that this means, from 1 June 2022, the entity that supplies wire rope to Australia will be referred to as Haggie SWR.

After the restructure each new entity will be responsible for its own business function including marketing, sales and banking.

Barnes Southern Palace Holding (Pty) Ltd (Barnes) became a major shareholder of Scaw from 1 May 2018. The Industrial Development Corporation of South Africa Limited (IDC), an investment arm of the South African government, is a minority shareholder of Scaw.

1.2 Related parties

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

1.2.1 Related suppliers

Scaw purchased steel rod used in the production of wire rope from related supplier Barnes Fencing Industries (Pty) Ltd (Barnes Fencing). Scaw also purchased raw materials used in the production of steel rod from related suppliers Barnes Fencing, Barnes Tubing Industries (Pty) Ltd, Barnes Reinforcing Industries (Pty) Ltd, and Cast Products South Africa (Pty).

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The verification team assessed Scaw's purchases from related suppliers and consider the transactions to be arms length.

1.2.2 Related customers

Scaw exports steel wire rope to a related customer in Australia, Haggie Reid Pty Ltd (Haggie Reid). Scaw does not have any related domestic customers of steel wire rope

1.3 Accounting records

SizweNtsalubaGobodo Grant Thornton Inc. audited Scaw's audited financial statement and included a statement that the financial accounts comply with the requirements of the Companies Act of South Africa.

Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of South Africa.

2 Goods under consideration and like goods

2.1 Production process

The production process for the goods and like goods is as follows:

- Steel rod goes through the Stelmor or patenting process to achieve the desired metallurgical and mechanical properties.
- Steel rod goes through a cleaning process where it is dipped into a hydrochloric acid bath to remove scales on outer part of the rope to produce a smoother surface. The steel rod then goes into a phosphate tank and a borax tank to remove the acid.
- If the steel rod requires galvanising, it then goes through the galvanising line.
- After cleaning or galvanising, the steel rod then goes through the wire drawing process where it goes into a series of dies. Large rods go into smaller dies to reduce the diameter. Steel rods can go through up to 13 dies to get to the right diameter.
- After wire drawing, the steel rod is in wire coil form. It then goes through a series of tests, including a tensile test per batch of coil.
- The wire coil then goes through a stranding process and is placed onto bobbins.
- Compacting (if required) occurs during stranding.
- The next stage is closing, where outer strands are twisted together over an inner core in a 'sun and planet' rope closing machine.
- Plastication (if required) occurs after closing and before cutting.
- After closing and plastication (if required) the goods and like goods are fed directly into master drums. Wire rope is cut and fitting/attachment added as required. It is then loaded onto reels ready for despatch.

2.2 Model control codes

Scaw provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) 2022/007.

2.2.1 Amendments to MCCs

In the REQ, Scaw propose to add a category for 'mining type' to the MCC to identify wire rope used in different mining applications – surface, shaft and offshore. During the inquiry period, Scaw exported surface wire rope only. It sold shaft and offshore wire rope on the domestic market, in addition to surface wire rope. Scaw claimed that the different wire rope applications have distinct physical characteristics that necessitate the addition of mining type to the MCC structure. Scaw explained that, among other things:

- surface wire rope is not galvanised whereas shaft and offshore wire rope are typically galvanised
- surface wire rope has an independent wire rope core whereas shaft wire rope generally has a fibre core.

The verification team considered Scaw's proposed change to the MCC to add a category for 'mining type'. However, the verification team assessed that there was no overlap in the original MCC when taking 'mining type' into consideration. That is, there was no sale of wire rope with the same number of strands, nominal diameter, compaction type and impregnation

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type but different mining applications. Therefore, verification team does not consider it necessary to add 'mining type' as a category to the MCC.

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

- Remove the category 'Form' from the MCC structure as all domestic and export 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.

Exception 1: Change to the MCC structure

Description: The verification team has found that all domestic and export 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.

Resolution: The verification team proposes to remove from the category 'form' and add the category 'number of ferrules' to the MCC structure.

Based on analysis of the price comparability of the goods under consideration, the verification team considers it necessary to make amendments to the MCC structure. The verification team's proposed MCC structure is reflected in Table 1 below:

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 1 Proposed MCC structure

2.3 Verification of MCCs

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Number of strands	The number of outer strands in the wire rope is identified in the product description on the commercial invoice and/or purchase order.
Nominal diameter (mm)	The diameter of the wire rope is identified in the product description on the commercial invoice and/or purchase order.
Compacted	Whether the wire rope is compacted or not compacted can be identified in the product description on the commercial invoice and/or purchase order.

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Category	Determination of the sub-category
Number of strands	The number of outer strands in the wire rope is identified in the product description on the commercial invoice and/or purchase order.
Impregnated	Whether the wire rope is plasticated or not plasticated can be identified in the product code on the commercial invoice and/or purchase order.
Number of ferrules	The number of ferrules attached to the wire rope can be identified on the purchase order for export sales. For domestic sales, it is based on the type of rope sold.

Table 2 MCC sub-category determination

2.4 The goods exported to Australia and like goods sold on the domestic market

2.4.1 The goods exported to Australia

The verification team was satisfied that Scaw produced and exported the goods to Australia.

2.4.2 Like goods sold on the domestic market

The verification team was satisfied that Scaw sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia:

- **Physical likeness:** wire rope for surface applications sold on the domestic market is not distinguished from the exported goods during production. Wire rope for offshore and shaft mining applications sold on the domestic market has slightly different physical characteristics compared to the wire rope exported to Australia. Nonetheless, the verification team considers that offshore and shaft mining wire rope applications closely resembles the physical characteristics of surface wire rope.
- **Production likeness:** wire rope for surface applications sold on the domestic market is produced at the same facilities as the exported goods, using the same raw material inputs and manufacturing processes. Wire rope for offshore and shaft mining applications sold on the domestic market has slightly different production processes and uses slightly different raw materials compared to the wire rope exported to Australia. Nonetheless, the verification team considers that offshore and shaft mining wire rope applications have a similar production process to surface wire rope.
- **Commercial likeness:** wire rope is sold on the domestic market and exported to Australia into in the same market sector, are interchangeable and use similar distribution channels.
- **Functional likeness:** wire rope surface applications sold on the domestic market has the same end uses as the exported goods. Wire rope for offshore and shaft mining applications sold on the domestic market has slightly different end uses. Nonetheless, the verification team considers that offshore and shaft mining wire ropes are functionally similar to surface wire rope.

2.4.3 Claim that the MCC is confidential

In its response to the exporter questionnaire, Scaw claimed confidentiality over the list of MCCs that it exported to Australia and sold on the domestic market. It stated that the level of

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detail contained in the MCC coding allows for the identification of commercially confidential information.

In addition, in a submission dated 9 May 2022², Scaw provided additional reasons on its confidentiality claim that certain categories in the proposed MCC structure revealed confidential information about technical know-how, product offering and customers.

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 Scaw 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 Scaw exported to Australia and sold on the domestic market.
- The repetition of the MCC in the table is not an error. For example, '8-X-NC-NP-0' is repeated indicating that the differentiating factor is the diameter.

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

2.5 List of MCCs

Scaw sold and produced the following MCCs during the period:

Rope use	Australian Sales	Domestic Sales
Drag and Hoist ropes	6-X-CC-NP-0	6-X-NC-NP-0
	6-X-NC-NP-0	6-X-NC-NP-0
	6-X-NC-P-0	6-X-NC-P-0
	8-X-NC-NP-0	6-X-NC-NP-0
	8-X-NC-NP-0	8-X-NC-NP-0
	9-X-NC-NP-0	8-X-NC-NP-0
		8-X-NC-NP-0
		8-X-CC-NP-0
		8-X-NC-NP-0
		8-X-NC-P-0
Dump ropes	8-X-CC-NP-1	
	8-X-CC-NP-2	
	8-X-NC-NP-2	
Shovel ropes	8-X-CC-P-1	8-X-CC-P-2
	8-X-CC-P-2	8-X-CC-P-2
		8-X-CC-P-2
Shaft mining ropes		6-X-NC-NP-0
		6-X-NC-NP-0

² [EPR 595 – document no 7.](#)

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		6-X-NC-NP-0
		6-X-NC-NP-0
		8-X-NC-NP-0
Offshore ropes		6-X-NC-NP-0
		6-X-NC-NP-0
		6-X-NC-NP-0
Other ropes		8-X-NC-NP-0

Table 3 List of MCCs

2.6 Like goods – assessment

The verification team considers that the goods produced by Scaw for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the Act.

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 export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN 2016/30.

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

1. reconciled the total revenue from the 2021 audited finance statement (year ending July 2021) to the inquiry period (January 2021 to December 2021) using the August 2020 to December 2020 and the August 2021 to December 2021 revenue accounts in its trial balance
2. reconciled the total company revenue during the inquiry period to the revenue for the Steel Wire Rope (SWR) division, by taking into account amounts in its trail balance revenue from other divisions and internal sales
3. reconciled the total revenue from the SWR division to listings containing all SWR sales during the period
4. reconciled the total SWR sales listing to the domestic, Australian and third country sales listings submitted in the REQ by reviewing its categorisation of the goods and products which were not the goods.

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**.

3.1 Exceptions during verification of sales completeness and relevance

Exception 2: Categorisation of the goods and like goods

Description: In verifying the categorisation of the goods in the total SWR sales listing, the verification selected a number of transactions that were categorised as not the goods. However, Scaw advised that these transactions were indeed the goods. Scaw explained that it inadvertently excluded a number of export sales transactions due to a filtering issue when categorising the goods.

Resolution: Scaw revised the Australian and domestic sales spreadsheet to include the missing sales of the goods and like goods respectively. The verification team then further selected other sales categorised as not the goods or like goods to confirm that those transactions were categorised correctly.

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Exception 3: Credit transaction in the Australian sales spreadsheet

Description: The Australian sales spreadsheet included a credit note issued in the inquiry period but related to exports made prior to inquiry period.

Resolution: The verification team has removed the credit note from the Australian sales listing as it is not related to exports made during the inquiry period.

Exception 4: Internal transfers in the domestic sales spreadsheet

Description: The domestic sales spreadsheet included a number of domestic sales transfers. Some of the sales were on-sold to end customers whereas others were transferred back to SWR.

Resolution: Scaw provided the invoice value in relation to those transactions that were on-sold to end customers and the verification team considers that is appropriate to have regard to the invoice value to the end user in the domestic sales listing for those sales.

In relation to the transactions that were transferred back to SWR, the verification team considers it appropriate to remove those transactions from the domestic sales listing.

Exception 5: Revised third country sales spreadsheet

Description: The third country sales listing only included sales in the first half of 2021 and inadvertently left out the sales in the second half of 2021.

Resolution: Scaw provided an updated third country sales listing to include all third country sales made in 2021

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data submitted by Scaw, including any required amendments as outlined in the exception description 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 accuracy of the export and domestic sales listings submitted in the REQ 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 6: Ferrule attachments

Description: The verification team identified some errors with the classification of attachments. There were some sales where the source documents showed the attachments as ferrules but the Australian sales spreadsheet had lugs. In addition, for some exports, the invoice price included a box of attachments.

Resolution: Scaw reviewed the attachments column in the Australian sales spreadsheet and provided a revised version. This included where the export sales included boxes of attachments.

Exception 7: Export packaging

Description: Prior to the verification, Scaw advised that the packing cost reported in the Australian sales spreadsheet was incorrect due to the incorrect account being used for the calculation.

Resolution: Scaw provided a revised export packaging calculation using the correct account and the verification revised the packaging expense in the Australian sales spreadsheet.

Exception 8: Ocean freight, Inland transport & port charges

Description: The verification team identified formula errors in the ocean freight, inland transport and port charges calculation worksheets.

Resolution: Scaw corrected the relevant worksheets and updated the Australian sales spreadsheet with the revised ocean freight, inland transport and port charges.

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Exception 9: Marine insurance

Description: Scaw advised that the marine insurance calculation in the Australian sales spreadsheet not the actual rate of the marine insurance premium paid and provided correspondence from its insurance broker showing the actual marine insurance rate.

Resolution: The verification team updated the marine insurance expense in the Australian sales spreadsheet reflecting the actual marine insurance premium rate.

Exception 10: Reel retrieval costs

Description: The Australian sales spreadsheet did not include the cost of retrieving the reels from Australia. The verification team considers that any reel retrieval costs should be included in the Australian sales spreadsheet as a direct selling expense linked to the sale of the goods to Australia.

Resolution: Scaw provided a calculation of the reel retrieval cost from Australia and the verification team added this cost as a direct selling expense to the Australian sales spreadsheet. Scaw initially calculated the reel retrieval cost as a cost for a future sale. However, the verification considers that it is more appropriate to calculate the reel retrieval cost as a cost relating to the previous sale that caused the reel to be sent to Australia.

Exception 11: MCC categorisation

Description: During the verification, Scaw identified errors in the compacted and impregnated MCC category classification for certain domestic sales. In addition, there were sales of plasticated inner core, also known as a cushion core, which was not identified in the domestic sales spreadsheet.

Resolution: Scaw provided a revised domestic sales spreadsheet with the compacted and impregnated misclassifications corrected and identified sales with a cushion core.

Exception 12: Delivery terms

Description: The verification team identified an invoice where transportation costs was charged separately, therefore the invoice price is at ex-works, however, the domestic sales spreadsheet identified showed it as delivered. Scaw advised that this was outside of the ordinary practice and only occurred in one other instance during the period.

Resolution: The verification team updated the domestic sales spreadsheet for these two sales from delivered to ex-works.

Exception 13: Domestic inland transport

Description: During the verification, Scaw was not able to reconcile the domestic inland transport expenses in the domestic sales spreadsheet to source documents.

Resolution: Scaw recalculated the domestic inland transport expenses based on amounts on the commercial invoice from its transport provider.

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Exception 14: Technical support expense

Description: Scaw initially calculated the technical support expense based on an allocation to all domestic sales of wire rope. However, it considered that it would be more accurate to allocate this expense to surface mining wire rope only.

Resolution: Scaw recalculate the technical support expense based on an allocation to surface mining wire rope only.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data submitted by exporter, including any required amendments as outlined in the exception description above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

The verified export sales spreadsheet is at **Confidential Appendix 1**.

5 Verification of cost to make and sell 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 cost to make data to the cost of production in the management reports with particular attention given to including all relevant costs and excluding all irrelevant costs. The verification team then reconciles cost of production data, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, the verification team reconciles selling, general and administrative (SG&A) expenses to income statements, with particular attention given to specific expenses that the company excluded or that the verification team should exclude.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information submitted in the REQ by reconciling it to audited financial statements in accordance with ADN 2016/30.

Scaw's CTM data is based on standard cost. In order to provide an accurate CTM by MCC Scaw used sales volume as the basis for its cost calculation. The verification team accepted Scaw's approach to calculate cost using sales volume as production cost, cost of sales and finished goods are revalued at the most updated standard cost at the time of production or sale or when goods are recognised as finished goods. The verification team is satisfied that Scaw provided its CTM data on the basis of standard cost.

The management report prepared by Scaw incorporates the variances between standard cost and actual cost as part of SG&A and not included in the cost of production.

The verification team verified the completeness and relevance of the CTM data on the basis that CTM is at standard cost and exclusive of the variances between standard cost and actual cost.

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

1. Cost of sales matched to FY2021 audited financial statement for the 12 month period.
2. To calculate the cost of sales for the inquiry period, a timing adjustment was applied using the management report:
FY2021 (1 August 2020 to 31 July 2021) – (1 August 2020 to 31 December 2020) + (1 August 2021 to 31 December 2021).
3. The CTM for the inquiry period was matched to the management report which summarises the CTM for the various sub-divisions producing goods as well as other cost associated with non-production sub-divisions.
4. The total CTM for the SWR sub-division was matched to the CTM in the management report for the SWR sub-division.
5. The total CTM and volume for GUC was matched to the domestic and Australian cost spreadsheets and the total sales spreadsheet.

The verification team verified the relevance and completeness of the SG&A data as follows:

1. SG&A in management report matched to FY2021 SG&A (Operating expense + Finance cost) in the audited statement.
2. Trial balance matched to the SG&A listing for FY2021 and the inquiry period.
3. Reviewed accounts included in SG&A listing to ensure only relevant accounts are included.

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4. Reviewed direct selling expenses reported in domestic and export sale listings to ensure that these are correctly identified in SG&A listing as direct selling expense and excluded in the calculation of SG&A.

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**.

5.1 Exceptions during verification of completeness and relevance of CTMS data

Exception 15: Categorisation of goods and like goods

Description: In verifying the categorisation of the goods in the total SWR sales listing, Scaw explained that it inadvertently excluded a number of export sales transactions due to a filtering issue when categorising the goods. As a result, the cost spreadsheets did not accurately report the cost of the goods.

Resolution: Scaw revised the cost calculations and the Australian and domestic cost spreadsheets to include the missing sales of the goods and like goods respectively. The verification team reviewed the revised cost calculation and cost spreadsheets to confirm that it includes all the cost in relation to the goods and like goods.

Exception 16: MCC sub-categorisation of like goods

Description: In reconciling the domestic cost listing against the sales spreadsheet, the verification team noted that a sub-category of one model did not match the sales data. Scaw confirmed that the sub-category of this model in the domestic cost listing is incorrect.

Resolution: The verification team updated the domestic cost listing to report the correct sub-category of this model. The verification team also reviewed the domestic sale listing and confirmed that there were no sales of that sub-category in relation to the particular model.

Exception 17: Adjustment to cost of production from standard cost to actual cost

Description: Scaw's cost calculations are based on standard cost and variances between actual cost and standard cost are included in SG&A.

Resolution: The verification team calculated the monthly variance between actual cost and standard cost. The verification team then reallocated the monthly variance from SG&A to each relevant sale transaction and incorporated the variance in the cost of production.

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Exception 18: SG&A accounts not related to actual cost, the goods or like goods

Description: In reviewing the SG&A accounts, the verification team identified a number of accounts to either be provision, adjustment or revaluation accounts and not in relation to actual cost, or accounts not directly related to the goods or like goods.

Resolution: The verification team will exclude the accounts not related to actual cost or not directly related to the goods or like goods in the calculation of SG&A.

Exception 19: SG&A account related to the cost of production

Description: In the process of verification, Scaw explained that it had incorrectly identified the account used for wire rope attachments to be that used for packaging which it included in SG&A. Scaw also included as SG&A cost the variance between actual and standard cost. The verification team consider both the cost of wire rope attachments and the variance between actual and standard cost as part of the cost of production.

Resolution: The verification team will exclude the accounts related to the cost of wire rope attachments and the account related to the variance between actual and standard cost in the calculation of SG&A.

5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data submitted in the REQ by Scaw, including any required amendments as outlined as an exception above is complete and relevant.

6 Verification of cost to make and sell accuracy

6.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information submitted in the REQ to the relevant MCCs, 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**.

Table 4 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw materials	Scaw allocates steel rod costs based on sales quantity.
Scrap allocation	Scaw applied scrap credits in the calculation of quarterly steel rod costs, and therefore scrap credits is allocated based on sales quantity.
Labour	Scaw calculated a unit cost for labour per cost centre, then added together the total of all unit cost of cost centres relating to the same process to calculate a unit labour cost. Labour cost is then allocated based on the quantity sold for that particular process.
Manufacturing overheads	Scaw calculated a unit cost for manufacturing overhead per cost centre, then added together the total of all unit cost of cost centres relating to the same process to calculate a unit manufacturing overhead. Manufacturing overhead is then allocated based on the quantity sold for that particular process.
Depreciation	Scaw calculated a unit cost for depreciation per cost centre, then added together the total of all unit cost of cost centres relating to the same process to calculate a unit depreciation cost. Depreciation cost is then allocated based on the quantity sold for that particular process.
Variance	The verification team calculated the monthly variance between actual cost and standard cost. The verification team then reallocated the monthly variance from SG&A to each relevant sale transaction and incorporated the variance in the cost of production

Table 4 Cost allocation method

6.2 Exceptions during verification of CTMS allocation method

Exception 20: Adjustment to manufacturing overhead

Description: In the process of verification, the verification team noted a considerably low manufacturing overhead reported for the March 2021 quarter. Scaw explained that this was due to a release of a provision in a cost centre related to the 'closing' process.

Resolution: The verification team consider the release of this provision to be not an actual cost. The verification team used the manufacturing overhead for the June 2021 quarter to replace the manufacturing overhead for the March 2021 quarter in relation to the affected cost centre in the 'closing' process only.

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Exception 21: Reallocation of wire rope attachment cost

Description: Scaw allocated the cost of wire rope attachments based on the weight of rope. The verification team considers this allocation inappropriate as not all wire ropes sold have attachments, or have the same type of attachments.

Resolution: The verification team calculated a weighted average cost for each type of wire rope attachment and reallocated the cost of wire rope attachment to each corresponding rope type sold.

6.3 Verification of accuracy of CTMS data

The accuracy of data is verified 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 cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information submitted in the REQ 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**.

6.4 Exceptions during verification of accuracy of CTMS data

Exception 22: Raw material purchase list

Description: The verification team was not able to reconcile the values in the raw material purchase listing to the source documents for certain sales. Scaw explained that the value in the raw material purchase listing reflects the purchase order price of steel rod and, in some situations, the invoice price may be different.

Resolution: Scaw submitted a revised raw material purchase listing to include the invoice price of steel rod.

6.5 Related party suppliers

Scaw purchased steel rod from related parties, Barnes Fencing and the rolled products division during the inquiry period. Purchases of steel rod from the rolled products division are inter-divisional transactions.

The rolled products division supplied the steel rod to the steel wire rope division at market-based prices, having regard to an unrelated steel rod supplier benchmark price.

The verification team analysed the monthly purchase price of steel rod types that were purchased from both related and unrelated parties. Overall, purchases from related and unrelated parties were similar and followed a similar trend during the inquiry period.

The verification team also analysed Scaw's rolled division monthly selling price of steel rod types that were sold to both the SWR division only and unrelated parties, and steel rod types that were sold to both all related parties and unrelated parties. Overall, the selling price to SWR division, all related parties and unrelated parties were similar.

6.6 Accuracy finding

The verification team is satisfied that the CTMS data submitted in the REQ by Scaw, including any required amendments as outlined as an exception above, is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 Export price

7.1 The importers

The verification team considers Haggie Reid to be the beneficial owner of the goods at the time of importation and therefore the importer as Haggie Reid:

- is named on the commercial invoice as the customer
- is named as the consignee on the bill of lading
- is declared as the importer on the importation declaration to ABF
- pays for all the importation charges³
- arranges delivery from the port⁴.

7.2 The exporter

The verification team considers Scaw to be the exporter of the goods,⁵ as Scaw:

- is the manufacturer of the goods
- is named on the commercial invoice as the supplier
- is named as consignor on the bill of lading
- arranges and pays for the inland transport to the port of export
- arranges and pays for the port handling charges at the port of export
- arranges and pays for the ocean freight and marine insurance.

7.3 Arms length assessment

In respect of Scaw's Australian sales of the goods to Haggie Reid during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than their price
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.⁶

However, the verification team found evidence that a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller as, appeared to influence the price because:

- Haggie Reid is wholly owned by Scaw
- Scaw was the exclusive supplier of the goods to Haggie Reid

³ From the Haggie Reid's response to the importer questionnaire and verification

⁴ From the Haggie Reid's response to the importer questionnaire and verification

⁵ 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.

⁶ See section 269TAA(1)(c).

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- Prices between Scaw and Haggie Reid are determined according to an internal pricing guideline.

The verification team therefore considers that export sales to Australia made by Scaw to its related customer during the period were not arms length transactions, pursuant to section 269TAA(1)(b).⁷

7.4 Export price – assessment

In respect of Australian sales of the goods by Scaw, the verification team recommends that the export price cannot be determined under section 269TAB(1)(a). The verification team considers that the purchase of the goods by the importer was not an arms length transaction. As the importer subsequently sold the goods in the condition that they were imported, the verification team recommends that the export price be determined under section 269TAB(1)(b), being the price at which the goods were so sold by the importer less the prescribed deductions.

As this export price calculation requires sales and cost information from the importer, the verification team has referred the preliminary export price calculation to the case team.

⁷ The commission notes that the finding in this report that the export sales to Australia did not take place on an arms length basis relates to the assessment of export prices for anti-dumping purposes under section 269TAB. It is not an assessment of its transfer pricing policy with respect to compliance with the revenue laws of any jurisdiction.

8 Domestic sales

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

8.1 Arms length

In respect of Scaw's domestic sales of like goods to its customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Scaw to its domestic customers during the period were arm's length transactions.

8.2 Ordinary course of trade

The verification team have collected the necessary data to conduct an OCOT assessment, based on the reported costs and sales at the time of verification. The application has claimed that records in South Africa, including exporter's costs, do not reasonably reflect competitive market costs associated with the production or manufacture of like goods. The commission is currently considering this claim. Therefore, the verification team has referred the assessment of whether domestic sales are in the OCOT to the case management team for consideration.

8.3 Volume of relevant sales

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export. An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods under consideration that are exported to Australia by the exporter (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin).

The verification team have collected the necessary data to conduct a volume analysis, based on the reported costs and sales at the time of verification. The application has claimed that the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). The application has also claimed that exporters' records in the country of export, including Scaw's records, do not reasonably reflect competitive market costs associated with the production or manufacture of like goods.

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The commission is currently considering these claims. Therefore, the verification team has referred consideration of the volume of relevant sales to the case management team.

9 Adjustments

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments.

9.1 Rationale and method

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Domestic credit terms	Scaw provides credit terms for certain domestic sales.	Credit terms calculated for each sales based on the payment terms on the invoice and the interest rate on Scaw's domestic bank account.	Y	Y
Domestic inland transport	Scaw incurs inland transport expenses in relation to certain domestic sales.	Calculated based on the domestic inland transport expense based on freight invoices.	Y	Y
Domestic technical service	Scaw's sales engineers provide technical support in relation to domestic sales for surface mining sites. This expense is only incurred by Scaw in relation to its domestic sales and not its Australian sales.	Calculated based on the expenses incurred by its sales engineers and allocated to domestic sales of surface wire rope.	Y	Y
Domestic reel returns	Scaw incurs an expense for retrieving certain reels from its domestic customers.	Calculated based on the inland transport cost of retrieving certain reels from its domestic customers.	N	Y
Export packaging	Scaw's packaging for export sales includes plastic sleeves. Scaw does not use plastic sleeves for domestic sales.	Calculated based on the export packaging expense in its general ledger.	Y	Y
Export inland transport	Scaw incurred inland transport costs expenses for its export sales to Australia.	Calculated the actual inland transport cost for each export transaction based on its freight forwarder invoices.	Y	Y
Export port charges	Scaw incurred port charges for its export sales to Australia.	Calculated the actual port charges for each export transaction based on its freight forwarder invoices.	Y	Y
Export reel returns	Scaw incurs an expense for retrieving reels from Australia.	Calculated based on the inland transport and exportation cost to retrieve the reels from	N	Y

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Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
		Australia back to South Africa.		
Export credit terms	Adjustment for export credit will depend on the method used to calculate export price.	If a deductive export price is calculated, the adjustment should be based on Haggie Reid's payment terms to its customers & its short term borrowings.	Y	Y

Table 5 Assessment of adjustments

9.2 Adjustments

The verification team considers the following adjustments are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic technical support	Deduct an amount for domestic technical support
Domestic reel retrieval	Deduct an amount for domestic reel retrieval
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for port charges
Export reel retrieval	Add an amount for export reel retrieval
Export credit terms	Add an amount for export credit terms

Table 6 Summary of adjustments

10 Normal value

As stated in chapter 8, the applicant has claimed that the situation in the market in the country of export is such that sales in that market are not suitable for use in determining a normal value under section 269TAC(1) (section 269TAC(2)(a)(ii)). Where section 269TAC(2)(a)(ii) is satisfied, normal value may be constructed under section 269TAC(2)(c).

The verification team has not considered whether section 269TAC(2)(a)(ii) is satisfied. Therefore, the verification team has not calculated a normal value and has referred the calculation of the normal value to the case management team.

The verification team recommends that certain adjustments are necessary to ensure that normal values are properly comparable with export prices as outlined in chapter 9 above.

11 Dumping margin

The verification team did not determine the export price and normal value as part of the verification process (see chapters 7 and 10 of this report). As such, the verification team was not able to calculate a dumping margin for the goods exported to Australia by Scaw for the period. The verification team has referred the calculation of the dumping margin to the case management team and the commission will detail the dumping margin in the Statement of Essential Facts.

12 Appendices and attachments

Confidential appendix 1	Export sales
Confidential appendix 2	Cost to make and sell
Confidential appendix 3	Domestic sales
Confidential attachment 1	Verification work program