



Australian Government
Australian Customs Service

CUSTOMS ACT 1901 - PART XVB

TRADE MEASURES REPORT NO. 70

INVESTIGATION INTO THE ALLEGED DUMPING OF
IRON AND STEEL GRINDING MILL LINERS
FROM CANADA

17 June 2003

ABBREVIATIONS

ACDN	Australian Customs Dumping Notice
AWAA	Alcoa World Alumina Australia
Bradken	Bradken Resources Pty Limited
Cadia	Cadia Holdings Pty Ltd
FOB	Free-on-board
Mill liners	Iron and steel grinding mill liners
Minister	Minister responsible for Customs
NIP	Non-injurious price
Norcast	Norcast Castings Company Ltd
PAD	Preliminary affirmative determination
Rio Tinto	Rio Tinto Limited
Roche	Roche Castings Pty Limited
SEF	Statement of essential facts
the Act	The <i>Customs Act 1901</i>
the goods	The goods the subject of the application
USP	unsuppressed selling price

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1. SUMMARY

1.1 Overview

This report presents the results of the investigation by the Australian Customs Service (Customs) into the alleged dumping of iron and steel grinding mill liners exported to Australia from Canada.

Customs initiated the investigation on 2 December 2002 following receipt of an application by the Australian industry member Bradken Resources Pty Limited (Bradken) and a supporting submission from the other Australian industry member, Roche Castings Pty Ltd (Roche). Roche operated as Walkers Pty Ltd until a corporate restructure during the investigation.

The goods the subject of the application are cast articles of iron and steel used to line grinding mills. Grinding mills are large rotating structures used in the hard ore mining industry to grind ore as part of the process to recover minerals such as gold, copper and zinc, and in refining bauxite. Grinding mills are also used in the cement industry to grind clinker. The goods do not include items used in fitting mill liners to grinding mills such as fillers, rings, bolts and washers.

On 20 February 2003, Customs made a preliminary affirmative determination (PAD). Following the PAD securities were put in place under section 42 of the *Customs Act 1901* (the Act). The statement of essential facts (SEF) on which Customs has based its recommendations to the Minister was placed on the public record on 5 May 2003.

1.2 Findings

Customs found that:

- there is an Australian industry producing like goods;
- exports of mill liners from Canada were dumped by a margin of between 80% and 90%;
- the industry producing like goods has suffered injury in the form of:
 - lost sales;
 - price undercutting;
 - price depression;
 - loss of market share; and
 - loss of profits & profitability
- there is a causal link between the dumped imports and injury to the Australian industry and the injury caused by dumping is material; and
- exports in the future from Canada are likely to be dumped and material injury to the Australian industry is likely to continue.

1.3 Recommendation

Customs recommends that the Minister publish dumping duty notices covering iron and steel grinding mill liners exported to Australia from Canada.

2 INTRODUCTION

2.1 Purpose of the investigation

Part XVB of the *Customs Act 1901*, and the *Customs Tariff Anti-Dumping Act 1975*, contain Australia's anti-dumping and countervailing legislation. Remedies are available where dumping (or subsidy) causes or threatens to cause material injury to an Australian industry.

2.2 Procedures

Customs is required to conduct an investigation and report to the Minister by day 155 after initiating an investigation. On the basis of this report the Minister will make a decision on whether anti-dumping measures should be imposed. If measures are imposed, Customs is responsible for the administrative arrangements.

Customs must clearly state the material findings of fact on which any recommendation in this report is based and provide particulars of the evidence relied on to support those findings.

Interested parties have 30 days after the publication of the Minister's decision in which to ask the Trade Measures Review Officer to review the decision.

2.3 Background to the investigation

In November 2002 Customs received an application from Bradken for anti-dumping measures to be imposed on imports of mill liners from Canada. The application alleged that injury was being caused to the Australian industry in the form of

- price undercutting;
- price depression;
- price suppression;
- lost sales;
- lost market share;
- loss of production capacity utilisation;
- employment losses; and
- damaged customer relationships.

Customs assessed that, on the available evidence, there were grounds to initiate an investigation.

Customs notified the commencement of the investigation in *The Australian* newspaper on 2 December 2002 and in Australian Customs Dumping Notice No.2002/57.

The period of investigation for the purposes of assessing the dumping margins was 1 October 2001 to 30 September 2002. The period of examination for determining injury was from 1 July 1999.

Non-confidential versions of Bradken's application, Roche's submission, Australian industry visit reports, end-user visit reports, the normal value report and submissions from interested parties were placed on the public record. The public record is held by Trade Measures Branch office management at Customs House, 5 Constitution Avenue, Canberra 2601, telephone (02) 6275 6547.

Where there is an investigation of alleged dumping, the Act requires that an SEF be published by day 110 of the investigation or by such later date as the Minister may allow in accordance with s. 269ZH(3) of the Act. Customs requested an extension to the investigation because:

- interested parties were unavailable for Customs' visits over the Christmas/New Year period; and
- the Canadian exporter was granted a 30 day extension of time to lodge its submission with Customs.

The Minister approved an extension of time for the publication of the SEF by a maximum of 42 days to 5 May 2003.

On 20 February 2003 Customs made a preliminary affirmative determination (PAD) that there appeared to be sufficient grounds for the publication of a dumping duty notice. Securities under s. 42 of the Act were imposed in respect of any interim dumping duty that may become payable on exports from Canada that are imported on or after that date.

On 5 May 2003 Customs placed the SEF on the public record. Interested parties were given 20 days to respond to the SEF. Customs received submissions from four interested parties which it considered in formulating its final recommendations to the Minister.

3 THE GOODS

The goods the subject of the application are cast articles of iron and steel used to line grinding mills. Grinding mills are large rotating structures used in the hard ore mining industry to grind ore as part of the process to recover minerals such as gold, copper and zinc and in refining bauxite. Grinding mills are also used in the cement industry to grind clinker. The goods do not include items used in fitting mill liners to grinding mills such as fillers, rings, bolts and washers.

The inside of the grinding mill is fitted with various liner pieces that make up the mill lining system. The liner pieces are replaced as they wear out as a result of abrasion and impact in the grinding process.

The most common types of grinding mills are:

- autogenous (AG) mills that use the ore itself as the grinding media;
- semi-autogenous (SAG) mills that use a combination of the ore and grinding balls to grind the ore;
- ball mills that use grinding media to grind the ore; and
- rod mills that use long cylindrical rods to grind the ore.

Grinding mills are typically situated at processing facilities close to mine sites.

Depending on a consumer's requirements, mill liner pieces are typically cast from what the industry describes as either white iron or pearlitic steel. White iron is a harder wearing material but has brittle characteristics and is suitable for low impact grinding. Pearlitic steel is not as hard as white iron but is less brittle and therefore suitable for higher impact grinding.

Customs considers that whether a mill liner is made from a material best described as iron or steel does not differentiate between the essential characteristics of the product, that is, a metal casting used to line grinding mills. Mill liners that the industry describes as being made from iron and steel both form part of the goods under consideration.

As explained in section 10 of this report, Customs considers that using the current industry delineation between iron and steel mill liners will assist in the fair administration of any dumping measures the Minister may decide to impose. This does not imply that Customs views iron mill liners and steel mill liners as different goods.

The goods are classified to subheading 8474.90.00 statistical code 28 in Schedule 3 to the *Customs Tariff Act 1995*. The applicable duty rate for goods classified to subheading 8474.90.00 from Canada is free. The rate of duty for goods not qualifying for the Canadian preference is 5%.

4 AUSTRALIAN INDUSTRY

4.1 Australian industry

The Australian industry producing grinding mill liners comprises Bradken and Roche.

Bradken's principal mill liner manufacturing facilities are in Adelaide and Runcorn in Queensland. Roche manufactures mill liners primarily at its foundry in Henderson, just south of Perth in Western Australia. Both companies sell mill liners throughout Australia and compete against each other on most Australian mill liner contracts. Bradken and Roche each export significant quantities of mill liners although their principal market is Australia.

Customs visited Bradken and Roche and verified information they provided to Customs.

4.2 Like goods

The Minister may decide to publish a dumping duty notice only if dumping has caused or threatens to cause material injury to an Australian industry producing like goods.

The term 'like goods' is defined to mean goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those goods.

In determining whether goods are like goods, Customs first considers whether the goods are identical. If not, Customs then considers the physical characteristics of the goods.

Customs found that the physical characteristics of mill liners exported from Canada are similar to those made by the Australian industry. Similar materials are used to manufacture the mill liners in the casting process and the mill liners have the same end-use and are substitutable. Customs observed several instances where the Canadian and Australian mill liners had competed in tender processes.

Customs concluded that mill liners exported to Australia from Canada are like goods to mill liners manufactured by the Australian industry.

4.3 Produced in Australia

Subsections 269T(2) and 269T(3) of the Act specify that for goods to be regarded as being produced in Australia:

- they must be wholly or partly manufactured in Australia; and

- where the goods have been partly manufactured in Australia, then at least one substantial process in the manufacture of the goods must be carried out in Australia.

4.4 Conclusion

Having considered the information provided by the Australian industry and having undertaken an inspection of their manufacturing facilities, Customs concludes that like goods are manufactured in Australia and that a substantial process of manufacture is undertaken by the industry in Australia.

5 AUSTRALIAN MARKET

5.1 Market structure

The Australian market for mill liners is supplied by the two Australian industry members, Bradken and Roche, and imports from a number of countries including Canada, Indonesia, Belgium and the United States of America.

The mining industry is by far the largest consumer of mill liners with a number of large consumers dominating the Australian market. The lack of abrasion in the cement grinding process means that mill liners are longer lasting and, consequently, the cement industry forms only a small part of the Australian market.

Most mill liners are sold as replacement liners for those worn out during abrasion and impact in the grinding process. The rate of wear is determined by factors such as the type of mill, the design of the liners, the level of ore and/or grinding media used in the mill and the characteristics of the ore being ground. Some mills require mill liners to be replaced in a matter of weeks whereas liners in other mills may last for months or even years.

Mill operators work with mill liner producers in an effort to maximise the grinding efficiency of the mill in terms of ore throughput and the durability of mill liners. Mill operators told Customs of the importance of mill liners for the efficient operation of a mill and the high costs associated with unplanned maintenance if problems were experienced with mill liners.

Mill operators consider a range of factors when entering into an arrangement to purchase mill liners. Typical factors taken into account are price, consistency of quality, efficiency of throughput, reliability of supply, service, product development and innovation. While price is important, the relevance of other factors means that the lowest price option is not always selected.

As would be expected, the factors and the weight placed on each factor varies from consumer to consumer based on many considerations including the type and size of mills operated and the type of ore being ground. Manufacturers or their representatives invariably sell replacement mill liners directly to mill operators, often under medium to long term supply arrangements. These arrangements are normally put in place through formal or informal tender processes.

Another market segment is the supply of mill liners for new grinding mills. The grinding mill manufacturer, normally in consultation with the mill purchaser, will purchase one or two full sets of liners for supply with the new mill. The mill purchaser would typically form an arrangement directly with a mill liner manufacturer for the supply of replacement liners.

The sole exporter of mill liners from Canada, Norcast Castings Company Ltd (Norcast), first employed a representative in Australia in mid 2000. Norcast

was successful in obtaining its first contract for the ongoing supply of replacement mill liners following the tender process conducted by Northparkes Mines in late 2001. Up until that time, the two Australian industry members were the dominant suppliers in the Australian market.

An Indonesian manufacturer of mill liners, PT Growth Asia (Growth Asia), has offered mill liners for sale in Australia for a number of years. On evidence available to Customs, Growth Asia has in recent years increased its share of the Australian market from a small base.

Imports from other sources supply a small part of the Australian market.

5.2 Market size

Based on information provided by the Australian industry, the Australian market for mill liners in the twelve months ending June 2002 was approximately 13,000 metric tonnes with a value of approximately \$30 million.

Customs has not been able to confirm these figures. One reason for this was that the Australian subsidiary of the Indonesian manufacturer, Growth Asia, declined to provide Customs with information. Another reason was that information from Customs' commercial database on the relevant tariff classification is not sufficiently detailed to assist in determining the volume of imports from Indonesia.

Nevertheless Customs analysed the relevant import data and obtained sales information from mill operators and is satisfied that the market estimation provided by the Australian industry for the period is sufficiently accurate.

On information available to Customs, it appears that the Australian market for mill liners is fairly stable. The number of grinding mills in operation or under construction dictates demand. In recent years, the closure of some mining projects using grinding mills and the opening of others appears to have left the market largely unchanged.

The improvement of rubber and synthetic liners in recent years has allowed their use in grinding mills previously lined by metal mill liners. However, this has been limited because of the continued use of metal mill liners in high abrasion mills.

6 THE DUMPING INVESTIGATION

6.1 Background

Dumping occurs when a product of one country is exported to another country at a price less than its normal value. A normal value is usually established from the price paid for like goods in the exporter's domestic market or from the cost of production and sale. Export price and normal value are ascertained under subsections 269TAB and 269TAC of the Act respectively.

The investigation period is 1 October 2001 to 30 September 2002.

Customs identified Norcast as the sole exporter of mill liners to Australia from Canada during the investigation period.

6.2 Export price

Norcast exported five shipments containing mill liners to Australia during the investigation period. All were manufactured from steel. Customs considers that Norcast was both the exporter and importer of the goods.

The exported mill liners were part of supply arrangements Norcast had established with Cadia Holdings Pty Ltd (Cadia) and Northparkes Mines. Cadia and Northparkes Mines operate mineral processing sites as part of their mining operations in rural New South Wales.

Customs was satisfied that invoices produced by Norcast for Customs' purposes reflected the price paid or payable by Cadia and Northparkes Mines. Customs was also satisfied that the sales were arms length transactions.

Customs has assessed export prices under subsection 269TAB(1)(c) of the Act. As Norcast was both the exporter and importer of the mill liners, Customs could not establish export prices under paragraphs (a) or (b) of subsection 269TAB(1).

Customs calculated free-on-board (FOB) export prices under paragraph 269TAB(1)(c) using the delivered duty paid price paid or payable less amounts for:

- inland freight costs in Australia (or an estimate of inland freight costs in Australia for one shipment sold to Northparkes Mines);
- port and handling costs in Australia (including an estimate of the costs for one shipment sold to Cadia);
- ocean freight costs or air freight costs as applicable; and
- marine insurance costs.

Where shipments included goods other than mill liners, costs to be deducted from the invoice price were apportioned between the goods. Marine insurance was apportioned on the basis of invoice value and all other costs on the basis of weight.

Where necessary Customs has converted amounts in United States dollars and Australian dollars to Canadian dollars using exchange rates used by Norcast for its accounting purposes. Customs compared Norcast's exchange rates with rates used by Customs and found them to be reasonable.

Customs' export price calculations are at **confidential appendix 1**.

6.3 Normal value

6.3.1 Basis of normal values

Customs established the normal value of mill liners exported to Australia under subsection 269TAC(1) of the Act using Norcast's selling prices of like goods sold in Canada. In particular, Customs based the normal values on Norcast's selling prices of its Norsteel product as these corresponded to its exports of Norsteel mill liners during the investigation period.

Customs was satisfied that Norcast's sales on the domestic market were sales for home consumption made in the ordinary course of trade in arms length transactions. Norcast's domestic sales were in sufficient volume in terms of subsection 269TAC(14) of the Act.

6.3.2 Adjustments for fair comparison

Customs considered that adjustments should be made to the prices paid or payable for Norcast's domestic sales of Norsteel mill liners for the following factors to make a fair comparison to export prices:

- commission paid on some domestic sales (downward adjustment);
- inland freight costs in Canada (downward adjustment);
- export inland freight costs in Canada (upward adjustment);
- export handling costs (upward adjustment);
- an estimate of export port costs (upward adjustment);
- fumigation costs on export sales (upward adjustment);
- inventory holding/payment terms on domestic sales (downward adjustment); and
- inventory holding/payment terms on export sales (upward adjustment).

Customs was not satisfied that adjustments were required for specification differences and differences in selling expenses between sales on the

domestic and Australian markets. Also, Customs was not satisfied that certain domestic sales should not be used for the calculation of normal values. Norcast disputed the interest rate used by Customs to calculate adjustments related to differences in inventory holding and payment terms on the domestic and export markets.

The following sections summarise Customs' reasons for not recommending these adjustments and for using a certain interest rate for the inventory holding/payment term adjustments.

Specification differences

Norcast claimed that the price paid for like goods sold in Canada should be adjusted to recognise specification differences when compared to the goods exported to Australia. Norcast claimed that the cost of producing mill liners, and therefore their selling price, was influenced by the size of a mill liner piece. Norcast provided examples of how economies in producing larger mill liner pieces resulted in these larger pieces generally having a lower cost per kilogram than smaller pieces.

Norcast submitted that a disparity between the size of mill liner pieces on the domestic market compared to those exported to Australia required an adjustment to enable the selling prices to be fairly compared.

Customs agrees that the size of the liner piece may be one factor that may influence the cost and price of mill liners. However, on the information provided by Norcast, Customs found that the average size of mill liner pieces sold in Canada over the investigation period was not significantly different to the average size of mill liner pieces exported to Australia.

Selling expense differences

Norcast claimed that selling expenses for mill liners sold on the domestic market were higher per pound than selling expenses relating to export sales to Australia. Customs was not satisfied that an adjustment was required as:

- Norcast did not provide sufficient evidence to support the claimed difference in services provided to customers in the respective markets that would impact on the selling prices;
- the claimed difference was based on different cost allocation methods; and
- Customs did not observe any underlying level of trade difference between domestic and Australian customers that would affect the price paid for mill liners.

Exclusion of certain sales

Several weeks after Customs had completed its verification visit to Norcast in Canada, Norcast submitted that certain sales should be excluded from the

assessment of normal values on the basis that they represented exceptional pricing. Norcast did not refer to exceptional pricing in its submission to Customs or during Customs' visit to Norcast to verify information in the submission.

Customs considers that it does not have sufficient verified information to conclude that any domestic sales should be excluded from the calculation of normal values.

Interest rate for inventory holding/payment term adjustments

Customs used the interest rate it verified as that Norcast paid on borrowings through arrangements within its corporate group. Norcast claimed that the rate did not reflect a commercial interest rate that could be obtained in the Canadian financial markets.

Customs verified the amount of interest paid by Norcast from its management accounts and supporting documents. Customs considers this is the appropriate rate to use in calculating the adjustments.

Customs' normal value calculations are at **confidential appendix 2**.

6.4 Dumping margin

A dumping margin is the amount by which the export price is less than the normal value. It is expressed as a percentage of the export price.

Customs assessed the dumping margin for Norcast using a comparison of weighted average export prices determined over the investigation period with weighted average normal values determined over the same period pursuant to paragraph 269TACB(2)(a) of the Act.

Customs found the mill liners exported from Canada to be dumped with a dumping margin within the range of 80% to 90%.

Customs' dumping margin calculations are at **confidential appendix 3**.

7 THE ECONOMIC CONDITION OF THE INDUSTRY

7.1 Introduction

This section reports on the economic condition of the industry and facts related to whether the industry has suffered injury. The injury assessment period is from July 1999. Customs examined the Australian industry's sales data from July 1999 to December 2002. References to financial years relate to periods ending 30 June.

7.2 Australian industry's claims

The two members of the Australian industry, Bradken and Roche, each claimed to have suffered injury in the form of:

- price undercutting;
- price depression;
- price suppression;
- lost sales;
- lost market share;
- loss of production capacity utilisation;
- employment losses; and
- damaged customer relationships.

7.3 Customs' assessment

7.3.1 Preliminary

There are two issues that impact on assessing injury suffered by the Australian industry for this investigation.

First, the Australian industry charges different prices per kilogram for the many different liner pieces sold. Second, overall sales volumes and revenues are influenced by the liner replacement schedules of consumers. This can make sales patterns irregular, particularly in the case of low volume consumers. Thus, a rise or fall in total sales volumes or average price received per kilogram could reflect a difference in the mix of liner pieces sold or a variation in usage due to customers' replacement schedules, rather than injury.

To address this, Customs has concentrated on a customer by customer assessment of the Australian industry's performance.

The following sections summarise Customs' analysis of the industry's injury claims.

7.3.2 Volume effects

Lost sales/tenders

The Australian industry claimed to have suffered injury as a result of Norcast being selected in tenders to supply certain Australian mill liner consumers. The first case of a tender lost to Norcast occurred in December 2001 when Norcast tendered dumped prices in an internet tender process for the Northparkes Mines contract. A contract between Norcast and Northparkes Mines was signed in March 2002. Since that time, the Australian industry has lost a further seven tenders to Norcast for the supply of mill liners to Australian consumers.

The eight cases of tenders lost to Norcast are summarised below.

Nature of tender	Entities	Approximate volume (metric tonnes)
Ongoing business previously held by Australian industry	<ul style="list-style-type: none"> • Northparkes Mines • Cadia Holdings Pty Ltd • Alcoa World Alumina Australia 	2,300 per annum
Potential ongoing business with a company previously sourcing from the Australian industry	<ul style="list-style-type: none"> • Cadia Holdings Pty Ltd 	850 per annum
One-off supply to Original Equipment Manufacturers (OEM)	<ul style="list-style-type: none"> • FFE Minerals Australia Pty Ltd (2 cases) • Metso Minerals (Asia Pacific) 	2,000
One-off supply to a company previously supplied by the Australian industry	<ul style="list-style-type: none"> • Pasminco Century Mine 	Less than 100

Except for Pasminco Century Mine which provided only limited information for the investigation, Customs visited each of the mill liner consumers that had conducted tender processes won by Norcast. Customs concluded that the consumers fell into two categories.

Category	Description	Entities	Approximate volume (metric tonnes)
A	Consumers that have put in place arrangements and commenced purchasing from Norcast	<ul style="list-style-type: none"> • Northparkes Mines • Cadia Holdings Pty Ltd • FFE Minerals Australia Pty Ltd • Pasminco Century Mine 	2,000 per annum 450 (one off)
B	Consumers confirmed as having selected Norcast as their supplier of mill liners who were in the process of negotiating the terms of the arrangements	<ul style="list-style-type: none"> • Alcoa World Alumina Australia • Metso Minerals 	2,800 (partly annual and partly one-off)

These lost tenders have occurred in a market where, in 2001/2002, the Australian industry sold between 8,000 and 10,000 metric tonnes of mill liners in Australia and a total, including exports, of between 12,000 and 14,000 metric tonnes. A schedule of the volume and value of domestic sales by the Australian industry in 2001/2002 by customer is at **confidential appendix 4**. The schedule shows the importance to the Australian industry of, in particular, the Northparkes Mines, Cadia and Alcoa World Alumina Australia (AWAA) contracts.

In the period from June 2002 (when mill liners commenced arriving from Canada) to 26 May 2003 (20 days after the SEF was published), Norcast has exported approximately 2,800 metric tonnes of mill liners to supply consumers in Category A. The amount is slightly higher than the estimate of annual usage for Category A consumers due to the requirement for Norcast to hold consignment stocks in Australia for one consumer.

On 27 May 2003, Metso Minerals advised Customs that, in view of the anti-dumping investigation, it had reviewed its decision to purchase mill liners from Norcast. Metso Minerals told Customs that it had decided to purchase mill liners for the tender from the Indonesian producer, Growth Asia. Whether, in the light of this development, the Metso Minerals' tender and other tenders can be considered injury caused by dumping from Canada is discussed in section 8 of this report.

There is an issue as to how Customs and the Minister should view injury covered by Category B, where consumers have indicated an intention to buy from Norcast but have delayed finalising arrangements following the announcement of the dumping investigation.

Customs' view is that the circumstances covered by consumers in Category B represent a threat of injury to the Australian industry in addition to the injury suffered as a result of lost sales under Category A. The change in circumstances that would make injury foreseeable and imminent is the tender processes undertaken by each of the consumers that resulted in the selection of Norcast.

Also in terms of threat, Customs notes that the Australian industry continues to supply a portion of Cadia's mill liner requirements under supply arrangements which expire in 2003. Cadia is one of Australia's largest consumers of mill liners and the volume of mill liners subject to this threat is significant.

In the injury examination period, the Australian industry has also lost sales to imports of mill liners manufactured by Growth Asia of Indonesia. The Australian industry's losses to Growth Asia appear to be in the order of 1,300 metric tonnes per annum. One consumer accounted for the majority of this loss. Customs is aware that Growth Asia also supplied mill liners for new mills to two OEMs over the injury period. Customs has isolated the effect of these losses when examining the injury arising from contracts won by imports from Canada.

Confidential appendix 5 sets out Customs' understanding of the tenders won by Growth Asia since July 1999.

The Australian industry made sales to one new export customer in the period July to December 2002. Otherwise, the Australian industry's export customer base was stable with fluctuations in demand associated with liner replacement schedules and a one off increase in demand when a damaged mill shell required all shell liners to be replaced simultaneously.

Market share

In section 5 Customs explained why it could not precisely measure the size of the Australian market. The available information indicates that the Australian market for mill liners has been relatively stable, meaning that the Australian industry's loss of sales, in particular to large consumers that had previously bought mill liners from the Australian industry, would represent a loss of market share.

7.3.3 Price effects

Price undercutting

In all cases of tenders lost by the Australian industry to Norcast, mill liners offered by Norcast significantly undercut prices offered by the Australian

industry. Customs was satisfied that, although the consumers considered other factors, price was a major factor in their decision to select Norcast. Customs is satisfied that the price undercutting by Norcast was a key element in Norcast winning the tenders.

In its response to the SEF, Norcast submitted that differences between tendered prices and selling prices, and pattern costs may have impacted on the undercutting analysis. Customs has ensured that its assessment of undercutting is based on a fair comparison of the prices of Norcast and the Australian industry.

Confidential appendix 6 sets out details of the tenders won by Norcast and the prices tendered by Norcast and members of the Australian industry. The appendix includes prices tendered by Growth Asia. Growth Asia's prices are relevant to issues discussed in section 8 below.

Price depression

Average prices achieved by the Australian industry have generally declined in the period examined by Customs.

The Australian industry nominated three instances where it claimed that it had reduced prices as a result of price pressure from the dumped goods from Canada.

In two of these, Customs verified that lower prices were negotiated with members of the Australian industry in 2002. In the third case, relating to a purported depression of prices in 2000 in response to an offer from Norcast, Customs was not satisfied that the Australian industry had supplied sufficient evidence of price depression.

The loss of revenue from the fall in prices in the two instances verified by Customs represented 3% of the Australian industry's total sales revenue in 2001/2002.

Price suppression

The Australian industry claimed that the decline in production volumes as a result of the loss of sales to Norcast would increase average costs and lead to price suppression in a market where prices were depressed through dumping.

Customs notes that changes in the Australian industry's average cost to make and sell mill liners from year to year are potentially due to changes in the mix of mill liners produced. However, a comparison with the average selling prices is likely to provide a good guide as to whether the Australian industry has suffered price suppression.

The Australian industry's cost to make and sell mill liners remained steady from 1999/2000 to 2000/2001 before increasing marginally in 2001/2002. Average prices declined in 2000/2001 over 1999/2000 and remained steady in 2001/2002. These effects produced some price suppression in 2001/2002 as higher average costs were not matched by a higher average selling price.

7.3.4 Profit effects

Profit and profitability

Australian industry profits on sales on the Australian market declined from the previous year in both 2000/2001 and 2001/2002. A steady performance on the export market resulted in total profits declining in both years.

Customs has used the Australian industry's costs in 2001/2002 to assess lost profits in the six months to December 2002, the period when tenders lost to Norcast began to translate into lost sales. On this basis, the Australian industry has suffered lost profits in the six months to December 2002.

Profitability also declined over the period. In 2000/2001 this was due to lower average prices with similar costs. In 2001/2002 this was the result of steady average prices and slightly higher costs.

7.3.5 Other factors

Loss of production capacity utilisation

The Australian industry has not provided evidence that it has suffered a loss of production capacity utilisation to date. However, it is likely that the Australian industry faces a threat of lost production capacity utilisation as the loss of tenders translates into lower production volumes.

Employment losses

In the case of Bradken, no information was provided to support actual employment losses, although it has indicated that its loss of sales will result in future employment losses.

On 18 February 2003, Roche provided a submission stating that it had terminated the employment of a number of employees due to price reductions under intense market competition caused by Norcast. Roche has not provided further information to Customs on the circumstances of the employment losses.

Damaged customer relationships

The Australian industry claimed that it has suffered a loss in this regard as its customers believe that they are high cost producers compared with Canada because of the low pricing of Canadian imports.

Customs has not considered this issue, focussing instead on the more quantifiable measures of injury.

7.4 Conclusion

Customs is satisfied that the Australian industry has suffered injury as a result of :

- tender losses that have resulted in sales by both Norcast and Growth Asia to Australian consumers;
- loss of market share;
- the depression of prices to certain customers as well as a general decline in prices on the Australian market;
- some price suppression;
- a decline in profits and profitability attributable to the above.

8 HAS DUMPING CAUSED MATERIAL INJURY?

As detailed in previous sections of this report, Customs considers that the Australian industry has suffered injury and that mill liners exported to Australia from Canada were dumped by a margin of between 80 and 90 percent. This section considers whether there is a causal link between the dumping from Canada and the injury suffered by the Australian industry, and whether any injury caused is material.

8.1 Claims by interested parties

8.1.1 The Australian industry

According to the Australian industry, the causal link between the dumping and injury it has experienced is clear. Mill liners manufactured in Canada by Norcast were selected over mill liners made in Australia in eight Australian tender contracts. The prices at which Norcast offered the mill liners were dumped by a high margin and undercut prices offered by the Australian industry.

In two instances not associated with the loss of tenders, Customs found that prices obtained by the Australian industry had been depressed by an amount equivalent to 3% of its annual domestic sales value. This price depression was attributable to the dumped goods from Canada.

Initially, the Australian industry sought to exclude mill liners imported from Indonesia from the investigation on the grounds that they were not like goods. The Australian industry stated that the Indonesian mill liners were of a lower quality than mill liners manufactured in Australia and Canada.

On the information available to Customs, Growth Asia liners have similar physical characteristics to mill liners made by the Australian industry and the same end-use. Customs observed several instances where both Growth Asia and Australian mill liners were regarded as substitutes in tender processes. In other instances, consumers using liners made by the Australian industry are now using mill liners manufactured by Growth Asia. Customs concluded that mill liners sold by Growth Asia were like goods to those manufactured by the Australian industry and Norcast.

In its response to the SEF, the Australian industry accepted Customs' view on the like goods issue but maintained that there were quality differences between mill liners manufactured in Indonesia and those made by the Australian industry. The Australian industry submitted that Growth Asia had never been the price setter in the Australian market and had not contributed to injury represented by the loss of tenders to Norcast.

The Australian industry further stated that it believed that Growth Asia's recent pricing represented sale and tender at dumped prices but that the Australian

industry did not view Growth Asia's presence in the market to date as sufficient to cause material injury.

8.1.2 The Canadian exporter

Norcast (and some major mill liner consumers) submitted that the necessary causal link did not exist. Norcast claimed that its success in winning tenders at dumped prices was a symptom of an Australian market where low priced undumped imports from Indonesia set the market price that it was following.

Norcast claimed that there was no causal link between its dumping and the injury suffered by the Australian industry as:

- any injury that may have been incurred by the Australian industry is likely to have been caused by the loss of contracts to Growth Asia, not Norcast;
- unless it can be positively demonstrated that the Australian industry would have been awarded the tender contracts in the absence of dumped goods from Norcast, the Australian industry's failure to win tenders cannot be said to be caused by Norcast; and
- on the available evidence, the Australian industry would not have been awarded any of the contracts won by Norcast.

Norcast submitted that all available evidence was to the effect that the Australian industry "will obtain not a single order for the supply of [a] single mill liner".

Norcast submitted that its claims were supported by:

- an examination of the position in relation to each of the tenders won by Norcast;
- the claim that, since as early as 2000, the market price for mill liners in Australia had been set by Growth Asia (as evidenced by Norcast being unable to win tenders in this period at higher prices and its estimate, based on market intelligence, of prices currently paid by consumers in Australia);
- Growth Asia holding, according to Norcast, a significant percentage of the mill liner market in Western Australia and an increasing percentage in eastern Australia; and
- Growth Asia's recent success in winning tenders in Australia.

Norcast also claimed that it used technology not present in the Australian industry that enabled it to achieve levels of economies and performance not available to the Australian industry.

8.1.3 End users

Northparkes Mines (Rio Tinto)

Rio Tinto Limited (Rio Tinto), the joint partner and manager of Northparkes Mines, told Customs that if Norcast had not been involved in its tender process the Australian industry would have lost the contract to Growth Asia.

Rio Tinto claimed that, on the basis of a pre-qualification process, it was equally happy to source liners from whichever of the pre-qualified bidders tendered the lowest price.

Alcoa World Alumina Australia

Alcoa World Alumina Australia (AWAA) claimed that the low prices offered by certain overseas bidders in its internet tender process represented the current rate for mill liners within the global market.

AWAA claimed that there were no material quality differences between Growth Asia, Norcast and the Australian industry. Further, AWAA submitted that another company, offering mill liners manufactured in South Africa, appeared to have the necessary capabilities required to present serious competition to the current players in Australia.

AWAA stated that Norcast had invested significant resources into providing a world class foundry with many advantages, not the least being a significantly smaller rejection rate which allowed them to produce the goods at a markedly lower price.

Cadia

In its response to the SEF, Cadia stated that in its experience Growth Asia was the price leader in the region. It stated that the alleged dumped price offered by Norcast was an outcome of strong international competitiveness between Norcast and Growth Asia.

Cadia pointed to Growth Asia's success in securing supply of the initial set of mill liners for its Ridgeway Project to support its view.

8.2 Customs' assessment

8.2.1 Customs' approach

Customs recognises that circumstances may exist where it might be argued that dumping has not caused material injury because market conditions dictate that the Australian industry would experience the injury regardless of the dumping. These market conditions could include where undumped imports are dominant in the market and are generally preferred to the product offered by the Australian industry.

In such circumstances, dumping duties may only serve to shift demand to the undumped imports, not provide relief for the Australian industry.

Customs considers this is a legitimate issue and has given it careful consideration. Customs encountered a number of factors that impacted on its practical assessment of the claim put forward by Norcast and others.

1. Speculation on the outcome of tenders in the absence of dumping.

Norcast claimed that Growth Asia would have won the tenders in the absence of dumped goods from Canada. Norcast supplied information on the specific tenders and more general information on conditions in the Australian market to support its claim.

To conclude that the Australian industry would not have won any of the tenders won by Norcast requires Customs to enter a difficult area. It requires Customs to speculate on what might have happened in hypothetical situations.

The difficulty of this task is increased by:

- the importance of factors other than price to the purchasing decision and the fact that the lowest priced option is not always preferred – therefore Customs cannot deduce a likely outcome from the prices tendered;
- in most cases, the lack of documentation which would clearly indicate which party would have been successful in the absence of dumped goods; and
- the distortion to the market and prices offered in tenders by other bidders (including Growth Asia) who were aware of the presence of dumped goods from Canada and the prices at which these goods were being offered to and selected by the Australian market.

Norcast and some mill liner consumers submitted that Customs should not regard as injury tenders won by Norcast unless there was evidence that the Australian industry would have won the tender in the absence of dumped goods. Customs disagrees. Unless there is strong and positive evidence that the Australian industry would not have won the tenders it is reasonable to conclude that the tenders won at dumped prices have caused or threatened injury to the Australian industry.

2. Assessing the dumping status of mill liners from Indonesia

Underlying the argument on causal link put forward by Norcast and some Australian mill liner consumers is the assumption that prices offered in Australia for mill liners manufactured in Indonesia by Growth Asia are undumped. This is presumably based on the fact that the Australian industry has not applied for Customs to investigate Indonesian exports of mill liners to Australia.

Automatically assuming that goods not the subject of a dumping investigation are undumped presents a difficulty for the administration of the anti-dumping scheme. It must be remembered that dumping must be causing or threatening

to cause material injury for Australian manufacturers to launch a successful anti-dumping action. It is also the case the prices offered but not accepted by the market because of a preference for alternative (dumped) product could also prevent the initiation of a dumping investigation against the exporters until the market takes up the prices offered.

It follows that assuming imports or potential imports are at undumped prices without the benefit of an investigation presents the risk that an Australian industry could in some circumstances be prevented from obtaining proper relief under Australia's anti-dumping legislation. For example, a situation could exist where exports from two countries are offered at dumped prices but only one is causing material injury.

Notwithstanding these difficulties, Customs gave this issue careful consideration. Customs examined the claims of interested parties to determine if mill liners exported from Indonesia could be impacting on the Australian market in a way that diminishes or removes the link between dumped mill liners from Canada and the injury suffered by, or threatened to, the Australian industry.

In addition to considering submissions by interested parties and visiting consumers that had selected Norcast, Customs contacted a number of other mill liner consumers to gain a greater understanding of the market. While some parties approached by Customs declined to provide information for the investigation, Customs received a number of helpful responses. As noted earlier in this report, Growth Asia declined to provide information to Customs.

Customs has examined:

- the injury associated with each of the sources of imports – Canada and Indonesia;
- the impact of quality perceptions by the market;
- each of the tenders won by Norcast and evidence to indicate that these would have been awarded to Growth Asia in the absence of dumped goods from Canada;
- claims regarding the presence of Growth Asia in the Australian market;
- claims concerning the loss of tenders by Norcast.

8.2.2 The scope of injury associated with imports from Canada and Indonesia

Volume effects

The Australian industry has lost sales for existing and potential business to both Norcast and Growth Asia.

Customs has determined those sales lost to Norcast and those lost to Growth Asia. Customs recognises that where injury is being caused by a number of factors, the injury caused by dumping must, in itself, be material.

Section 7 sets out the magnitude of the tenders won by Norcast and the volume of imports from Norcast to date.

Price effects

The Australian industry claimed that it had reduced prices to three consumers as a result of price pressure from dumped mill liners from Canada. As stated in section 7, Customs was satisfied that the Australian industry had suffered price depression in two of the three cases. Both price reductions occurred in 2002.

Customs contacted the two consumers concerned. Both consumers appeared to have been aware of mill liners from Canada being offered at dumped prices at the time when lower prices were negotiated with the Australian industry. In the absence of contrary submissions by the parties concerned, it is reasonable to assume that the presence of dumped goods influenced the approach of both the consumers and the Australian industry in the negotiation of lower prices.

Aside from these specific instances, it is difficult to associate the overall decline in average prices experienced by the Australian industry with dumped goods in the market.

The general trend of lower average prices appears to be attributable to:

- an increase in the size of mill liner pieces sold with a lower average price due to a trend towards larger mills and the ability to fit larger pieces as liner handling equipment improves;
- an increased focus on cost-cutting by the Australian mining industry; and
- the competitive nature of the mill liner industry.

Similarly, price suppression suffered by the Australian industry appears to relate to these factors impacting on the market.

Other effects

The Australian industry has suffered lost profits and profitability, primarily as a result of lost sales volumes. A significant proportion of the lost sales is attributable to dumped goods from Canada. As discussed above, the Australian industry has also lost some sales, and therefore profits, to mill liners manufactured in Indonesia.

8.2.3 Quality issues

Customs received comments from interested parties on the performance of mill liners offered for sale in Australia by Growth Asia as well as those offered by members of the Australian industry. On both counts, some of the comments were favourable and some unfavourable. Customs notes that different consumers will, for a variety of reasons, differentiate between the

products offered by the various suppliers and also that the differentiation may change over time.

When asked by Customs how they perceived various suppliers, most Australian consumers contacted indicated that all foundries could experience problems with quality and supply from time to time. However, all stated that they perceived, based on various factors, differences in buying mill liners from Growth Asia as opposed to the Australian industry or Norcast.

Customs also contacted a number of mill liner consumers in Australia, some of which were buying Growth Asia liners, some buying from the Australian industry, and some buying from both. Responses received by Customs confirmed that a range of factors are involved in the decision to source mill liners.

Customs is satisfied that factors other than price are relevant to the purchasing decision and that consumers differentiate on these factors as well as price. Customs observed several examples of where consumers did not choose the lowest price option. Customs concluded that this feature of the market did not support Growth Asia being seen as a price setter in the Australian market.

8.2.4 Tenders won by Norcast

Northparkes Mines

Rio Tinto, the joint partner and manager of Northparkes Mines, stated that if Norcast had not been involved in its tender process the Australian industry would have lost the contract to Growth Asia.

However, Customs noted that:

- prior to the tender process, Northparkes Mines had for many years sourced its mill liners from the Australian industry;
- Northparkes Mines had not previously purchased mill liners from Growth Asia notwithstanding that they had been available in Australia for several years;
- the only document Rio Tinto was able to supply Customs in relation to the trial results, pre-qualification process or tender evaluation was dated after the commencement of the dumping investigation and considerably after these events took place;
- trial liners supplied by Growth Asia as part of the pre-qualification process failed before replacement liners performed satisfactorily;
- a condition of the Northparkes Mines tender was that it did not have to accept the lowest bid from the pre-qualified suppliers;

- the difference between prices tendered by Growth Asia and those tendered by Australian industry would have been far smaller in the absence of competition from dumped prices tendered by Norcast;
- all other parties providing information to Customs that had purchased from Norcast or indicated an intention to buy from Norcast placed different valuations on mill liners offered by Growth Asia when compared to those supplied by the Australian industry or Norcast.

In its response to the SEF, Rio Tinto stated that these matters could not be used to counter its assertion that the contract would have been awarded to Growth Asia, not a member of the Australian industry in the absence of dumped goods from Canada. Rio Tinto provided documents to show that the four bidders in its tender process were regarded equally in terms of quality.

Customs has considered the information and, on balance, is not satisfied that there is strong and positive evidence that an Australian industry member may not have won the Northparkes Mines contract in the absence of dumped goods from Canada. In view of the lack of such evidence Customs must conclude that the dumping of mill liners from Canada caused the injury to the Australian industry as represented by the loss of the Northparkes Mines tender.

AWAA

AWAA claimed that there were no material quality differences in mill liners produced by Growth Asia, Norcast and the Australian industry. Further, AWAA submitted that another company, offering mill liners manufactured in South Africa, appeared to have the necessary capabilities required to present serious competition to the current players in Australia.

However, AWAA did not nominate which company it might have selected if Norcast mill liners had not been available at dumped prices. On the available evidence, an Australian industry member was a candidate to retain AWAA's business if it had not selected Norcast.

Cadia (Ridgeway tender and SAG mill feed end liners)

During the investigation, Cadia provided Customs with documents relating to its tender for ongoing supply of its Ridgeway site (the tender process was also used to award the supply of feed end liners for Cadia's SAG mill to Norcast). The document included comments on the various potential suppliers and a rating of each supplier on various weighted factors including price.

In its response to the SEF, Cadia stated that in its experience Growth Asia was the price leader in the Pacific Region. It stated that the alleged dumped price offered by Norcast was an outcome of strong international competitiveness between Norcast and Growth Asia.

Cadia pointed to Growth Asia's success in securing supply of the initial set of mill liners for its Ridgeway Project to support its view.

Cadia made other comments in relation to its selection of Norcast and its likely course of action if Norcast had not bid dumped prices but considered these comments confidential. A summary of Cadia's comments and Customs' assessment is at **confidential appendix 7**.

Cadia, in its submission to the SEF, appears to have departed from the position set out in the documents provided to Customs relating to its assessment of the various parties in the tender process. Customs considers that, on balance, it must conclude that, at the very least, an Australian industry member might have won the Cadia tender in the absence of dumped goods from Canada.

FFE Minerals (Comalco and Thunderbox projects)

FFE Minerals conducted separate tenders to purchase initial sets of mill liners for new mills it was supplying for the Comalco and Thunderbox projects.

FFE Minerals advised Customs that although Growth Asia was asked to submit a quote to supply liners for the Comalco project it was not considered as a supplier.

In the case of the Thunderbox project, FFE advised that it had proposed to LionOre, the company purchasing the mill, that the liners be sourced from either Norcast or Growth Asia as the lowest priced bidders.

FFE Minerals could not provide documentation to assist in determining which supplier would have won the tender in the absence of mill liners offered by Norcast at dumped prices.

On the available evidence Customs concluded that, in the absence of dumped goods from Canada, a member of the Australian industry might have won FFE's tenders for the supply of initial sets of mill liners.

Metso Minerals (Telfer Project)

Metso Minerals held a tender to purchase initial sets of mill liners to supply with new mills for Newcrest's Telfer Project. Although Metso Minerals advised Customs that it had selected Norcast to supply the mill liners, Metso Minerals delayed finalising the contract, presumably as a result of the imposition of securities in February 2003.

On 27 May 2003, Metso Minerals advised Customs that it had decided to purchase mill liners from Growth Asia to supply with the new mills.

Based on this development, Norcast argued that its initial selection in the Metso Mineral tender for the Telfer project was not injury caused or threatened by dumping.

In view of Metso Minerals' decision to purchase mill liners from Growth Asia, Customs considers that Australian industry's failure to win the tender is not injury caused by dumping.

Pasminco Century Mines

Pasminco provided only limited information to the investigation. The information provided showed that Norcast had won the tender at prices which significantly undercut the Australian industry.

Customs concluded that the Australian industry might have won the Pasminco Century Mines tender in the absence of dumped goods from Canada.

8.2.5 Growth Asia's presence in the Australian market

Norcast provided Customs with its assessment of the Australian market for mill liners. The assessment was based on market intelligence and lists each significant user of mill liners in Australia with Norcast's understanding of the supplier or suppliers of mill liners, an indication of the quantity of metal mill liners used per annum and the average price paid.

Norcast provided its market assessment to demonstrate:

- the extent of the presence of Growth Asia in the Australian market; and
- Norcast's understanding of the prevailing average price for mill liners in Australia and how this was not significantly above the prices at which Norcast was successful in winning tenders in Australia.

Customs analysed Norcast's assessment of the market against information verified during the investigation. Customs concluded that Norcast's assessment was not an accurate reflection of the Australian market. In Customs' view, the evidence shows that the Australian industry members dominated the Australian market until the entry of Norcast at dumped prices. This was despite Growth Asia's presence in the market for some years.

Also, as shown in **confidential appendix 6**, Customs observed that Norcast's pricing in some tenders significantly undercut prices offered by Growth Asia.

Norcast pointed to recent instances where Growth Asia had been selected to supply Australian consumers to illustrate Growth Asia's leadership in supplying the Australian market. Customs noted these cases but considers this is a reflection of a competitive market where consumers will select a supplier according to their requirements and does not indicate that the Australian industry will be unsuccessful in obtaining business in the Australian market at prices higher than those quoted by other suppliers. Supporting this view is the fact that, in another recently decided major tender, an Australian consumer selected an Australian industry member. Customs has confirmed that the Australian industry member was not the lowest price bidder.

8.2.6 Failed tender bids by Norcast

Norcast provided Customs with details of several tender bids which it claimed were unsuccessful due to lower price offers by Growth Asia and members of the Australian industry.

Customs analysed these tender bids and found that they did not support the claim that the prevailing market price in Australia is set by Growth Asia.

Customs' analysis is at **confidential appendix 8**.

8.2.7 Other possible causes of injury

Other imports

As stated elsewhere in this report, the Australian industry has lost sales to imports from Indonesia as well as Canada. Customs has been careful to isolate injury associated with the Indonesian imports.

Contractions in demand/changes in consumption patterns

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

Restrictive trade practices and competition between foreign and Australian producers

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

Developments in technology

Norcast and some Australian consumers of mill liners claimed that the Australian industry used outdated manufacturing methods and suffered from a lack of investment. These parties claimed that Norcast, in contrast, benefited from advanced technology, lower production costs and a focus on mill liner production. The Australian industry member, Bradken, rejected this view.

Customs is satisfied that both the Australian industry and Norcast are capable of producing mill liners that meet consumers' requirements. Customs found no evidence that developments in technology had contributed to injury suffered by the Australian industry.

For dumping duties to be imposed the Minister must be satisfied that dumping has caused or threatens to cause material injury to the Australian industry. The exporter's costs to make and sell the goods under consideration are relevant to determining if its selling prices in the country of export are in the ordinary course of trade and, therefore, suitable for establishing normal values. The exporter's costs and how these may relate to the costs of the Australian industry are not otherwise relevant to the Minister's decision.

Export performance and productivity of the Australian industry

Customs found no evidence that these factors contributed to injury suffered by the Australian industry.

8.3 Conclusion

Customs is satisfied that the dumping of mill liners from Canada caused injury to the Australian industry through:

- Norcast winning tenders to supply mill liners to Northparkes Mines, Cadia, FFE Minerals and Pasminco; and
- the depression of prices received by the Australian industry to two consumers.

These events have resulted in injury to the Australian industry through:

- loss of sales;
- loss of market share;
- price depression; and
- a loss of profits and profitability.

Customs concluded that the injury to the Australian industry caused by dumping of mill liners from Canada was material.

Customs does not consider that Growth Asia's presence in the Australian market is such that Customs could conclude that injury caused by Norcast was not injury caused by dumping.

9 WILL DUMPING & MATERIAL INJURY CONTINUE?

Where the Minister is satisfied that material injury has been caused to the industry, anti-dumping measures may be imposed on future exports if the Minister is also satisfied that future exports may be dumped. By signing a notice under s. 269TG(2) to this effect, the measures are made prospective.

Customs is of the view that failure to put in place a prospective dumping duty notice would result in further exports from Canada, at dumped prices.

Customs has observed that Norcast has continued to export mill liners to Australia at dumped prices. Australian mill liner consumers have indicated to Customs that they would purchase mill liners from Norcast if dumping duties were not imposed.

On the basis of available evidence, Customs is satisfied that, in the absence of measures, it is likely that dumping and material injury will continue.

10 ANTI-DUMPING MEASURES

10.1 Introduction

An interim duty is collected on each importation of goods subject to anti-dumping measures. The level of dumping duty cannot exceed the margin of dumping, but lesser duty may be applied if it is determined that a lesser duty is sufficient to remove the injury.

In determining the amount of interim dumping duty payable, the Minister must ascertain an export price, a normal value and a non-injurious price for the goods. The interim duty is based on the difference between the ascertained export price and the lower of the ascertained normal value and the ascertained non-injurious price.

An importer can apply for repayment of any interim duty paid in excess of the actual duty liability. An affected party can seek a review of the interim duty.

The following paragraphs explain how Customs calculated an interim dumping duty for the goods.

10.2 Interim dumping duties

Customs recommends that the Minister ascertain export prices and normal values for iron and steel mill liners exported to Australia by Norcast. Also, Customs recommends that a rate covering all other exporters from Canada apply in line with normal practice.

Customs recommends that the Minister specify separate export prices and normal values for what are effectively two grades or models of the goods - iron mill liners and steel mill liners. This is because Customs observed a distinct difference in the price paid for iron mill liners and steel mill liners on both the Australian and Canadian markets.

Customs has not attempted to define the difference between iron mill liners and steel mill liners according to the principles of metallurgy. It has simply observed the difference between what the industry generally describes as the two grades of product that make up the goods the subject of the application.

For the purposes of the dumping measures, Customs has defined the difference between iron and steel mill liners as follows:

Steel mill liner A metal mill liner that has a chemical composition of less than 2% carbon.

Iron mill liner A metal mill liner that has a chemical composition of equal to or more than 2% carbon.

The following paragraphs explain how Customs calculated the interim dumping duties for mill liners.

10.2.1 Ascertained export price

Customs recommends that the Minister ascertain an export price for steel mill liners using the weighted average FOB export price of steel mill liners exported to Australia by Norcast over the investigation period.

Norcast did not export iron mill liners to Australia during the investigation period. However, these goods were the subject of the application and are like goods to steel mill liners. During its visit to Canada, Customs verified information to assist the Minister in ascertaining a normal value for iron mill liners. Like steel mill liners, the normal value for iron liners was assessed using domestic selling prices at arms length and in the ordinary course of trade. Customs made the same adjustments as those made to steel mill liners to ensure a fair comparison.

Customs recommends that the Minister ascertain an export price for iron mill liners by reference to the weighted average normal value assessed for iron mill liners and applying the same dumping margin as Customs assessed for steel mill liners to calculate an ascertained export price.

10.2.2 Ascertained normal value

Customs recommends that the Minister ascertain a normal value for steel mill liners using the weighted average of normal values for steel mill liners exported to Australia by Norcast over the investigation period.

As explained above, Norcast did not export iron mill liners to Australia during the investigation period. Customs recommends that the Minister ascertain a normal value for iron mill liners using the weighted average of normal values assessed by Customs following its visit to Norcast. Customs calculations of the normal values for iron mill liners sold Norcast are at **confidential appendix 9**.

10.2.3 Unsuppressed selling price

An unsuppressed selling price (USP) is the price at which the Australian industry would be able to sell the goods in a market unaffected by dumped imports. There are a number of options available to establish the USP including:

- the price for locally produced goods when the Australian market was not affected by dumping and adjusting that price to the current date;
- the Australian industry's cost to make and sell plus an estimated profit (if any) that the industry could achieve in a market unaffected by dumping;
- using the lowest Australian domestic price for non-dumped imports, if it can be shown that those imports set the market price or that those imports influence the price; or
- another appropriate method suggested by an interested party.

Australian industry's view

The Australian industry did not make a submission on the method that should be used to establish the USP although it did provide a sample of prices to customers it claimed were unaffected by dumping.

Australian industry submitted that consumer resentment at its use of the anti-dumping regime meant that it would take a number of years to restore the Australian industry to a level of profitability and stability that existed before Norcast entered the Australian market. The Australian industry requested that, in contemplating any non-injurious price, Customs take into account the significant damage to key customer relationships. The Australian industry requested that the full dumping margin be applied for at least the next five years.

Other interested parties' views

Norcast submitted to Customs that "it would seem that a price the Australian producers could reasonably expect to achieve in a market unaffected by dumping" was a price reflected by imports from Indonesia. Norcast provided Customs with its assessment of the prices being paid by consumers in the Australian market. As explained in section 8 of this report, Customs did not find Norcast's estimate of prices in the Australian market, including those achieved by the Australian industry, to be reliable.

Customs received similar submissions from Rio Tinto, Cadia and AWAA proposing that the USP should be set at the level represented by Growth Asia's selling prices.

Norcast also submitted that the supply of mill liners in respect of which an Australian industry member, Bradken, claims to have patent rights should be excluded from consideration in the calculation of the USP. Norcast claimed that the monopoly prices charged for these liners did not reflect a competitive market price.

Customs' assessment

As explained in section 8, Customs disagrees with the proposition that prices offered by imports from Indonesia set the price that Australian producers could reasonably expect to achieve in a market unaffected by dumping.

Customs considers that the USP should be based on the Australian industry's weighted average selling prices prior to it being affected by dumping. Customs considers that sales in the financial year 2001/2002 are relatively unaffected by dumping. Although tenders were lost to Norcast in this period, the time lag between the awarding of a tender and goods being supplied means that mill liners from Canada did not commence arriving in Australia until late June 2002. Customs did not observe a marked change in costs of production that would indicate that the Australian industry could not reasonably expect to obtain the prices observed in 2001/2002 in a market unaffected by dumping.

Customs has adjusted Australian industry selling prices to take into account the two instances of price depression caused by dumping which commenced in the latter part of 2001/2002. Customs has also adjusted the selling prices so that they are at the same inventory holding and payment terms as Norcast's weighted average export price and normal value. The ex-works Australian industry selling prices are considered to be equivalent to a landed price of imports from Canada.

Customs agrees with Norcast that the prices of certain mill liner pieces sold by Bradken under a patent may be different to what the Australian industry could achieve in a market unaffected by dumping. Customs has excluded mill liners subject to the patent from the calculation of the weighted averages.

Customs has calculated separate weighted averages for steel mill liners and iron mill liners.

Australian industry requested that the full margin of dumping should be applied to exports from Canada. However, the Minister must, in exercising his power under the anti-dumping legislation, have regard to the desirability of fixing a lesser amount of duty based on the Australian industry's non-injurious price. Customs does not, in this case, see a reason for the Minister to depart from his consistent practice of fixing a lesser amount of duty where the ascertained normal value is above the non-injurious price.

10.2.4 Non-injurious price calculation

To calculate the NIP, post FOB exportation costs such as overseas freight and insurance and costs incurred in Australia are deducted from the USP.

Details of the USPs are at **confidential attachment 10**. Customs calculation of the NIPs is at **confidential appendix 11**.

10.2.5 Interim dumping duties

An interim dumping duty may be ascertained:

- as a proportion of the export price; or
- by reference to a measure of the quantity; or
- by a combination of these methods.

Customs recommends that the interim dumping duty be expressed as an amount per kilogram.

Details of the ascertained export prices, ascertained normal values, ascertained NIPs and interim dumping duties are at **confidential appendix 12**.

11 RECOMMENDATIONS

Customs recommends that the Minister impose country wide anti-dumping measures against Canada and take anti-dumping action under s. 269TG(1) and s. 269TG(2).

Subsection 8(5) of the *Customs Tariff (Anti-Dumping) Act 1975* provides that the Minister must direct that the interim dumping duty be ascertained as a specific duty, a proportional duty, or some combination of these forms of duty. In this case, Customs recommends that the Minister direct that the interim dumping duty be ascertained by reference to the quantity of the goods (kilograms).

Customs recommends that the Minister determine:

- in accordance with s. 269TAB(1)(c), having regard to all the circumstances of the exportation, the export price for mill liners exported to Australia from Canada;
- in accordance with s. 269TACB(1), by comparison of the weighted average export price and the weighted average normal value over the investigation period, that exports of mill liners by Norcast of Canada were dumped.

Customs recommends that the Minister direct that:

- in accordance with s. 269TAC(8), the price paid for like goods sold by Norcast of Canada be adjusted for differences between domestic and export sales in commission, inland freight costs in Canada, export inland freight costs in Canada; export handling costs, an estimate of export port costs; fumigation; and inventory holding/payment terms.
- in accordance with s. 8(5) of the *Customs Tariff (Anti-Dumping) Act 1975* that interim dumping duties in respect of mill liners the subject of a notice under s. 269TG(1) or s. 269TG(2) be ascertained by reference to a measure of the quantity (in kilograms) of the goods.

Customs recommends that the Minister be satisfied that:

- in accordance with s. 269TG(1), the export price of mill liners that have been exported to Australia from Canada is less than the amount of the normal value of those goods and because of that, material injury to an Australian industry producing like goods has been caused; and
- in accordance with s. 269TG(2), the export price of mill liners already exported to Australia from Canada is less than the normal value of those goods and the export price of mill liners that may be exported to Australia in the future may be less than the normal value of the goods and because of that, material injury to an Australian industry producing like goods has been, is being and may continue to be caused.

Customs recommends that the Minister declare that:

- in accordance with s. 269TG(1), by public notice, that s. 8 of the Customs Tariff (Anti-Dumping) Act 1975 applies to mill liners already exported to Australia from Canada;
- in accordance with s. 269TG(2), by public notice, that s. 8 of the Customs Tariff (Anti-Dumping) Act 1975 applies to mill liners exported to Australia from Canada after the date of publication of the notice.

To give effect to these recommendations, Customs recommends that the Minister sign the attached instrument accepting the recommendations in this report and the attached notices pursuant to s. 8(5) of the *Customs Tariff (Anti Dumping) Act 1975*.

12 STATEMENT OF FACTS & EVIDENCE RELIED UPON

Customs' reasons for the recommendations contained in this report are:

SECTION	TOPIC	MATERIAL FINDINGS OF FACT	EVIDENCE RELIED UPON TO SUPPORT THOSE FINDINGS
3	The goods	<ul style="list-style-type: none"> ▪ Cast articles of iron and steel used to line grinding mills were imported from Canada during the investigation period. 	Information provided by: Australian industry; end users; and the exporter and Customs' commercial database.
4	Like goods and the Australian industry	<ul style="list-style-type: none"> ▪ Cast articles of iron and steel made in Australia and cast articles of iron and steel imported from Canada are like goods. ▪ There is an Australian industry producing like goods. ▪ That industry consists of Bradken and Roche. ▪ The application was supported by a sufficient part of the Australian industry. 	Information provided by: Australian industry; end users; and the exporter; and responses to the SEF.
5	The Australian market	<ul style="list-style-type: none"> ▪ Market structure and market size. 	Information provided by: Australian industry; end users; and the exporter; and Customs' commercial database.
6	The dumping investigation	<ul style="list-style-type: none"> ▪ The Canadian company, Norcast, exported the goods to Australia during the investigation period. ▪ There was dumping of the goods by Norcast and the margin was not negligible. ▪ The volume of dumped goods exported to Australia from Canada was not negligible. 	Information provided by: end users; the exporter; responses to SEF; and Customs' commercial database.

SECTION	TOPIC	MATERIAL FINDINGS OF FACT	EVIDENCE RELIED UPON TO SUPPORT THOSE FINDINGS
7	The economic condition of the industry	<ul style="list-style-type: none"> ▪ The Australian industry suffered injury in the form of: <ul style="list-style-type: none"> ⇒ Price undercutting; ⇒ Price depression; ⇒ Loss of market share; ⇒ Profits foregone and loss of profitability; and ⇒ Loss of sales/tenders. 	Information provided by: Australian industry; end users; and the exporter; responses to SEF; and Customs' commercial database.
8	Has dumping caused material injury?	<ul style="list-style-type: none"> ▪ Goods exported from Canada by Norcast have caused material injury. 	Information provided by: Australian industry; end users; and the exporter; responses to SEF; and Customs' commercial database.
9	Will dumping and material injury continue	<ul style="list-style-type: none"> ▪ Future exports of the goods from Canada will continue to be dumped and cause material injury in the absence of measures. 	Information provided by: Australian industry; end users; and the exporter; responses to SEF; and Customs' commercial database.

LIST OF APPENDICES

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* Commercial-in-Confidence data not included in the published report.

