



Australian Government
**Australian Customs and
Border Protection Service**

INVESTIGATION

**ALLEGED DUMPING OF HOT ROLLED PLATE STEEL
EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA (CHINA), REPUBLIC OF INDONESIA, JAPAN,
THE REPUBLIC OF KOREA AND TAIWAN**

AND

**ALLEGED SUBSIDISATION OF
HOT ROLLED PLATE STEEL
EXPORTED FROM CHINA**

VISIT REPORT - IMPORTER

SANWA 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 CUSTOMS AND BORDER
PROTECTION**

March 2013

1	TABLE OF CONTENTS
----------	--------------------------

1	TABLE OF CONTENTS.....	2
2	PURPOSE AND BACKGROUND	3
2.1	Background to the investigation.....	3
2.2	Purpose of meeting	3
2.3	Meeting.....	4
2.4	Documents provided by Sanwa	5
3	THE GOODS	7
3.1	Description.....	7
3.2	Tariff classification	7
4	COMPANY DETAILS.....	8
4.1	Commercial operations.....	8
4.2	Accounting.....	9
4.3	Relationship with suppliers	9
4.4	Relationship with customers	10
5	AUSTRALIAN MARKET	11
5.1	General.....	11
5.2	Distribution and selling.....	11
5.3	Sanwa's sales.....	12
6	IMPORTS	15
6.1	Volume of trade	15
6.2	Ordering.....	16
6.3	Date of sale	17
6.4	Forward orders	17
6.5	Verification of imports	17
6.6	Export prices for selected shipments.....	20
7	WHO IS THE IMPORTER AND EXPORTER	21
7.1	Who is the importer?	21
7.2	Who is the exporter?	21
8	ARMS LENGTH TRANSACTIONS.....	22
9	GENERAL COMMENTS.....	23
10	RECOMMENDATIONS	24
11	LIST OF ATTACHMENTS	25

2 PURPOSE AND BACKGROUND

2.1 Background to the investigation

On 21 December 2012, an application was lodged on behalf of BlueScope Steel Limited (the applicant) requesting that the Minister for Home Affairs (the Minister) publish:

- a dumping duty notice in respect of hot rolled plate steel (plate steel) exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), Japan, the republic of Korea (Korea) and Taiwan; and
- a countervailing duty notice in respect of plate steel exported to Australia from China.

BlueScope alleges that plate steel has been exported to Australia from China, Indonesia, Japan, Korea and Taiwan at prices lower than its normal value, that plate steel exporter to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing plate steel.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 12 February 2013.

Australian Customs Dumping Notice (ACDN) No. 2013/18 and ACDN No. 2013/20 provides further details of this investigation and are available at www.customs.gov.au.

The investigation period is 1 January 2012 to 31 December 2012. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 January 2008 for injury analysis.

Prior to initiation of the investigation, Sanwa Australia Pty Ltd (Sanwa) was identified as a potential large importer of plate steel from Korea in the investigation period in Customs and Border Protection's import database. Consequently, Sanwa was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Sanwa completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports, expenses, and sales. A copy of Part A (company and supplier details) of Sanwa's questionnaire response is at **Confidential Attachment 1**.

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Sanwa is the importer of plate steel attributed to it in the import database and obtain information to assist in establishing the identity of the exporter(s) of this plate steel;
- verify information on imports of plate steel to assist in the determination of export prices;
- establish whether the purchases of plate steel by Sanwa were in arm's length transactions;
- establish post-exportation costs incurred by Sanwa in importing plate steel;
- identify Sanwa's sales and customers and verify sales volume, selling prices and selling costs;
- recommend how export price for importations of plate steel by Sanwa may be determined under s. 269TAB of the *Customs Act 1901* (the Act)¹; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

Sanwa has not been visited in Customs and Border Protection's previous investigations into plate steel or any other recent dumping investigations.

2.3 Meeting

2.3.1 Introduction

At the meeting, we gave a general outline of the investigative process and reporting timeframes as follows.

- The investigation period is 1 January 2012 to 31 December 2012.
- The injury analysis period is from 1 January 2008 for the purpose of analysing the condition of the Australian industry.
- We advised Sanwa that a preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (15 April 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

Customs and Border Protection will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 3 June 2013, or such later date as the Minister allows under s.269ZHI of the Act.

The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister,

¹ All references to legislative provisions within this report refer to the Act, unless specified otherwise.

and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, Customs and Border Protection will provide its final report and recommendations to the Minister.

This final report is due no later than 17 July 2013, unless an extension to the SEF is approved by the Minister.

We explained that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We noted that, in consultation with Sanwa, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

Prior to the meeting, we forwarded an agenda to Sanwa. A copy of the agenda is at **Non-Confidential Attachment 2**.

Sanwa co-operated fully with the visit, making relevant staff available and providing copies of all requested documents.

2.3.2 Meeting details

Company	Sanwa Pty Ltd Suite 201, 100 New South Head Road Edgecliff NSW 2027
Date of visit	20 March 2013

The following were present at various stages of the meetings.

SANWA	Mr Ron Ferster, Managing Director Mr David Roberts, Director & General Manager Mr Laurie Di Medio, Metals Trader Mr Michael Meyer, Chief Financial Officer Ms Rhoda Allison, Shipping Department
Customs and Border Protection	Ms Joanne Reid, Director, Operations 2 Ms Nicole Platt, Manager, Operations 2

2.4 Documents provided by Sanwa

As part of the Importer Questionnaire, Customs and Border Protection provided Sanwa a copy of a download from the Customs and Border Protection import database that listed all potential importations of plate steel during the investigation period, and selected 12 shipments from this listing for further examination and verification with Sanwa.

As part of its response to Part B of the Importer Questionnaire, Sanwa completed a 'Cost to Import and Sell' importer transaction form for the selected 12 shipments. This importer transaction form included information for the import transaction itself and information for the sale of that shipment to Sanwa's Australian customers.

The importer transaction form has been revised following the verification to make corrections that we consider to be reasonable (as discussed throughout this report). The revised importer transaction form is at **Confidential Attachment 3**.

We requested that Sanwa prepare packages of source documents to verify the data in the importer transaction form for each of the 12 selected shipments. As requested, Sanwa prepared and supplied these documents during the verification visit (**Confidential Attachment 4**).

Details of price offers for plate steel to Sanwa from steel mills were supplied after the verification visit together with examples of Sanwa's price offers to customers (**Confidential attachment 5**).

In addition, as Part C of its response to the Importer Questionnaire, Sanwa provided a complete transaction by transaction list of its sales of plate steel for the investigation period at the verification visit (**Confidential Attachment 6**).

The listing includes the order number, product group, supplier details, invoice value and customer for each transaction.

Sanwa provided further relevant documentation during the verification, discussed throughout this report.

3 THE GOODS

3.1 Description

The goods the subject of the application (the goods) are:

Flat rolled products of:

- *iron;*
- *non-alloy steel; or*
- *non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed;*

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from the investigation are:

- *250 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;*
- *350 MPa yield strength grades of plate steel with a thickness greater than 100mm;*
- *Q & T Green Feed grades of plate steel with a thickness greater than 105mm; and*
- *heat treated Q & T grades of plate steel.*

3.2 Tariff classification

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

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings 7208.40.00, 7208.51.00 and 7208.52.00 the general rate of duty is 5% for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5% and 4% for imports from China and Indonesia.

4 COMPANY DETAILS

4.1 Commercial operations

4.1.1 Organisational structure of the group

Sanwa is a privately owned Australian company that has been in business since 1971. Sanwa specialises in plastics and metals importing into Australia and New Zealand.

Sanwa advised that it has a sister company which operates a distribution company, Halifax Vogel. Sanwa explained that Halifax Vogel is a separately operated entity. Customs and Border Protection considers that this company, which is run completely independently of Sanwa and has no commercial dealings with Sanwa, is not relevant to this investigation.

4.1.2 Functions of company

Sanwa is an importer of steel and other products.

Sanwa:

- makes offers to Australian customers;
- negotiates with overseas suppliers;
- arranges importation of goods; and
- sells and arranges the delivery of goods to its Australian customers under agreed credit terms.

Sanwa explained that it does not hold stock as it operates on an indent trading system. Sanwa's entire plate steel imported product is contractually pre-sold to customers before an order is placed with the supplier. Sanwa does not operate warehouse facilities and any product delayed in delivery to the customer is held by the transportation company after delivery to the wharf until delivery can be completed.

4.1.3 Product range

Sanwa's steel division imports a large range of products including:

- reinforcing steels;
- wire rod;
- pre-stressing wire products;
- structural beams;
- tube and pipe;
- steel coils;
- sheets and plate steel;
- specialised carbon steels;
- wires; and
- billets.

Customs and Border Protection were advised that approximately █% of its steel business revenue is generated from sales of plate steel. Customs and

Border Protection confirmed the accuracy of this statement by reference to the financial data provided by Sanwa.

4.1.4 Like goods

Sanwa advised that it imports plate steel to Australian standard AS3678 in grades 250 and 350 only. Sanwa explained that grade 250 is the most common ordered product, as it is considered commercial quality, with approximately █% of Sanwa's plate steel sales being of this grade of product. Sanwa imports product between 6mm and 100mm thickness.

Sanwa believes that of the total plate steel product it imports, BlueScope can produce similar product for approximately █% of the range available; however at times does not offer certain high tensile products on a regular basis as needed by customers. Sanwa advised that plate steel is a commodity with very little differences in quality amongst manufacturers given the composition of the product. The differences, if any, occur in surface appearance usually caused by damage caused through shipping and loading of the product and rust occurring on imports. All imported product meets the Australian standards.

Sanwa advised that there were really no viable substitutes for the plate steel product other than varying grades of steel. As Sanwa mostly sells its product to distributors it is not always aware of the end use of the imported product or further processing that occurs to the product prior to it entering the Australian consumer market.

4.2 Accounting

Sanwa advised that its financial year ends 30 June, and that its accounts are audited annually.

At the verification, Sanwa provided its audited financial statements for the year ending 30 June 2012, which were audited by Barry Medel Frank & Co, Chartered Accountants (**Confidential Attachment 7**).

We note that the auditor gave an unqualified opinion that Sanwa's accounts:

- (a) gave a true and fair view of the company's financial position as at 30 June 2012; and
- (b) complied with the relevant Australian Accounting Standards and with the requirements of the *Corporations Regulations 2001*.

Sanwa advised that it uses an accounting package called 'Pronto'.

Sanwa advised that each plate steel sale is recorded separately with an individual file maintained for each customer showing all variable costs and budget versus actual sale outcome.

4.3 Relationship with suppliers

Sanwa purchased plate steel from the following suppliers during the investigation period:

- [REDACTED] – a Korean plate steel manufacturer; and
- [REDACTED] – a Chinese plate steel manufacturer. Sanwa advised that the product purchased from this supplier was [REDACTED]. [confidential – supply details]

Sanwa advised that:

- it has no ownership interest in, and no relationship other than an arm's length commercial relationship with any of the abovementioned suppliers; and
- there were no discounts or rebates applicable to purchase of goods from any of the above suppliers during the investigation period.

We found no evidence of any discounts or rebates being provided to Sanwa by any of its suppliers during our verification.

4.4 Relationship with customers

Among Sanwa's major customers are:

- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED] and
- [REDACTED].

Sanwa advised that there were no rebates or discounts given to any of its Australian customers during the investigation period, and that the invoiced price to its customers was the price paid.

Customs and Border Protection found no evidence of any rebates or discounts during our investigation with Sanwa.

Sanwa explained that it has no legal relationship with any of its customers in its sales of plate steel. Customs and Border Protection found no evidence of any relationship other than a purely commercial one, between Sanwa and its customers of plate steel.

5 AUSTRALIAN MARKET

5.1 General

Sanwa discussed the Australian plate steel market generally, observing that BlueScope set their prices of plate steel in the Australian market based on import price levels and adjusts accordingly.

Sanwa observed that BlueScope prices are comparatively high to imports, but that BlueScope is able to attract a local 'premium', primarily due to their relatively short lead times compared to imported plate steel. Sanwa noted that if Australian industry prices were equal to imported product, locally produced product would be preferable to customers given the shorter lead times and less risk of damage to product in shipping. The price difference is commensurate with the value difference in terms of time cost and convenience.

Sanwa advised that its customers sourced product from both other importers and the Australian industry and often 'shopped around' for the best price. It is a competitive market. Sanwa perceives that demand for its product has increased, however it does not believe that the total plate steel market has increased overall.

Sanwa advised that during the period 2003 to 2008 there was a short supply of plate steel by BlueScope therefore importers increased their selling power over that time.

Sanwa believes that BlueScope has failed to properly manage its business and invest properly in its operations. By diverging into the distribution sector and not focusing solely on its manufacturing facility it has weakened its ability to compete with imported product. Also by having its own distribution sector, BlueScope excludes companies such as Sanwa from domestic supply options.

Sanwa mainly sells to distributors and some processors who will further process the plate steel before on selling to end users. If demands from end users fall, Sanwa customers are left with excess stock levels and the result is a fall in orders through Sanwa. Demand from Sanwa customers tends to reduce around September each year due to the timing of delivery of orders placed then corresponding with the Christmas holiday period.

5.2 Distribution and selling

Sanwa identifies itself as an importer in the Australian plate steel market. Sanwa stated that it does not handle the goods at all. Sanwa provides offers to its customers each month then organises ordering from overseas mills on that basis. Once the product is shipped to Australia a range of logistics companies and freight contractors ship the goods directly from the port to the customer. All goods are sold at a delivered price to the customer. Any delay in delivery of the goods means that the transport company hold the goods

until they are delivered; there are no warehousing facilities maintained by Sanwa for the importation of plate steel.

5.3 Sanwa's sales

5.3.1 Ordering and sales process

Sanwa advised that its usual ordering and sales process for the goods is as follows:

- Sanwa receives a price guideline for plate steel from its overseas mill. This is a negotiating point only, and discussions are held based on market conditions.
- Sanwa calculates its own monthly offers based on these mill guidelines by converting the mill offers to a FIS price including Sanwa's margin, based on an assumption of a particular exchange rate. It distributes monthly offers to its Australian customers via email. Examples of such offers are at **Confidential Attachment 5**.
- Sanwa is contacted by its Australian customers to place orders for the goods under the offer released by Sanwa, usually via email, at which point Sanwa confirms the order via a proforma invoice and a contract is established.

Sanwa advised that it is at this date that the purchase price between Sanwa and its Australian customers is set based on the offer (see Section 6.3).

- Sanwa takes out foreign exchange insurance on all contracts. If an order is cancelled, Sanwa may charge the customer a fee for foreign exchange losses.
- Sanwa places its order with its overseas suppliers, usually by email, after confirmation of sale with the customer, at which point the supplier's price is set based on the order (subject to some adjustments in some cases (see Section 6.3)).

Sanwa enters a contract for supply with its suppliers, which generally consolidates multiple purchase orders.

- Sanwa's suppliers manufacture and compile the shipment and prepare the export documentation.

Sanwa organises for the product to be landed, cleared and delivered to the customer.

- Once the order is delivered to Australia, Sanwa issues an invoice to the customer.
- Payment terms offered for customers are between [REDACTED] days (with [REDACTED] days being the standard). These terms are offered to all customers. [REDACTED]

[confidential – supply terms].

Sanwa advised that it does not have traditional 'price lists', but that its price lists are effectively the monthly offers it releases to the market.

5.3.2 Sales verification

Accuracy – verification to source documents

As discussed at Section 2.4, Sanwa provided source documents for 12 selected shipments detailed in its importer transaction form, which included Sanwa's invoices to its Australian customers.

We matched the invoice details (value, quantity, invoice date, delivery terms and credit terms) to Sanwa's sales listing. Sanwa also provided a copy of each customer's general ledger from the Pronto sales system showing each sale recorded and subsequent payment.

We are therefore satisfied that invoice details recorded in Sanwa's sales listing are accurate, and that Sanwa's customers paid the invoiced amounts for these transactions.

Completeness and relevance – verification to Sanwa's accounts

We requested Sanwa provide us with documents to conduct an upwards reconciliation of Sanwa's (plate steel only) Part C sales listing submitted in response to the Importer Questionnaire (**Confidential Attachment 6**).

Sanwa was unable to provide a detailed sales report showing quantities for each order. The invoiced sales listing provided details of the customer, order number, product group, supplier, date of invoicing and dollar value. Subsequent to the visit Sanwa provided a quarterly average calculation of imported quantities (**Confidential Attachment 12**) covering the investigation period and one quarter either side of that period.

Sanwa provided company-wide profit and loss statements for the financial year ended 30 June 2012, as well as month to date profit and loss statements to 31 December 2012, which in addition to monthly totals showed the six month period totals for July to December 2011 and July to December 2012 (**Confidential Attachment 10**).

We observed that Sanwa's profit and loss statements do not differentiate sales by product or departments. We therefore obtained a total sales listing of all products of the company and confirmed the totals from this report to the profit and loss statements. We then filtered the total sales report to isolate plate steel sales and cross matched those with the Part C response.

We are therefore satisfied that Sanwa's sales listing is a complete and relevant list of all of Sanwa's sales of plate steel over the investigation period.

5.3.3 Profitability of sales

We calculated the total profit for each of the 12 selected shipments (total selling price minus total cost to import and sell) in the importer transaction form.

All 12 selected sales were profitable. The range of profit for 11 of the twelve selected transactions was calculated as between █% and █%. One of the 12 sales showed a profit of █%, however Customs and Border Protection notes that this transaction was █
█ [confidential – supply details].

6 IMPORTS

6.1 Volume of trade

Following Sanwa's response to Part A of the Importer Questionnaire, Customs and Border Protection provided Sanwa a download from its import database of all imports of goods under the relevant tariff subheadings from the countries under investigation made by Sanwa during the investigation period.

We asked Sanwa to confirm whether the imported goods listed within this download were the goods (plate steel). In its response to the Importer Questionnaire, Sanwa confirmed that all importations in this listing were the goods.

As discussed in Section 6.5 below, we verified the accuracy of the data in the import database listing for 12 selected shipments in the importer transaction form (selected on the basis of their spread across the investigation period, their size and product type).

In performing this task with Sanwa, it was observed that for one selected shipment ([REDACTED] [confidential – shipment details]) the Australian delivery charge of the imported plate steel to the customer was incorrectly recorded in the Part B response ([REDACTED] [confidential – quantity details]). We corrected this error in the Part B spreadsheet.

After performing these checks and minor corrections, we are satisfied that total tonnes in the import database correspond with the suppliers' invoices.

The following table summarises the export volumes from all countries during the investigation period:

Country	Main supplier	Quantity (T)
Korea	[REDACTED]	[REDACTED]
China	[REDACTED]	[REDACTED]
TOTAL		[REDACTED]

The data reported in the import database under product description is broken into two sizes - hot rolled steel plates 4.75mm but not exceeding 10mm, and hot rolled steel plates exceeding 10mm. We have calculated weighted average export prices by month using this data, excluding the one sample shipment from China. The results are in the following graph:

[confidential – graph showing trend of weighted average export price]

A copy of the import database download forms **Confidential Attachment 11**.

6.2 Ordering

Sanwa advised that its ordering process for the goods, is generally as follows.

- Sanwa receives a price guideline from its overseas mill, which provides Sanwa with the price idea for negotiation purposes (base plus extras), generally on a monthly basis.

The guideline prices for plate steel are base prices plus extras such as width and thickness. Sanwa provided a copy of an example of price extras list from [REDACTED] **[confidential – supplier details]** (**Confidential Attachment 8**).

- Sanwa conducts initial price discussions with the supplier to firm up the likely price order proposition that would be, then formulates mill-specific market offers to Sanwa's customers based on the price discussions with the supplier and provides the offer by email or verbally.
- Negotiations occur between Sanwa and the mill and Sanwa's customers until customers contact Sanwa to place an order in response to the offer, usually via email.
- Sanwa negotiates a contract with the overseas mill for supply and the supplier provides Sanwa a sales contact confirming the total order amount. Each order to the mill contains multiple customer orders.
- Sanwa organises shipping of the goods once they have been produced, consolidating orders so that a number of order are included in the one shipment.
- The overseas supplier produces and dispatches the goods, and advises Sanwa of their shipment.
- The supplier invoices Sanwa at the date the goods are shipped from overseas, which is usually [REDACTED] months after the date of the original order and sales contract date.
- Sanwa pays the supplier via letter of credit at sight.
- Sanwa organises for the product to be landed, cleared and delivered to the customer.

Customs and Border Protection observed from Sanwa's importer transaction form (**Confidential Attachment 3**) that terms of sale to Sanwa from its supplier are [REDACTED] **[confidential – supply terms]**. On one shipment ([REDACTED]) terms were listed as [REDACTED], Sanwa advised that this one shipment was provided on different terms due to a difference in the packaging method being [REDACTED] **[confidential – supply details]**. In addition, the freight amount included in the importer transaction form was an estimate of freight costs only, as the supplier did not advise the freight expense.

Credit terms on all shipments were listed as letter of credit at sight.

6.3 Date of sale

During the verification visit, Sanwa advised that the price between it and its suppliers is set at the date of order confirmation, not at the date of invoice. After the verification Sanwa checked its records and advised Customs and Border Protection that in several cases during the period of investigation the purchase order was not met in time, or where Sanwa was able to add more product to a previous order at the previous price, or where the contract wording or pricing was identified to be incorrect and was changed. Thus Sanwa thought the invoice date was the final date for the price and terms to be set with the supplier.

Sanwa stated that the lead time between placing an order with the supplier, and delivery of the goods to Sanwa's customer can be [REDACTED] months.

We observed that the detailed sales listing provided by Sanwa as Part C of its response to the importer questionnaire did not include information regarding Sanwa's date of order for the listed sales of plate steel.

6.4 Forward orders

Sanwa's Importer Questionnaire response indicated that there were [REDACTED] forward orders.

At the verification visit Sanwa advised that it had [REDACTED] [REDACTED]. [confidential – ordering details] It does not stockpile product because of the indent sales process it has adopted.

Sanwa provided a list of total orders placed from 1 November through to the date of the visit (**Confidential Attachment 9**). Customs and Border Protection observed that the last order was placed [REDACTED] [confidential – date], the total quantity of orders placed was [REDACTED] and the expected delivery date for all orders listed was between [REDACTED] [confidential – date].

6.5 Verification of imports

As mentioned above in Section 6.1, Customs and Border Protection forwarded Sanwa a download from its import database identifying importations of plate steel made by Sanwa during the investigation period.

Customs and Border Protection selected 12 shipments to examine in detail and Sanwa completed an 'importer transaction form' detailing the costs to import and sell for each selected shipment (**Confidential Attachment 3**).

As mentioned in Section 2.4, Sanwa provided source documents to verify the data in its 'importer transaction form' for the 12 selected shipments (**Confidential Attachment 4**).

These source documents included:

- Sanwa's internal sales costing sheet;
- Proforma invoice to Australian customer;
- Confirmation of Proforma invoice emailed from Sanwa to supplier;
- Sales contract with overseas supplier;
- Copy of line of credit at sight;
- Commercial invoice from Sanwa's overseas supplier and evidence of payment;
- Sanwa's internal request for foreign exchange cover;
- Bill of lading;
- Evidence of bank charges;
- Freight forward invoice and evidence of payment;
- Evidence of marine insurance and trade credit insurance costs;
- Invoices for port service charges and wharfage, together with evidence of payment; and
- Sanwa's invoice to its Australian customer and record of payment.

6.5.1 Supplier invoice details

We matched the invoice prices, volume and supplier details for each of the selected shipments on the importer transaction form, to the supplier invoices.

We confirmed that shipments were invoiced at FOB. We also confirmed that the listed credit terms were correct.

Invoices were in USD. In the importer transaction form, Sanwa converted invoice prices (and other costs) to AUD using the exchange rate it hedged at the time of placing the order.

We observe that the AUD calculations in Customs and Border Protection's import database are converted using the exchange rate on the date of the customs entry, and hence did not exactly match those recorded in the importer transaction form.

6.5.2 Shipment costs

Under the heading 'Shipment Costs' in the importer transaction form, Sanwa entered amounts for overseas freight and marine insurance.

Sanwa explained that the rate for marine insurance was calculated for each shipment using the applicable marine insurance rate as stated in its marine cargo insurance policy and applying this to the invoice. Customs and Border Protection sighted this insurance policy and confirmed the rates being used in the import transaction form.

We noted that over the investigation there were 2 applicable rates of marine insurance covering the 1 January 2012 to 30 June 2012, and 1 July 2012 to 31 December 2012, periods.

Based on the verified information provided in the importer transaction form Customs and Border Protection calculated the following weighted average unit costs for ocean freight and marine insurance.

Item	Average cost AUD/T
Ocean freight	
Marine insurance	
Total	

6.5.3 Importation costs

Under the heading 'Australian Importation Costs' in the importer transaction form, Sanwa entered amounts for customs duty and customs entry fees, customs broker's fees, quarantine fees, port service (wharfage) charges (the wharfage including harbour dues, security, load out fee and free storage period), delivery (cartage) charges, bank charges (under line of credit arrangements), finance costs and debit insurance costs.

We compared the importation cost amounts provided in the relevant invoices to the importer transaction form. Some minor discrepancies were found (which appeared to be manual entry errors) and the data reported in the importer transaction form was adjusted accordingly.

Using the verified data in the importer transaction form, weighted average importation costs in AUD/Tonne have been calculated in the below table.

Item	Average cost AUD/T
Customs entry fees	
Customs broker fee	
Quarantine Fees	
Port Service Charge	
Delivery (cartage)	
Bank Charges	
Finance Costs	
Debit Insurance	
Total	

6.5.4 Selling, general and administrative (SG&A) costs

On the importer transaction form completed by Sanwa it provided a flat percentage rate. At the verification visit Sanwa confirmed that this rate had been entered incorrectly based on a calculation of sales of plate steel as a percentage of total revenue.

The monthly profit and loss statements (**confidential attachment 10**) provided a calculation of SG&A based on selling expenses as a percentage of revenue. Based on the figure recorded in the profit and loss statements we have amended the importer transaction form to reflect this percentage amount.

Using the verified data in the importer transaction form, we calculated weighted average SG&A costs as AUD \$[REDACTED]/Tonne.

6.6 Export prices for selected shipments

Based on verification of 12 of the selected shipments, we calculated the weighted average FOB export price (in AUD) for the goods over the investigation period as \$[REDACTED]/Tonne.

7 WHO IS THE IMPORTER AND EXPORTER

7.1 Who is the importer?

We have reviewed the importation process and have noted that, for imports from all suppliers, Sanwa:

- negotiates directly with the supplier;
- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- arranges and pays for ocean freight and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance, logistics and delivery of the goods after they delivered to the Australian port;
- retains ownership of the goods until they are delivered to Sanwa's customers; and
- bears the risk of its customers defaulting on purchase agreements with Sanwa until the time the product hits the wharf.

We consider Sanwa to be the beneficial owner of the goods at the time of importation.

7.2 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Subject to further inquiries, we are satisfied that [REDACTED] [confidential – supplier details] can be considered the exporter of plate steel imported by Sanwa.

To our knowledge, this entity is a principal in the country of export, it manufactures the goods and gives up the goods for shipment directly to Sanwa.

8 ARMS LENGTH TRANSACTIONS

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arm's length transactions.

Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as arm's length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

As discussed above, Sanwa stated that it has no relationship with its customers other than being buyer and seller in arm's length transactions. It stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Sanwa advised that the invoice price was the price paid.

During our examination of the selected shipments we did not find any evidence, in respect of the purchase of plate steel, that:

- there is any consideration payable other than price;
- the price was influenced by the commercial relationship between Sanwa and its supplier; and
- subsequent to the purchase, Sanwa received or will receive a benefit in respect of any part of the price.

We found that overall the selected shipments were profitable.

We are satisfied that transactions between Sanwa and its supplier and Sanwa and its customers are arm's length.

9 GENERAL COMMENTS

During the verification visit Sanwa made a number of statements, asserting that factors other than imports were causing injury to the Australian industry.

Sanwa discussed the current economic condition of the plate steel market, and asserted that the plate steel market has been under strain due to low demands.

Sanwa further claimed that BlueScope's business practices are causing self-inflicted injury, in particular branching out into the distribution market of its products.

Some discussion was had regarding the establishment of an ascertained export price (AEP) when imposing measures. Sanwa expressed their concerns regarding the variable portion applicable when dumping duties are imposed and the difficulty in obtaining what is considered confidential information surrounding the AEP of different exporters. Customs and Border Protection explained that the AEP is set based on verified information from those parties that participate in investigations. As the AEP is particular to each exporter is it considered confidential information and not released publically.

Sanwa also explained the uncertainty caused by the investigation. It stated that it

[confidential – supply details].

10 RECOMMENDATIONS

From our investigations with Sanwa, we are of the opinion that, for the goods imported by Sanwa directly from [REDACTED] **[confidential – supplier details]**:

- the goods have been exported to Australia otherwise than by the importer, Sanwa;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arm's length transactions.

Subject to further inquiries with this exporter, we recommend that the export price for plate steel imported by Sanwa from [REDACTED] **[confidential – supplier details]** can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

11 LIST OF ATTACHMENTS

Confidential Attachment 1	Part A – Importer Questionnaire Response
Non-Confidential Attachment 2	Verification visit agenda
Confidential Attachment 3	Revised importer transaction form
Confidential Attachment 4	Documents supporting for the 12 selected shipments
Confidential Attachment 5	Examples of offers from steel mill to Sanwa and from Sanwa to customers
Confidential Attachment 6	Revised Part C – Importer Questionnaire Response (sales listing) and revised sales listing (including non-plate steel sales).
Confidential Attachment 7	Sanwa's audited statements for FY2012
Confidential Attachment 8	Price extras list from [REDACTED] [confidential – supplier details]
Confidential Attachment 9	Updated forward orders list
Confidential Attachment 10	Sanwa's profit and loss statements
Confidential Attachment 11	Corrected Customs and Border Protection commercial database download
Confidential Attachment 12	Quarterly average quantity figures of imported plate steel

**IMPORTER VERIFICATION VISIT AGENDA
DUMPING INVESTIGATIONS No. 198
SANWA PTY LTD**

Date: Wednesday 20 March 2013, 10.00am

Location: Sanwa Pty Ltd Office, Suite 201, 2nd Floor, 100 New South Head Road, Edgecliff 2027

1. Introduction

- Introductions
- Anti-dumping issues in general
- Investigation key dates
- Investigation procedures
- Confidentiality, access to the public record and visit reports (confidential and public versions)

2. Company background

- Corporate, organisational and ownership structure
- Significance of hot rolled plate steel to the company
- Accounting structure and details of accounting systems
- Allocation of corporate overheads
- Relationship with suppliers and customers

3. The goods and like goods

- Discuss the goods and like goods
- Physical, commercial, functional and production characteristics of imported versus Australian produced hot rolled plate steel
- Product range manufactured by BlueScope Steel Limited
- Details of grades imported (specification sheets would be beneficial)
- Price brackets by product model (including by width and thickness) etc.
- Discuss substitutes – other products

4. Australian market

- Price of imported vs. local goods
- Conditions of the Australian markets for hot rolled plate steel
- Market sizes, market segments and distribution channels
- How hot rolled plate steel is sold / distributed
- Competitors and factors of competition (including how the goods compete with the locally produced goods on features besides price)
- Outlook and direction of the industries

5. Imports and costs

- Explanation of export price negotiations generally
- Ordering and supply process (a step-by-step description from ordering through to receipt of the goods and payment)
- Identification of appropriate level of trade for price comparison with imports
- For each of the selected importations examined in the cost to import and sell spreadsheet, **please prepare copies prior to the meeting for Customs and Border Protection to take away**, of the purchase orders, commercial invoices, bills

of lading, packing list, proof of your payments to your supplier (such as bank transaction evidence), and any other documents supporting post exportation costs including:

- overseas freight and insurance;
- customs duties
- landing and wharfage charges
- freight forwarding fees
- cartage / delivery fees
- any other charges between the Free-On-Board point and the landed, duty paid into-store point

6. Sales

- How are selling prices determined - product catalogue and/or price lists
- Any related customers
- Sales methods / supply contracts
- Level of trade / market structures – customer segments
- Discussion of any rebate / discounts systems
- Warehousing, freight arrangements and handling charges
- Selling terms
- Sales volumes
- Verification to source documents and financial accounts, and verification of payment received from customer
 - please provide a copy of your audited financial statements and a copy of your management accounts profit and loss statement for your most recently completed financial year
 - please provide copies profit and loss statements that allow for verification of data for the investigation period (January 2012 to December 2012)
 - allocation of selling, general and administrative expenses to be verified to financial statements / management reports
 - verification of revenue in cost to import and sell spreadsheet (please provide invoices, any credit / adjustment / rebates, and evidence of payment from your customer for one invoice for each shipment)

7. Forward orders

- Discuss (if applicable)

8. Occurrence of dumping and material injury

- Opinion / comments on whether the goods are being dumped into the Australian market
- Opinion / comments on whether the Australian industry is being injured by imported hot rolled plate steel
- What other factors could be influencing the markets and / or the Australian industry's performance and evidence of those factors

9. Unsuppressed Selling Price (USP) and Non-injurious Price (NIP)

- Explanation of and views on USP / NIP

10. General Comments

- Other matters considered relevant