



ANTI-CIRCUMVENTION INQUIRY 483

**ANTI-CIRCUMVENTION INQUIRY INTO THE SLIGHT
MODIFICATION OF GOODS EXPORTED TO AUSTRALIA**

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

VISIT REPORT - IMPORTER

HAGGIE REID PTY LTD

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 BACKGROUND

On 6 July 2018, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an anti-circumvention inquiry in relation to wire rope exported to Australia from the Republic of South Africa (South Africa). The initiation of the inquiry followed consideration of an application received from Bekaert Wire Ropes Pty Ltd trading as BBRG Australia (BBRG), a member of the Australian industry producing like goods to the goods the subject of the dumping duty notice.

The background to the initiation of this investigation is contained in Consideration Report No. 483 (CON 483). Public notification of the initiation of the inquiry was made 6 July 2018 in Anti-Dumping Notice (ADN) No. 2018/105.

The Anti-Dumping Commission (the Commission) notified Haggie Reid Pty Ltd (Haggie Reid) of the initiation of the inquiry, and sought its cooperation through the completion of an importer questionnaire. Haggie Reid has cooperated with the inquiry and provided a response to the importer questionnaire, together with relevant attachments.

This report focuses on:

- the Commission's verification of Haggie Reid's imports of the goods and circumvention goods conducted on 12 September 2018; and
- the circumstances set out at subsection 48(2) of the *Customs (International Obligations) Regulation 2015* (the Regulation) and the factors outlined in subsection 48(3) of the Regulation relating to whether the circumvention goods are slightly modified goods.

2 THE GOODS SUBJECT TO ANTI-DUMPING MEASURES

2.1 Description

The goods the subject of the current anti-dumping measures, in the form of a dumping duty notice, are:

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

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

with or without attachments.

Further information regarding the goods is outlined below:

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

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

Goods excluded from the dumping duty notice are:

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

2.1.1 Tariff classification

The goods subject to the dumping duty notice are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995* specified below.¹ It should be noted that the statistical codes applying to these tariff classifications were modified subsequent to the initiation of the original investigation:

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

Table 1: Tariff classification of the goods

¹ As per the Commission's Dumping and Commodity Register as of 16 November 2017, available at www.adcommission.gov.au.

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

The good subject to the anti-circumvention inquiry (the circumvention goods) are described as:

- wire rope consisting of 9 strands.

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

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

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

Table 2: Tariff classification of the circumvention goods

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

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

with or without attachments [emphasis added].

4 AUSTRALIAN SALES

4.1 Verification of sales to audited financial statements

The verification team were able to verify the completeness and relevance of Haggie Reid's sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

4.2 Verification of sales to source documents

The verification team assessed the accuracy of Haggie Reid's sales listing by reconciling it to source documents in accordance with ADN No. 2016/30 and is satisfied of its accuracy with exception.

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

Exception

The verification team identified discrepancies in the description of the models of wire rope, when comparing invoices from the exporter and the importer. Haggie Reid explained that the error was caused by the customers when ordering. However, order details in the documents of Haggie Reid and its supplier Scaw South Africa (Pty) Ltd (Scaw) did not match. Subsequent to the visit, Haggie Reid provided a detailed reconciliation of its customer purchase orders, invoices and payments for the selected shipments.

4.3 Related party customers

The verification team did not identify any customers that might be related to Haggie Reid, based on the company's response to the importer questionnaire and documentation supplied for the purpose of verification.

5 IMPORTS

5.1 The goods

Haggie Reid confirmed that it imported the goods from Scaw during the inquiry period, and that these goods match the description of the goods that are the subject of this application.

The verification team inspected Haggie Reid's inventory of wire ropes on site, which contained the goods and the circumvention goods spooled on drums. All of the wire ropes looked similar and the team could not identify nine strand rope on visual inspection. The verification team conducted a closer inspection of six and nine strand wire rope of the same diameter (Haggie Reid did not have eight strand wire rope on site in the same diameter as the nine strand wire rope). Haggie Reid explained how to count the number of strands around the circumference of a rope, however this was not possible because each rope was spooled.

5.2 Verification of importations

The verification team verified the accuracy of importation declarations relating to a sample of shipments of the circumvention goods imported by Haggie Reid from South Africa. These shipments were selected by the Commission utilising data obtained from the Australian Border Force (ABF) import database. The verification team obtained a complete set of source documents in relation to the selected shipments. The details provided for the selected shipments in Part B of Haggie Reid's response to the importer questionnaire were reconciled to source documents in accordance with ADN No. 2016/30.

The verification team are satisfied that the importation details are accurate.

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

5.3 The importer

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

5.4 The exporter

The goods were imported to Australia by Haggie Reid from the manufacturer, Scaw. The verification team understands Scaw to be the exporter of wire ropes to Australia.²

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

6 CLAIMS REGARDING SLIGHT MODIFICATION FACTORS

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

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

The following sections outline Haggie Reid's claims in relation to the factors listed above.

6.1 Physical characteristics

Haggie Reid stated that all imported wire ropes that are subject to this inquiry (the goods and circumvention goods) have an Independent Wire Rope Core ("IWRC"). However, Haggie Reid claimed that the goods and circumvention goods are not physically alike for the following reasons:

- 1) The physical characteristics of the circumvention goods are significantly different from the goods due to significantly improved performance in loading capacity, breaking strength, flexibility and service life due to improved resistance to the causes of fatigue to wire ropes.
- 2) The circumvention goods feature a bigger core and have a greater metallic cross-sectional area. The increased metallic cross-sectional area results in increased strength and reduced operational stress, which increases fatigue resistance.
- 3) The cross-sectional area of the outer strands (outer strand metallic area) of the goods is greater than that of the circumvention goods, however greater outer strand metallic area doesn't necessarily improve the strength of a wire rope.
- 4) The circumvention goods are made with more wires which are on average smaller in diameter. This results in increased rope flexibility.
- 5) The outer wires of the outer strands of the circumvention goods are larger in diameter, and there are fewer of them. This results in increased abrasion resistance.
- 6) The circumvention goods are heavier than the goods as they contain more raw materials like steel and grease.

6.2 Performance

Haggie Reid asserts that the circumvention goods are significantly different from the goods due to improved performance characteristics as follows.

1) Strength

Nine strand wire rope can bear higher loads because of its greater metallic cross-sectional area due to its larger core. The visit team was advised by the Haggie Reid representative that outer strand metallic area is not necessarily a determinative factor in relation to wire rope strength and that the larger core of nine strand wire rope contributes to its increased strength.

2) Crush resistance

With more wires in its core and less wires in outside strands than the goods, nine strand wire rope is better able to withstand crush pressure.

3) Flexibility

Due to nine strand wire rope having more and thinner diameter wires, nine strand wire rope is significantly more flexible, thus can handle tighter bends and is easier to handle.

4) Abrasion resistance

Nine strand wire rope has fewer and larger diameter outer wires in the outer strands and is thus more abrasion resistance.

5) Fatigue resistance

Nine strand wire rope wears more evenly, giving it greater resistance against fatigue and consequently, a longer life.

6.3 End use

Haggie Reid agrees that the end uses of the circumvention goods are the same as that of the goods.

6.4 Interchangeability

Haggie Reid asserts that the goods and the circumvention goods are not readily interchangeable, as switching to a new product requires extensive change management processes, rope trials, and training of staff.

Haggie Reid asserts that the interchangeability of six, eight and nine strand wire rope is poor and this is evident from the extensive change management processes that had to be carried out by Haggie Reid to assist customers in deciding what was involved in switching ropes and whether they could do so. **[CONFIDENTIAL TEXT DELETED – customer information]**.

6.5 Production process

Haggie Reid is not disputing that the goods and the circumvention goods are produced on the same production line in a similar manner. However additional bobbins and a

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custom-made nine strand pre-former head were required to be installed on the machinery to manufacture nine strand wire rope.

Haggie Reid asserts the following:

- 1) The time taken to change tooling from producing six to eight strand wire rope, or vice versa, is approximately [CONFIDENTIAL TEXT DELETED – number] hours. [CONFIDENTIAL TEXT DELETED – production information].
- 2) The introduction of the circumvention goods has resulted in more instances of production and tooling changes for Scaw because there is a greater variety of products being made.
- 3) Nine strand wire rope costs significantly more to produce mainly due to material cost such as steel and grease as well as more processing time.

6.6 Cost of modification

Haggie Reid asserts that Scaw had a nine strand closer (a custom-made machine for the closing process in the manufacture of wire rope), but in order to manufacture the circumvention goods, Scaw was required to undertake research and development and invest in new tooling.

6.7 Patent application

During the visit, it was mentioned that Scaw has a patent pending on its nine strand wire rope.

6.8 Customer preference and expectations

Haggie Reid asserts the following:

- 1) Haggie Reid's customers' needs and the increased costs of Haggie Reid's imported wire rope due to anti-dumping measures underpinned the need for it to develop new products. The new product it developed is nine strand wire rope that is sold under the brand name *Inno9*.
- 2) Haggie Reid's customers generally prefer to have more than a single supplier of wire rope. At certain mines there may be several machines, each of which may use rope that is supplied by different suppliers.
- 3) Customers have shown increasing interest in seeking alternative suppliers from overseas.
- 4) Original equipment manufacturers of digging machines have been attempting to become suppliers of wire rope for their machines.
- 5) Some mines have commenced direct discussions related to direct supply with foreign wire rope manufacturers.
- 6) Haggie Reid further asserts the following:
 - Haggie Reid's *Inno9* development is not unrelated to the introduction of the original anti-dumping measures however, the main driver of the innovation is customers' needs that have been identified by continuous conversations with those customers.

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- Haggie Reid's customers drive the need for Scaw and Haggie Reid to apply innovation to its operations and products. The development of the circumvention goods was a response to feedback from customers on necessary improvements to the goods.

6.9 Change in marketing and distribution

The circumvention goods are branded and marketed as *Inno9*.³ Haggie Reid agrees that the marketing and distribution practices are the same for both the goods and the circumvention goods.

6.10 Trade pattern

The circumvention goods have been introduced to the Australian market following the imposition of the anti-dumping measures.

Haggie Reid asserts that it would not be realistic if the exports to Australia of the circumvention goods were not influenced by customer requirements/needs.

6.11 Changes in pricing

Haggie Reid claimed that the circumvention goods cost significantly more to produce and are thus more expensive for end users to purchase.

Haggie Reid also claimed that the Australian industry has lowered the price of its six and eight strand wire ropes since anti-dumping measures were imposed and they perceive this pricing behaviour indicates no injury to the Australian industry in the first place.

³ A copy of Scaw's *Inno9* brochure can be found on the Commission's electronic public record (EPR) available at www.adcommission.gov.au – see EPR for Inquiry 483, document no. 004, Attach 19 – *Inno9* Brochure.

7 APPENDICES AND ATTACHMENTS

Confidential Attachment 1

Verification work program, with attachments