



Australian Government
Australian Customs and
Border Protection Service

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF ZINC
COATED STEEL AND ALUMINIUM ZINC COATED STEEL**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA AND TAWAIN**

IMPORTER VISIT REPORT

MARUBENI-ITochU STEEL OCEANIA 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**

October 2012

PUBLIC FILE

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2 BACKGROUND AND PURPOSE

2.1 The application

On 3 August 2012, applications¹ were lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices

On 17 August 2012² and 27 August 2012 additional information and data were received in respect of the applications. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications.

On 5 September 2012, following consideration of the applications, the Chief Executive Officer of Customs and Border Protection decided not to reject the applications and initiated investigations in the alleged dumping of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan. Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at www.customs.gov.au

2.2 Anti-dumping investigations and measures for zinc coated steel and aluminium zinc coated steel

2.2.1 Investigations

There have been no recent dumping or countervailing investigations in respect of galvanised steel and aluminium zinc coated steel products.

¹ *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea and Taiwan* (Aluminium Zinc Coated Steel Application) received on 3 August 2012.

² Additional information relating to minor issues was also provided on 20 and 21 August 2012.

2.2.2 Anti-dumping measures for zinc coated steel and aluminium zinc coated steel

There are no current anti-dumping or countervailing measures on galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

2.3 Background to meeting

Following the initiation of the investigations, a search of Customs and Border Protection's import database indicated that Marubeni-Itochu Steel Oceania Pty Ltd (here after referred to as MISO) imported goods under investigation from China and Korea during 1 July 2011 to 30 June 2012 (the investigation period). Customs and Border Protection also confirmed from the Customs and Border Protection's database that MISO was a major³ importer of aluminium zinc coated steel and minor importer of galvanised steel.

Customs and Border Protection notified MISO of the initiation of the investigations and sought their cooperation with the investigations and provided an importer questionnaire in respect of aluminium zinc coated steel to the company to complete⁴. MISO was also provided with a list of its imports of aluminium zinc coated steel during the investigation period, extracted from Customs and Border Protection's import database, with selected consignments for further verification to source documentation.

MISO completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and importation and selling expenses. A copy of Part A (company and supplier details) of MISO's importer questionnaire response is at **Confidential Attachment GEN 1.**

2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that MISO was a major importer of aluminium zinc coated steel and minor importer of galvanised steel and obtain information to assist in establishing the identities of the exporters of the goods;
- verify information on imports of aluminium zinc coated steel to assist in the determination of export prices from China and Korea;
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing;
- identify MISO's sales and customers and determine sales volume, selling prices and costs;

³ For the purpose of this report, a major importer is defined as an importer which imported more than 5% of the total volume of imports from the countries subject to the investigations.

⁴ This questionnaire covered aluminium zinc coated steel imports only, as MISO were a major importer of this product.

- recommend how export price may be determined under section 269TAB of the Customs Act 1901⁵; and
- provide MISO with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting Customs and Border Protection forwarded an agenda to MISO and advised that it would require supporting documentation for the selected consignments that had been previously identified. A copy of the visit agenda is at **Confidential Attachment GEN 2**.

2.5 Visit

Details of the visit were as follows:

Company:	Marubeni-Itochu Steel Oceania Pty Ltd (MISO)
Address:	Level 28, 570 Bourke St, Melbourne VIC 3000
Telephone no:	(03) 9242 1508
Fax no:	(03) 9242 1599
Visit date:	Friday 12 October 2012
Present at the visit	
Marubeni-Itochu Steel Oceania Pty Ltd (MISO)	Mr Geoff Wilson, Director & General Manager
Customs and Border Protection	Mr Sanjay Sharma, Manager, Operations 2 Mr Carl Halpin, Supervisor, Operations 2

At the meeting Customs and Border Protection provided a summary of the investigation process and timeframes as follows (highlighting that the following process and timeframes are for both galvanised steel and aluminium zinc coated steel):

- investigation period is 1 July 2011 to 30 June 2012;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;
- initial submissions from interested parties are due by 15 October 2012 (in response to the applications and initiation notice);
- a preliminary affirmative determinations (PADs) may be made no earlier than 5 November 2012 (after day 60 from the date of initiations);
- provisional measures may be imposed at the time of the PADs or at any time after the PADs have been made, but Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of dumping duty notices;

⁵ Herein all references to legislation in this report refer to the *Customs Act 1901*, unless otherwise specified

- a statement of essential facts (SEF) for respective investigations will be placed on the public record by 24 December 2012 or such later date as the Minister allows;
- this SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister);
- Customs and Border Protection's report to the Minister is due by 7 February 2013, unless an extension to the SEF is approved by the Minister;
- the Minister will have 30 days from the date of receipt of the final report to make a final decision; and
- certain interested parties have the right to seek a review to the Trade Measures Review Officer in relation to the Minister's decision.

MISO was co-operative and had the required documentation available for the meeting. MISO confirmed that it has access to Customs and Border Protection's electronic Public Record and is able to access relevant information for the investigations.

2.6 Visit report

Customs and Border Protection advised MISO that:

- a '*For Official Use Only*⁶' report on the visit will be prepared;
- MISO would be given an opportunity to review the visit report for accuracy; and
- a public record version of this visit report would then be prepared in consultation with MISO and placed on the Public Record for the investigation.

At the outset of the meeting, Customs and Border Protection advised MISO that the applications in respect of galvanised steel and aluminium zinc coated steel are treated as two separate applications. Therefore two separate investigations are being conducted. Investigation No. 190a refers to galvanised steel and Investigation No. 190b refers to aluminium zinc coated steel.

Customs and Border Protection advised that this approach and treatment of the applications may vary during the course of the investigation process as further analysis is conducted of the goods and the markets in which they operate.

Customs and Border Protection advised MISO that as a major importer of aluminium zinc coated steel the visit would focus on this product (although certain information regarding galvanised steel would be sought). Sections 3 to 10 of this report relate to aluminium zinc coated steel only unless otherwise specified.

⁶ Which replaces the previously used security classification of "*Confidential*".

3 THE GOODS

3.1 The goods the subject of the applications

3.1.1 Description

(i) Galvanised steel

The imported goods the subject of the Galvanised Steel Application are:

“flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc”⁷.

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel, include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

(ii) Aluminium zinc coated steel

The imported goods the subject of the Aluminium Zinc Coated Steel Application are:

*“flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, **not painted** whether or not including resin coating”⁸.*

⁷ Galvanised Steel Application, page 10.

⁸ Aluminium Zinc Coated Steel Application, page 10.

The goods the subject of this application are generically called aluminium zinc coated steel. The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that the amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m² with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

3.1.2 Product standards

The applications stated that:

“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”⁹.

(i) Australia

The applications state that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

(ii) International

The applications state that there are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

⁹ Galvanised Steel Application, page 12.

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel¹⁰

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing & Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 2: International Standards for aluminium zinc steel¹¹

3.1.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the

¹⁰ Galvanised Steel Application, page 11.

¹¹ Aluminium Zinc Coated Steel Application, page 11.

information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 3 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm ² and NOT greater than 380 N/mm ² ; (b) tensile strength NOT less than 440 N/mm ² ; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m ² and NOT greater than 65 g/m ² ; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvanized, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 3: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

(ii) Aluminium zinc coated steel

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

3.2 'Like' goods

3.2.1 Imports and domestically produced goods

The imported goods the subject of this application are galvanised steel and aluminum zinc coated steel. MISO claims that the goods under consideration are like goods to the imported goods. MISO is a major importer of aluminum zinc coated steel and minor importer of galvanised steel.

Standards

MISO advised the two most widely standards used for aluminum zinc coated steel in Australia are American Standards '██████████' and Australian and New Zealand Standards '██████████'. MISO also advised that the two main grades ASTM ██████████ and ASTM ██████████ were imported by MISO in the investigation period (**copy of standards is at Confidential Attachment GEN 3**).

- MISO predominantly supplies; ██████████ with a thickness of ██████████ which is used for roofing; and ██████████ with a thickness of ██████████ which is predominately used for fencing and cladding.
- Equivalent standards produced by BlueScope are GALVALUME® steel G300 and G550.

Commercial usage and price differences

MISO stated that prices of the aluminium zinc coated steel products differ by the thickness of the product. MISO explained that aluminum zinc coated steel is predominately used in the construction and building industry while galvanised steel is mostly used in the automotive industry.

MISO advised that mills charge differently for different brands of steel. MISO claims that aluminum zinc coated steel has superior corrosion resistance and is sold at a higher price than galvanised steel (the price difference between galvanised steel and aluminum zinc coated steel is approximately ██████████).

Production Processes

MISO stated both zinc-coated and aluminium-zinc coated steels are available from either blast-furnace mills or 're-rollers'.

Quality of Products

MISO claims that quality of the imported aluminium zinc coated steel and the domestically produced aluminium zinc coated steel are comparable. MISO further advised that there is no commercial (product) differentiation for aluminium zinc coated steel produced domestically and imported goods.

However, MISO stated that the vast majority of galvanised steel for automotive industry exported from Japan is of superior surface quality and grade not available from the Applicant.

4 COMPANY BACKGROUND

4.1 COMPANY BACKGROUND

4.1.1 General background

MISO advised that it is a 100% subsidiary of Marubeni-Itochu Steel Inc (MISI), a privately owned Japanese Steel Trading Company established in 2001. MISI is a 50:50 joint venture partnership between the iron and steel divisions of Marubeni Corporation and Itochu Corporation. MISI only trades in steel products while the two parent companies are general trading companies. MISO provided a company brochure, providing an overview of the company's history and functions (**Confidential Attachment GEN 4 refers**).

4.1.2 Functions of company

MISO identifies itself as an importer of a range of carbon steel products including semi-finished steel, flat rolled steel sheets and plates, long products and other steel related products. The flat rolled sheets and plates include both galvanised steel and aluminium zinc coated steel among other products.

During the investigation period, MISO made offers to distributors and end users, negotiated with overseas suppliers, arranged importation of the goods, delivered and sold imported goods to its Australian customers under agreed credit terms.

MISO's head office is located in Melbourne and has branches in Sydney, Brisbane and Auckland. MISO estimates that aluminium zinc coated steel imports represented about █% of its sales revenue in the calendar year 2011.

█ [MISO'S confidential commercial agreement]

4.2 Accounting

MISO explained that it uses Sapphire 1 accounting software and its financial year is the calendar year from January to December. MISO's external auditors are Deloitte.

4.3 Relationship with suppliers

MISO predominately sources aluminium zinc coated steel from a range of mills in China and Korea. MISO's suppliers are

█. Depending on which mill is used, MISO may purchase the goods directly from the mill or via its trading agent █. █. MISO stated that the majority of the trading agents or mills used to source the goods are not related to the company, or parent companies. MISO advised that its parent company had several steel

business units around the globe however these were involved in downstream further processing activities. We observed that there were minor imports from related companies;

[REDACTED], however these represented less than 0.4% of total aluminium zinc coated steel imports and therefore we consider those imports negligible.

4.4 Relationships with customers

During the investigation period MISO sold aluminium zinc coated steel to [REDACTED] Australian customers with a total quantity of [REDACTED] tonnes (**Confidential Attachment SALES 2 refers**). MISO stated that it sells to wholesale distributors and end users with approximately a [REDACTED] split between the two customer groups. MISO advised that the majority of end users were roll formers producing roofing, fencing and structural products.

MISO confirmed that it is not related to any of its customers, nor does it maintain any long term contracts with its customers. MISO also stated that it does not offer any rebates or discounts other than those stated on the invoices to its customers.

[REDACTED]
[MISO's business model]

5 IMPORTS

5.1 Introduction

Customs and Border Protection’s import database indicates that MISO imported approximately [REDACTED] tonnes of aluminium zinc coated steel during the investigation period. Customs and Border Protection identified a small variance of the import volumes (3.73%) when compared with the total sales volume provided by MISO for the investigation period. Customs and Border Protection considers this variance is negligible and could be due to the timing difference between imports and sales. A list of all importations during the investigation period for MISO is at **Confidential Attachment IMP 1**.

The total quantity of aluminium zinc coated steel imported by MISO during the investigated period from each supplier is summarised in the following table.

Exporter	Aluminium Zinc Coated Steel (Tonnes)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

5.2 Ordering process and price

MISO described the importation and sales process for aluminium zinc coated steel as follows:

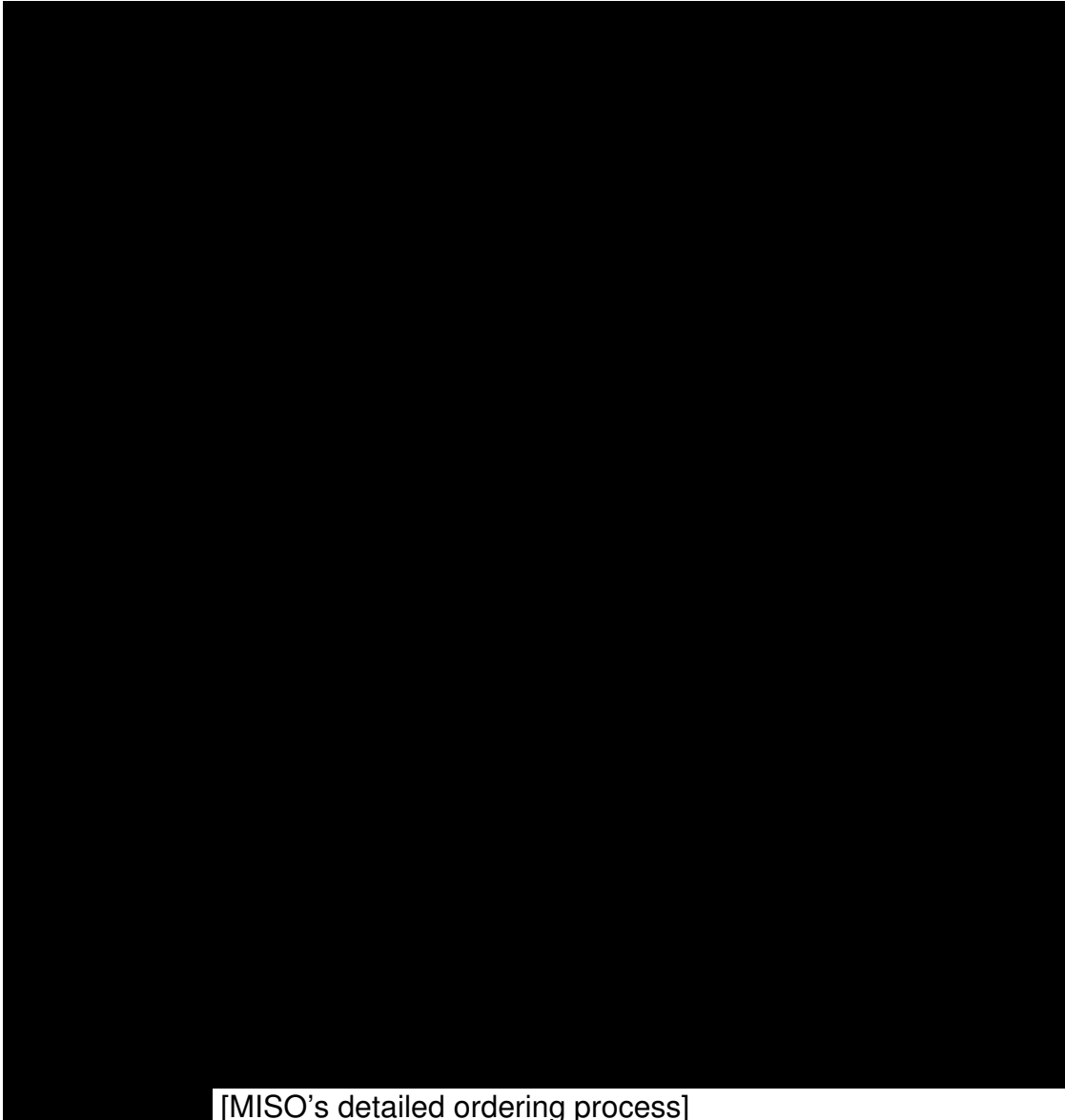
- At the start of the month (N), the mills issue offers to MISO for delivery in three months’ time (N+3).

[REDACTED]

Prices are based on a standard size and thickness with extras applied for thinner or wider sizes, slitting or other extras. MISO provided us a copy of an offer from the mill for March 2012 shipment, as well as a copy of MISO’s offer to a customer for the same shipment (**Confidential Attachment IMP 2**).

[REDACTED]

[REDACTED]



5.3 Verification

Prior to the visit, we selected 12 shipments so that MISO could complete the Importer Transaction Form (**Confidential Attachment IMP 3**) and provide Customs and Border Protection the following source documents:

- commercial invoices;
- packing lists;
- purchase orders;
- evidence of payment of importation costs
- Bills of Lading;
- Customs broker and domestic freight invoices; and
- evidence of payment of post exportation costs

The source documentation provided for the selected shipments is at **Confidential Attachment IMP 4**.

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5.3.1 Supplier invoice details

Purchase orders from customers provided by MISO confirmed that the aluminium zinc coated steel imported by MISO was manufactured by one of following manufacturers:

Using the commercial documentation provided by MISO, we matched the invoice prices, volume and supplier details for each of the selected shipments on the importer transaction form to the supplier invoices.

MISO stated that they did not consider these to be the goods under investigation. This issue will be further investigated by Customs and Border Protection and was referred to the case management team.

Two of the twelve transactions had credits applied to the invoice price as a result of credits raised from previous shipments. MISO provided the calculations for the credit amount and adjusted the invoice price upwards to reflect the "pre credit" price of the goods.

We confirmed that shipments were invoiced at the terms of trade as described in the ordering process of FOB, CFR or FCA shipments and as recorded in the response to importer questionnaire.

We confirmed that the listed credit terms for the selected 10 shipments of aluminium zinc coated steel were .

From the selected sample, we calculated the FOB costs in AUD/tonne as follows:

Shipment - Supplier	Origin	Average cost AUD/tonne

NB: Selected shipments 3 and 6 are considered by MISO not to be the goods under investigation

5.3.2 Commissions and Rebates

MISO claims that it does not receive any commissions or rebates from its suppliers for aluminium zinc coated steel. We found no evidence to indicate that commissions and rebates were received by MISO.

5.3.3 Shipment costs

MISO's importations contain a mix of

[REDACTED]

[terms for shipment costs]

MISO provided copies of the two marine insurance contracts that were valid over the investigation period at **Confidential Attachment IMP 5**. The amount included for insurance on the importer transaction form was calculated by multiplying the insurance

[REDACTED]

t. MISO also provided proof of payment of the most recent insurance policy.

The following table summarises overseas freight and insurance costs

Item	Weighted average cost AUD/tonne (Korea)	Weighted average cost AUD/tonne (China)
Overseas Freight	[REDACTED]	[REDACTED]
Insurance	[REDACTED]	[REDACTED]
Total Shipment Costs	[REDACTED]	[REDACTED]

5.3.4 Importation costs

Under the heading Importation Costs, MISO identified Port Service Charges, Customs Entry Fees, AQIS Fees, Broker Fees, Delivery Fees and Duty as applicable importation costs. During the visit MISO provided copies of invoices for each of these items for each shipment which reconciled to the importer transaction form. We were satisfied that the recorded amounts reflected the actual costs incurred for each selected shipment. Based on the selected shipments, we calculated the weighted average importation costs for both Korea and China as shown below in AUD/tonne.

Item	Weighted average cost AUD/tonne (Korea)	Weighted average cost AUD/tonne (China)
Port Services Charges	[REDACTED]	[REDACTED]
Broker Fees	[REDACTED]	[REDACTED]
Customs & AQIS Fees	[REDACTED]	[REDACTED]
Delivery Charges	[REDACTED]	[REDACTED]

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Bank Charges		
Duty		
Total		

** Imports from China are subject to the DCS duty rate which is at 0%

5.4 Export prices for shipments

Based on verification of all selected shipments, we calculated weighted average FOB export price (in AUD) for the goods over the investigation period as below.

Weighted Export Price	Average cost AUD/tonne (Korea)	Average cost AUD/tonne (China)
WA FOB Price		

5.5 Who is the importer

We noted that MISO:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- pays for inland delivery of the goods to the customer.

We consider MISO was the beneficial owner of the goods at the time of importation and is therefore the importer.

5.6 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.

Where there is no principal in the country of export Customs and Border Protection will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

Upon review of the source documentation provided we are satisfied that for [REDACTED];

- the commercial invoices identify the supplier;
- the bills of lading identify the supplier as the shipper of the goods;
- the supplier arranges and pays for the goods to be transported to the wharf and loaded onto the ship in the country of export; and
- MISO pays the relevant supplier;

and for [REDACTED] that;

- the commercial invoices to MISO’s customers identify the supplier;
- the bills of lading identify the trader as the shipper of the goods; and
- the supplier arranges and pays for the goods to be transported to the wharf and loaded onto the ship in the country of export; and
- MISO pays the supplier.

Based on the information available we consider that [REDACTED] is a trading house and is therefore unlikely to be the exporter. Customs and Border Protection understands that MISO purchases the goods from [REDACTED] the manufacturers of the goods who may be the exporters. Customs and Border Protection considers that the question of who is the exporter should be resolved following further investigations with [REDACTED].

5.7 Forward orders

MISO provided a detailed list of forward orders of aluminium zinc coated steel in its responses to Importer questionnaire response (confidential attachment IMP 3). The summary of aluminium zinc coated steel forward orders is shown in the table below.

Supplier	Shipping Terms	Expected Arrival	Quantity (tonnes)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

6 AUSTRALIAN MARKET AND SALES

6.1 General

Australian Steel Market

MISO stated that the total Australian steel market was around 7 million tonnes in 2011. Approximately 30% of the total steel products were imported. MISO further stated that the size of the market has been fairly stable over the last 10 years apart from 2008-2009. For the calendar year 2011, MISO provided the following import statistics broken down into different steel products representing that total market size of the steel market during the investigation period;

Description of the Steel Product	Volume Imported in 2011 (Tonnes)
Flat products	████████
Long products	████████
Tubular products	████████

MISO stated that the above statistics for carbon steels are based on data from the Australian Bureau of Statistics (ABS).

MISO claims that aluminium zinc coated steel Australian market has been fairly stable between 2007 and 2011 with an exception of global financial crisis (GFC) in 2008-2009. MISO claims that the steel market was back to pre GFC levels in 2010. MISO estimates aluminium zinc coated steel market will be fairly stable over the next 6 to 12 months.

MISO claims that demand for galvanised steel have been declining since 2008. This was mainly due to declining automotive industry in Australia which predominately uses galvanised steel.

6.2 Australian sales

MISO stated that the overall Australian galvanised steel and aluminium zinc coated steel markets are very competitive. MISO claims that its sales of aluminium zinc coated steel generally follow the steel market trends in Australia. MISO stated that its sales during the investigation period has been fairly stable but galvanised steel has been declining.

In its importer questionnaire response, MISO provided domestic sales source documents of the imported goods for the selected 10 consignments. MISO also provided management report for all sales of aluminium zinc coated steel during the investigation period. This report identified the country of origin of the imported goods which showed

[REDACTED] were the suppliers for all products sold in the Australian domestic market by MISO (**Confidential Attachment IMP 4**).

MISO stated that it generally supplies aluminium zinc coated steel directly to the end users and galvanised steel to the distributors. MISO’s customers’ were evenly spread between the [REDACTED] states; [REDACTED]. During the investigation period MISO supplied aluminium zinc coated steel to [REDACTED] domestic customers. The [REDACTED] major customers representing [REDACTED]% of the total domestic sales are listed below:

Domestic Customers
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Bluescope Steel-Sheet Metal Supplies Pty Ltd

MISO advised that its aluminium zinc coated steel customers are small and medium size end users. MISO claims that BlueScope declines to supply these customers or supply them at very high prices as they are in direct competition with its subsidiary companies producing like goods.

6.3 Price and distribution arrangements

MISO stated that there are large numbers of players across all levels of the steel market. However, the market is dominated by the applicant BlueScope. MISO claims that BlueScope is the price setter of galvanised steel and aluminium zinc coated steel in Australia.

MISO advised that its sales and price offers are negotiated on a [REDACTED] basis following offers from its Korean and Chinese mills. MISO further advised that it adds a mark up to cover the selling, general and administration expenses. MISO stated that

[REDACTED]
[REDACTED]
[REDACTED] [relationship with customers]

MISO advised that the prices of the goods sold to the domestic customers are mostly in Australian dollars, delivery terms are free-in-store (FIS). During the investigation period the credit terms applicable to domestic sales were mostly between [REDACTED] after [REDACTED] and some

[REDACTED]. MISO advised that generally the base price of the goods does not vary by customer, but the credit terms may vary.

Following the shipping of the goods to an Australian port, MISO organises for the goods to be landed, cleared and delivered directly to the customer.

[REDACTED] MISO advised that once the goods have been delivered, the domestic customers pay MISO for the goods according to their specified credit terms. MISO claims that it [REDACTED]. MISO also advised that its customers generally pay on time. Customs and Border Protection found no evidence to indicate otherwise.

6.4 Rebates and discounts

MISO confirmed that it does not provide discounts or rebates to its customers in respect of the sales of aluminium zinc coated steel. We found no evidence to indicate that rebates or discounts were applicable.

6.5 Commission

MISO confirmed that it does not provide any commissions to its customers in respect of the sales of aluminium zinc coated steel. We found no evidence to indicate that commissions were provided by MISO to its domestic customers.

6.6 Sales verification

6.6.1 Accuracy – verification to source documents

As part of its questionnaire response, MISO provided us with all its sales of aluminium zinc coated steel for the period from 1 July 2011 to 30 June 2012 (**Confidential Attachment IMP 3**).

At the visit we sought source documents for 14 invoices related to the selected 10 shipments. MISO provided source documents for the 14 invoices which included customer invoices to its Australian customers, delivery dockets, invoices for local freight and evidence of payment by MISO's customers. These source documents form part of **Confidential Attachment IMP 4**.

For these selected sales we matched the invoice details (value, quantity, invoice date, delivery terms and credit terms) to MISO's sales listing (**Confidential Attachment SALES 1**). We also observed the bank statement extracts provided displayed the payment to MISO. We matched the payments displayed on the bank statement extracts for the selected sales to MISO's sales listing and sales records.

Customs and Border Protection is therefore satisfied that invoice details recorded in MISO's sales records provided are accurate, and that MISO's customers paid the invoiced amounts for these transactions.

6.6.2 Completeness and relevance – verification to MISO’s accounts

Customs and Border Protection requested MISO to provide documents to conduct an upward reconciliation of sales to the audited financial statements, to verify the completeness and relevance of MISO’s sales listing.

As noted earlier, MISO’s financial year is the calendar year; MISO was not able to provide audited accounts to verify its sales listing for the investigation period. However, MISO provided a summary of all sales data semi-annually from January 2011 to June 2012. We were able to reconcile the sales volume of aluminium zinc coated steel in MISO’s sales listing to total aluminium zinc coated steel imports for MISO as recorded in the Customs and Border Protection import database. We found a minor discrepancy (3.7% in volume). Customs and Border Protection considers this variance is not material and results from the timing difference between the datasets (as the sales data is based on invoice date and the importation data is based on valuation date).

In addition, each of the 14 invoices corresponded to the selected 10 consignments as identified in MISO’s importer transaction form. We found no evidence of any non-aluminium zinc coated steel sales within MISO’s sales listing

During the visit MISO provided audited Profit and Loss (P&L) statement for the financial year 2011 and unaudited management account for the half year to June 2012 (**Confidential Attachment SALES 2**). MISO also provided the summary of total revenue and expense for the investigation period. Customs and Border Protection was able to verify total revenue, cost of goods imported, total expenses and operating profit for all sales.

To further test the completeness of the sales data, MISO provided its trial balance containing all sales by product sequence number, invoice date, invoice period, invoice numbers, product Id, customer name and invoice amount (**Confidential Attachment SALES 3**) for the financial year 2011. For the second half of the MISO’s financial year July to December 2011, Customs and Border Protection was also able to reconcile the total sales provided in part C of importer questionnaire to the 6 months sales value in the trial balance. This reconciled with the six months sales summary provided in the audited account.

Consequently Customs and Border Protection is satisfied that MISO’s sales listing provided is complete and relevant record of MISO’s aluminium zinc coated steel sales for the investigation period.

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

MISO demonstrated using their financial accounts, how it divided total expenditure by total revenue for the financial year 2011 to derive SG&A costs as a proportion of total sales. To verify the SG&A costs, MISO provided a statement of earnings for the previous financial year, January to December 2011(audited) and the half year sales and expenditure from January to June 2012(unaudited). We observed that an SG&A costs derived from this statement using the above method was ██████% for the period July 2011 to June 2012. Using the full year audited financial year, the SG& A costs

was calculated to be [REDACTED]%. Having verified the data and the additional 6 months to June 2012, Customs and Border Protection considered [REDACTED]% is a reasonable rate for the calculation of SG&A costs for the investigation period.

Customs and Border Protection checked that the percentage allowed for overheads in the internal costing sheet closely aligned to the relevant SG&A expense on the profit and loss statement. Customs and Border Protection is satisfied that no costs from the profit and loss statement had been omitted from MISO's internal costing worksheet and that costs not relevant to the goods have not been included, and is therefore satisfied that it was an accurate representation of MISOs' SG&A expenses for our purposes.

6.8 Profitability of sales and selling price

MISO calculated the total profit for each of the 10 shipments (total selling price minus total cost to import and sell) in the importer transaction form.

This displayed that all 10 consignments were [REDACTED]. The range of [REDACTED] for the shipments was calculated to be between [REDACTED]. We note that overall [REDACTED] for the selected shipments was [REDACTED] (**Confidential Attachment IMP 3**).

7 ARMS LENGTH

In determining export price under s. 269TAB(1)(c) and normal values under s. 269TAC(1), the legislation requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable 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.

Furthermore, where:

- goods are exported to Australia otherwise than by the importer and are purchased by the importer from the exporter (whether before or after exportation) for a particular price; and
- the Minister is satisfied that the importer, whether directly or through an associate or associates, sells those goods in Australia (whether in the condition in which they were imported or otherwise) at a loss;

the Minister may treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.

For sales between MISO's major suppliers () we noted that overall the sales of the imported aluminium zinc coated steel in the Australian market were profitable . We also noted that the purchase price of aluminium zinc coated steel between MISO's suppliers and MISO, is determined based on the sales process and negotiations with customers and the manufacturer of the goods. We did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced in MISO's favour by a commercial or other relationship between MISO and its suppliers from Korea and China.

We confirmed during our verification that the price invoiced by MISO's suppliers were the price paid by MISO. Therefore, at this stage we consider sales between MISO's major suppliers and MISO were arm's length transactions. We also consider sales between and MISO

were arm's length transactions, subject to further investigation and verification of data provided by [REDACTED] and the manufacturers of the goods.

8 DUMPING, MATERIAL INJURY AND CAUSATION

8.1 General

MISO does not consider that the Australian industry has suffered injury as a result of dumped imports of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan. It attributes any injury experienced by the Australian industry to the following factors:

- *Decrease in demand in the Automotive Industry* – MISO stated that due to the shrinking demand in the automotive industry in Australia after GFC in 2008, the demand for galvanised steel (predominately used by automotive industry) has been declining.
- *Lessor quality of the product* – MISO claims that for certain applications the galvanised steel produced by BlueScope is of lesser surface quality or performance compared to some imported galvanised steel. As such, most automotive manufacturers prefer imported galvanised steel from countries like Japan which supplies superior quality of galvanised steel.
- *Distribution channel and supply of aluminium zinc coated steel* – MISO claims that BlueScope steel sales are done through its distributors or directly to it's own subsidiary companies. BlueScope's own subsidiary company is a downstream user of aluminium zinc coated steel is directly competing with the end users of imported aluminium zinc coated steel. As such BlueScope either refuses to supply them directly or supplies them via Bluescope distributors at prices which prevent end users from producing competitively priced finished goods.
- *Older technology and inefficiencies* – MISO stated that BlueScope uses old technology which leads to inefficiencies and high production costs. MISO also stated that there has been significant increase in the cost of raw materials in recent years. The increase in raw material prices together with BlueScope's decline in production capacity has contributed to any injury experienced by the Australian industry.
- *Strong Australian Dollar* – MISO suggested that the high Australian dollar could have also caused some injury to BlueScope. It stated that the price of the aluminium zinc coated steel produced by BlueScope and imported from suppliers in the nominated countries may be comparable; however the strengthening of AUD increased the competitiveness of the imports.

8.2 Other comments

MISO claims that BlueScope dominates the galvanised steel and aluminium zinc coated steel markets in Australia. MISO suggested that with 80% of the market being controlled by BlueScope; the minor imports (10-20%) from the nominated countries

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would not cause material injury to BlueScope. MISO suggests that BlueScope needs to invest in modern technology and improve its production efficiencies to remain competitive.

9 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

Customs and Border Protection generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

Customs and Border Protection's preferred approach to establishing USPs observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the USP, Customs and Border Protection then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

At the time of the visit Customs and Border explained the purpose and calculation of USP and NIP. MISO did not have any comments on the calculation of an USP or NIP.

10 RECOMMENDATIONS

As a result of the importer questionnaire submitted by MISO and the verification conducted on site, we are of the opinion that the goods imported by MISO are:

- goods that have been exported to Australia otherwise than by the importer;
- appears that the goods have not been purchased by the importer from the exporter;
- appears that purchases of the goods by the importer and its supplier and exporter were arms length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporter and supplier of the goods, at this stage we are satisfied that the export prices should be established under s. 269TAB (1) (c) of the Act having regard to further details about the export arrangements over the course of the investigation.

11 ATTACHMENTS

Confidential Attachment No.	Title
Confidential Attachment GEN 1	Importer Questionnaire Response
Confidential Attachment GEN 2	Verification Visit Agenda
Confidential Attachment GEN 3	Copy of Standards
Confidential Attachment GEN 4	MISO Company Brochure
Confidential Attachment IMP 1	Extract of MISO aluminium zinc coated steel Imports during Investigation Period
Confidential Attachment IMP 2	Sample Mill and Customer Pricing Offers
Confidential Attachment IMP 3	Completed Importer Transaction Form & Calculations
Confidential Attachment IMP 4	Import and Sales Source Document Packs for Selected Shipments
Confidential Attachment IMP 5	Marine Insurance Contracts and Proof of Payment
Confidential Attachment SALES 1	MISO's sales listing
Confidential Attachment SALES 2	MISO's audited Profit and Loss (P&L) statements 2011 and 6 Months management account to 30 June 2012
Confidential Attachment SALES 3	Details of MISO's Trial Balance containing all sales for the FY2011