



INVESTIGATION 249

**ALLEGED DUMPING OF
CERTAIN ZINC COATED (GALVANISED) STEEL
EXPORTED FROM INDIA AND THE SOCIALIST REPUBLIC OF
VIETNAM**

VERIFICATION VISIT REPORT - IMPORTER

STEMCOR AUSTRALIA PTY LTD

(including Stemcor AG and

Stemcor (S.E.A.) Pte Ltd)

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

November 2014

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ABBREVIATIONS

ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
AUD	Australian dollar
BlueScope	BlueScope Steel Limited
█	█
The Commission	The Anti-Dumping Commission
█	█
█	█
█	█
FOB	Free on board
FY	Financial year
The goods	The goods the subject of the application (also referred to as the goods under consideration)
PAD	Preliminary Affirmative Determination
Parliamentary Secretary	The Parliamentary Secretary to the Minister for Industry
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative expenses
█	█

1 BACKGROUND AND PURPOSE

1.1 Background

On 8 May 2014, BlueScope Steel Limited (BlueScope) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice in respect of certain zinc coated (galvanised) steel exported to Australia from India and the Socialist Republic of Vietnam (Vietnam).

In this application, BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel exported to Australia from India and Vietnam at dumped prices. BlueScope claims the industry has been injured through:

- price suppression;
- reduced profit and profitability;
- reduced return on investment;
- reduced employment numbers; and
- reduced ability to raise capital for re-investment.

Following consideration of the application, the Commission decided not to reject the application. Public notification of initiation of the investigation was made on 11 July 2014 in *The Australian* newspaper and Anti-Dumping Notice No. 2014/55.

Prior to initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that two related entities - Stemcor AG (based in Switzerland) and Stemcor (S.E.A.) Pte Ltd (based in Singapore) - had imported galvanised steel to Australia from India and Vietnam during the investigation period covering 1 July 2013 to 30 June 2014.

The Commission contacted Stemcor Australia Pty Ltd (a related entity within the Stemcor group of companies) on 11 July 2014 advising the company of the initiation of the investigation, and sought advice as to the appropriateness of 'collapsing' the related group of Stemcor entities, including Stemcor Australia Pty Ltd, into one entity and treating it as one entity. Stemcor Australia Pty Ltd advised the Commission that it would represent the interests of all Stemcor group entities (referred to as 'Stemcor' hereafter unless otherwise indicated).

Following this advice, the Commission wrote to Stemcor requesting co-operation with the investigation, and provided the company with a copy of the importer questionnaire and associated spreadsheets for completion. Stemcor was also provided with a list of its imports during the investigation period that was extracted from the ACBPS import database. The Commission selected 12 shipments from this list for further examination and verification.

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Stemcor completed the importer questionnaire and provided details regarding the company, overseas suppliers, imports and importation costs and sales data, including selling, general and administrative (SG&A) expenses. These documents are included at **Confidential Attachment 1** and **Confidential Attachment 2**.

Following the verification visit, Stemcor provided a revised importer questionnaire response, including a revised importer transaction form (**Confidential Attachment 3**) and revised **Part C – Sales** spreadsheet (**Confidential Attachment 4**).

1.2 Purpose of visit

The purpose of the visit was to:

- confirm that Stemcor is an importer of galvanised steel from India and Vietnam as attributed to it within the ACBPS import database;
- obtain information to assist in establishing the identity of exporters of galvanised steel from India and Vietnam;
- verify information on imports of galvanised steel from India and Vietnam to assist in the determination of export prices;
- establish whether the purchases of galvanised steel from India and Vietnam were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for galvanised steel; and
- provide the company with an opportunity to discuss any issues it believes relevant to the investigation.

1.3 Meeting details

Company	Stemcor Australia Pty Ltd, also representing Stemcor AG and Stemcor (S.E.A.) Pte Ltd
ABN	33 000 345 308
Address	Level 13, 15 Blue Street North Sydney NSW 2060
Date of visit	9 September 2014

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The following were present at various stages of the meeting.

Stemcor	[REDACTED] [REDACTED]
The Commission	Mr An Chew – Assistant Director – Operations 1 Ms Jasna Halilovic – Senior Investigator – Operations 1

Prior to the meeting, we forwarded a visit agenda to Stemcor. Within the agenda, we requested that Stemcor prepare packages of source documentation to verify the data recorded within the importer transaction form for each of the 12 selected shipments. As requested, Stemcor prepared and supplied these documents during the verification visit.

In addition, we requested Stemcor prepare and supply supporting documentation (invoices and proof of payment) for the sales attributed to the 12 selected shipments in the importer transaction form. As requested, Stemcor also prepared and supplied these documents during the verification visit.

A copy of the visit agenda is at **Confidential Attachment 5**.

1.4 Investigation process and timeframes

The Commission advised the Stemcor of the investigation process and timeframes as follows.

- The investigation period is 1 July 2013 to 30 June 2014.
- The injury analysis period is from 1 July 2008 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 September 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission 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.

The Commission advised that securities would only be issued for goods exported after the PAD is released publicly, and would only be collected if the Commission determines that dumping has occurred.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 29 October 2014, or such later date as the Parliamentary Secretary allows under section 269ZH1 of the *Customs Act 1901* (the Act).¹

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, 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, the Commission will provide its final report and recommendations to the Parliamentary Secretary. This final report is due no later than 15 December 2014, unless an extension to the SEF is approved by the Parliamentary Secretary. The Parliamentary Secretary has 30 days from receipt of the final report to make a decision on the report's recommendations.

1.5 Verification visit report

Stemcor was advised that the Commission would prepare a report of the visit (this report) and provide it to Stemcor for review of its factual accuracy and to identify those parts of the report that the company considers confidential.

It was explained that, in consultation with Stemcor, the Commission would prepare a non-confidential version of the report and place this on the public record.

2 THE GOODS

2.1 Goods description

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

Flat rolled iron or steel products (whether or not containing alloys) that are plated or coated with zinc exported to Australia from India and Vietnam.

These goods are generically called galvanised steel. Galvanised steel of any width is included in this application.

Excluded from the definition of the goods the subject of this application is painted galvanised steel, pre-painted galvanised steel, electro-galvanised steel, corrugated galvanised steel or aluminium zinc alloy coated or plated steel.

2.1.1 Additional information

The applicant provided additional information to support its description of the goods as follows:

'The goods include the same categories of goods as identified in Trade Measures Report No. 190 and 193, however, this application also includes goods that are alloyed (i.e. with minor additions, e.g. boron, chromium, etc.). The goods the subject of this application include all zinc coated product options, including all grades/models of zinc coated steel, all coating mass classes and all surface treatments.

Trade or further generic names often used to describe the goods the subject of the application 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
- Galvanneal

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 common coating masses used for zinc coating are: Z350, Z275, Z200/Z180, Z100, and for zinc/iron alloy coatings are

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ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

Surface treatments can include but not be limited to; passivated or not passivated (often referred to as chromated or unchromated), oiled or not oiled, skin passed or not skin passed, phosphated or not phosphated (for zinc iron alloy coated steel only).

There are a number of relevant International Standards for zinc coated products that cover their own range of products via specific grade designations, including the recommended or guaranteed properties of each of these product grades.

These relevant standards are noted below in Table 2.1 “Relevant international standards for zinc coated steel”.

Table A-3.1 - Relevant International Standards for zinc coated steel

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

Please refer to Non-Confidential Attachment A-3.1 for a comparison of AS/NZ 1397 with other International Standards for zinc coated steel.’

2.2 Tariff classification

The application states that galvanised steel is classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7210.49.00 (statistical codes 55, 56, 57 and 58);
- 7212.30.00 (statistical code 61);
- 7225.92.00 (statistical code 38); and
- 7226.99.00 (statistical code 71).

Based on the information provided in the application, it has been confirmed by the Trade Policy and Advice section of the ACBPS that galvanised steel is correctly classified to these tariff subheadings.

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The general rate of duty is currently 5 per cent for goods imported under these tariff subheadings. Imports from India and Vietnam, however, are subject to a DCS² duty rate which is free for non-alloy steel under 7210.49.00 and 7212.30.00 and is 4 per cent for 'other alloy' steel under 7225.92.00 and 7226.99.00.

2.3 Previous investigation

An investigation into the dumping and subsidisation of galvanised steel and aluminium zinc coated steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan was finalised on 30 April 2013 (refer Trade Measures Report No. 190) (REP 190). As a result of this investigation, a dumping duty notice was published for all exports of galvanised steel from:

- China by all exporters;
- Korea by all exporters, other than Union Steel Co., Ltd;³ and
- Taiwan by all exporters, other than Sheng Yu Co., Ltd and Ta Fong Steel Co., Ltd.⁴

It is observed that the goods in REP 190 were limited to zinc coated products of iron and *non-alloy* steel only.

2.4 'Like' goods

Stemcor advised that it imports goods which match the description of the goods that are the subject of this application.

Stemcor stated that it believes that the Australian industry manufactures goods which match the goods description prescribed in the application. Stemcor believes that imported and locally manufactured galvanised steel are comparable and interchangeable and are therefore 'like' goods.

² 'DCS' is a code applied to classes of countries and places in relation to which special rates apply as specified in Part 4 of Schedule 1 to the *Customs Tariff Act 1995*.

³ On 26 April 2013 the dumping investigation was terminated, in so far as it related to galvanised steel exported by Union Steel Co., Ltd, Sheng Yu Co., Ltd and Ta Fong Steel Co., Ltd, based on a finding that the dumping margins for goods exported by those companies during the investigation period were less than 2% (refer Termination Report No. 190A).

⁴ See above.

3 COMPANY DETAILS

3.1 Company background

Stemcor explained that Stemcor Australia Pty Ltd, Stemcor (S.E.A.) Pte Ltd and Stemcor AG are part of the international Stemcor Group of steel trading companies. Stemcor Australia Pty Ltd, Stemcor (S.E.A.) Pte Ltd and Stemcor AG are ultimately owned by Stemcor Holdings Limited (United Kingdom).

Stemcor stated that Stemcor Holdings is an independent steel trader trading over 20 million tonnes of steel annually through a network of offices in 45 different countries.

Stemcor advised that the Stemcor Australia Pty Ltd office in North Sydney is the main Stemcor office in Australia, and that the Stemcor (S.E.A.) Pte Ltd office is based in Singapore. Stemcor also advised that the Stemcor AG office was based in Switzerland; however, it had closed in 2013.

3.1.1 Relationship between Stemcor Australia Pty Ltd, Stemcor (S.E.A.) Pte Ltd and Stemcor AG

Stemcor explained that it underwent financial restructuring in May 2013.

The restructure impacted Stemcor Australia Pty Ltd and how it operated and funded its trading operations in Australia during the investigation period.

[REDACTED]

[confidential information – details of commercial arrangement]

Stemcor Australia Pty Ltd explained that

[REDACTED]

[confidential information – details of commercial arrangement]

3.2 Accounting period

Stemcor operates on a 1 January to 31 December financial year, in line with that of its parent company based in the United Kingdom. Stemcor's accounts are audited on an annual basis.

Stemcor Australia Pty Ltd provided a copy of their audited financial report for the year ended 31 December 2013 (**Confidential Attachment 13**).

3.3 Relationships with suppliers

During the investigation period, Stemcor imported galvanised steel from [redacted]
[redacted] [confidential information – supplier details]

Stemcor advised that it had no relationship with these suppliers other than a commercial relationship of buyer and seller. Furthermore, Stemcor indicated that none of its affiliated international offices and companies had an ownership or other controlling relationship with these suppliers.

Stemcor also stated that it does not receive any rebates or discounts from its suppliers.

No information has been identified by the Commission to indicate that Stemcor is related to any of its suppliers based in India and Vietnam.

3.4 Relationships with customers

In Stemcor's response to **Part C** (refer to **Confidential Attachment 4**) of the importer questionnaire, we were able to identify Stemcor's customers. Stemcor advised that it is not related to any of its Australian customers.

[redacted]
[redacted] [confidential information – commercial details]

[redacted]
[redacted] [confidential information – commercial details]

No further information has been identified by the Commission to indicate that Stemcor is related to any of its other customers relating to galvanised steel.

[redacted]

4 IMPORTS

4.1 Volume of imports

The ACBPS import database indicates that Stemcor imported galvanised steel from a number of suppliers in India and Vietnam during the investigation period, as shown in **Table 4.1** below.

The recorded imports in the import database include a wide range of galvanised steel products, and the Commission did note that for one shipment (Customs identification number [REDACTED]), the description of the goods recorded in the ACBPS import database did not match the goods under consideration. The Commission excluded this shipment from further analysis.

The Commission provided the list of imports to Stemcor, which indicated that all the listed imports in the database were the goods.

Table 4.1 – Volume of galvanised steel imports – 1 July 2013 to 30 June 2014 – Stemcor

Country	Supplier	Quantity (tonnes)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
TOTAL		

[REDACTED] [confidential information – supply arrangements]

4.2 Ordering process and pricing

Stemcor advised that the lead times from the point of placing an order and the goods being delivered took, on average, three months. [REDACTED]

[REDACTED] [confidential information – supply arrangement]

Stemcor advised that its ordering process during the investigation period was generally as follows:

[REDACTED]

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These source documents included:

- purchase and sales contracts;
- commercial invoices from Stemcor's overseas suppliers;
- packing lists and mill test certificates;
- certificates of origin;
- bills of lading;
- email evidence of the foreign exchange rate used;
- customs broker invoices;
- port service charges invoices;
- ocean freight invoices (where applicable); and
- invoices for domestic inland transport and delivery.

For each shipment, Stemcor supplied documentation detailing and substantiating payments to Stemcor's overseas suppliers. Stemcor also supplied proof of payment for the post-exportation costs.

For each shipment, we used the source documents provided to confirm the importing entity, quantity, invoice value (in [REDACTED]), ocean freight and insurance (where applicable), exchange rate, importation costs and sales revenue listed in the importer transaction form. Minor amendments were made to the importer transaction form to reconcile some entries to the source documents.

4.3.1 Supplier invoice details

Stemcor provided copies of supplier invoices for each shipment.

We matched the values, quantities and supplier details recorded for each selected shipment in the importer transaction form to the supplier invoices. Stemcor noted that some of the importations in the ACBPS import database formed a single order and shipment; therefore, these importations were grouped in the importer transaction form.

We confirmed that most shipments were invoiced at [REDACTED], with one shipment from [REDACTED] being invoice at [REDACTED] and another at [REDACTED]. We also confirmed that the recorded payment terms (letter of credit at sight) were accurate.

All supplier invoices were in [REDACTED]. Within the importer transaction form, Stemcor [REDACTED]. Stemcor provided evidence in the form of [REDACTED] for each selected shipment reflecting the [REDACTED] [confidential information – supplier details]

4.3.2 Shipment costs

Under the heading of 'shipment costs' in the importer transaction form, Stemcor entered amounts for ocean freight (for shipments invoiced on [REDACTED] and [REDACTED] terms) and marine insurance.

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4.3.2.1 Ocean freight

Shipments 9 and 12 (both from [REDACTED]) were on [REDACTED] and [REDACTED] terms respectively. Stemcor provided ocean freight invoices (in [REDACTED]) for each of these two shipments which were used to verify the ocean freight costs recorded in the importer transaction form.

The supporting documentation provided for ocean freight costs included proof of payment, and as such we were satisfied that the amounts for ocean freight were accurate.

4.3.2.2 Marine insurance

Stemcor explained that its marine insurance costs are based on the premium rate specified under an annual insurance policy taken out by Stemcor. Stemcor stated that the insurance premium is paid quarterly and the overall cost is allocated to the relevant shipments for that particular quarter.

A copy of Stemcor's marine insurance policy was provided for the 2013 and 2014 calendar year which established that the premium was [REDACTED]. This policy is at

Confidential Attachment 7.

With regard to the marine insurance costs recorded in the importer transaction form, we were able to trace the costs to internal management reports that listed all insured shipments (listed by their purchase order numbers) for relevant quarters (covering the investigation period) and the total quarterly premium payable. Stemcor also provided proof of payment for these total quarterly premiums.

We considered the costs allocated in relation to marine insurance to be reasonable.

4.3.3 Importation costs

4.3.3.1 Customs entry and brokers fees, and port service charges

Stemcor provided customs broker invoices that listed all relevant charges relating to customs entry and brokers fees for each of the 12 selected shipments. We obtained proof of payment for each of the 12 invoices and were satisfied that the values recorded in the importer transaction form were accurate.

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4.3.3.2 Domestic inland transport and delivery

Stemcor sold galvanised steel to its customers on [REDACTED] delivery terms and therefore provided copies of invoices to support the delivery charges for each selected shipment. The invoiced charges reconciled to the costs recorded in the importer transaction form and we were satisfied that the delivery charges were accurate.

4.3.3.3 Bank charges

Stemcor recorded its bank charges (in [REDACTED]) for each of the 12 selected shipments in the importer transaction form.

Stemcor explained that these bank charges relate to the costs associated with [REDACTED]. Stemcor stated that these bank charges were based on actual costs incurred and were recorded in its post purchase and sales calculation reports (refer to **Confidential Attachment 6** for post-calculation reports). Stemcor further explained that some of the bank charges related to more than one transaction (i.e. other transactions not related to the selected shipments), and in these cases bank charges recorded in the importer transaction form were allocated on a pro-rata basis (by weight).

We reviewed Stemcor's post purchase and sales reports for each of the 12 shipments. We found some discrepancies in the calculations and we adjusted the importer transaction form accordingly.

4.3.3.4 Credit insurance

Stemcor takes out trade credit insurance for its sales to cover the event of non-payment by its customers. Stemcor supplied a copy of its trade credit insurance policy showing the credit insurance premium rate for the period 9 November 2012 to 8 November 2013 and 9 November 2013 to 8 November 2014 (refer to **Confidential Attachment 8**).

We examined the methodology that Stemcor applied in calculating credit insurance costs in the importer transaction form. We considered the methodology adopted in calculating credit insurance for each shipment to be reasonable.

We also reviewed Stemcor's post purchase and sales reports for each of the 12 selected shipments. We found some discrepancies in the calculations and we adjusted the importer transaction form accordingly.

4.3.3.5 Finance costs

[REDACTED]

[confidential information – cost details]

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[redacted]
[redacted] [confidential information – cost calculation]

[redacted]
[redacted] [confidential information – cost details]

[redacted]
[redacted] [confidential information – cost details]

[redacted]
[redacted] [confidential information – cost allocation]

We considered the costs allocated in relation to finance costs to be reasonable.

4.3.3.6 Import duty

For [redacted], Stemcor recorded import duty in the importer transaction form.

[redacted]
[redacted] [confidential information – import duty allocation]

We reviewed Stemcor's import data for [redacted] in the ACBPS import database and confirmed that Stemcor did pay import duty for [redacted].

[redacted] [confidential information – commercial arrangement]

[redacted]
[redacted] [confidential information – commercial arrangement]

[redacted]
[redacted] [confidential information – commercial arrangement]

[redacted]
[redacted] [confidential information – commercial arrangement]

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We reviewed Stemcor’s post purchase and sales reports (refer to **Confidential Attachment 6**) relating to [REDACTED] and were able to verify that the amount recorded [REDACTED] per tonne.

4.4 Shipment and importation costs summary

Using the verified data in the importer transaction form, weighted average post-shipment and importation costs (in AUD per tonne) have been calculated and are shown in the table below.

Table 4.4 – Summary of post-shipment and importation costs (excluding GST)

Cost	Weighted average cost (AUD per tonne) - India	Weighted average cost (AUD per tonne) - Vietnam
Marine insurance	[REDACTED]	[REDACTED]
Customs entry and brokers fees	[REDACTED]	[REDACTED]
Customs duty		[REDACTED]
Port service charges	[REDACTED]	[REDACTED]
Domestic inland transport and delivery	[REDACTED]	[REDACTED]
Bank charges	[REDACTED]	[REDACTED]
Credit insurance	[REDACTED]	[REDACTED]
Finance costs	[REDACTED]	[REDACTED]
[REDACTED]		[REDACTED]

For shipments on [REDACTED] terms, additional costs incurred are summarised in the table below.

Table 4.4.1 – Summary of post-shipment costs (excluding GST)

Cost	Weighted average cost (AUD per tonne)
Ocean freight ([REDACTED])	[REDACTED]

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

In its importer transaction form, Stemcor initially calculated SG&A costs as a percentage of sales revenue by dividing total overhead costs by the total sales revenue for Stemcor Australia Pty Ltd over the investigation period. Stemcor also deducted extraordinary expenses incurred during the investigation period from its total overhead costs. Stemcor claimed that these particular expenses were one-off expenses covering [REDACTED]

[REDACTED]

[confidential information – commercial details]

[REDACTED]

[confidential information – calculation of

SG&A]

[REDACTED]

[confidential information – calculation of SG&A]

[REDACTED]

[confidential information – calculation of SG&A]

[REDACTED]

[confidential information – calculation

of SG&A]

[REDACTED]

[confidential

information – commercial details]

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Given the information we were reasonably able to obtain, and noting the limitations raised by Stemcor, we are satisfied with Stemcor's estimate of SG&A costs (at [REDACTED] per cent of total sales revenue) as being a reasonable estimate of the SG&A costs incurred during FY2014.

We calculated a weighted average SG&A cost of [REDACTED].

4.6 Forward orders

Stemcor provided a list of its forward orders from India and Vietnam over the period August 2014 to November 2014 (refer to **Confidential Attachment 11**). The volume of these forward orders and the average unit prices are summarised in the table below.

Table 4.6 – Summary of forward orders – August to November 2014

Supplier	Quantity (tonnes)	Weighted average unit price ([REDACTED] per tonne)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]

The volume of these forward orders (from August 2014 to November 2014) represents approximately [REDACTED] per cent of the total volume of galvanised steel imported by Stemcor during the investigation period.

5 WHO IS THE IMPORTER AND EXPORTER

5.1 Who is the importer?

We reviewed the documents provided by Stemcor in respect of the 12 selected shipments. We note that, for imports from all suppliers, Stemcor:

- negotiates with the suppliers through its affiliated offices;
- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- arranges and pays for ocean freight (where applicable) and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance and logistics of the goods after they are delivered to the Australian port;
- retains ownership of the goods until they are delivered to its customers; and
- bears the risk of its customers defaulting on purchase agreements with Stemcor.

We consider Stemcor to be the beneficial owner of the goods at the time of importation, and therefore the importer.

5.2 Who is the exporter?

The Commission 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 in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arranging contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

PUBLIC RECORD

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

Based on information to date, we are satisfied that the following entities are exporters of galvanised steel:



To our knowledge, these entities are principals in the country of export, which manufactured the goods and gave up the goods for shipment directly to Stemcor.

Subject to further inquiries, [REDACTED] may also be an exporter of galvanised steel. This supplier was not selected as part of the 12 shipments for further verification due to the shipment being entered in the ACBPS import database at a later date.

PUBLIC RECORD

6.2.2 Rebates and discounts

Stemcor stated that it does not offer rebates, settlement discounts or volume discounts to its customers and that the invoiced price is the price paid.

During the verification visit, we selected a sample of sales invoices and were provided with proof of payment that confirmed that the invoiced prices were the prices paid.

6.2.3 Date of sale

Stemcor advised that the price between it and its customers (as well as between Stemcor and its suppliers) is set at the date of order confirmation, not at the date of invoice.

Stemcor stated that the lead time between the order date and the shipment date, and the fulfilment of Stemcor's customers' orders, can be several months.

6.3 Sales verification

6.3.1 Accuracy – verification to source documents

In Stemcor's response to **Part C – Sales** (sales spreadsheet) of the importer questionnaire, Stemcor provided the Commission with a line by line list of its sales transactions over the investigation period (**Confidential Attachment 4**). The sales spreadsheet included sales transactions relating to galvanised steel sourced from India, Vietnam, [REDACTED].

Following the visit, Stemcor provided the Commission with an updated version of the sales spreadsheet that included additional sales transactions over the investigation period (**Confidential Attachment 4**).

At the verification visit, Stemcor had provided copies of commercial invoices for sales related to the 12 shipments selected for verification (**Confidential Attachment 6**).

We were able to reconcile the invoice details (including quantity, value, customer name, delivery terms and credit terms) with the relevant sales transaction details provided by Stemcor in its response to the importer questionnaire.

We also received proof of payment (including remittance advice and bank statement extracts) for the invoiced goods examined (**Confidential Attachment 6**). We were provided with evidence of payment for all transactions that confirmed that Stemcor had been paid the invoiced amount and that the invoiced price was the price paid for the goods.

Based on the sales invoices provided during the visit, we are satisfied that the sales data provided in the sales spreadsheet is accurate.

PUBLIC RECORD

6.3.2 Relevance and completeness – verification to Stemcor's accounts

We requested Stemcor provide us with audited financial statements and management reports to conduct an upwards reconciliation of the company's revised sales spreadsheet (**Confidential Attachment 4**).

Stemcor provided us with internal management reports for [REDACTED] that listed the total sales for each product type (including galvanised steel) during the investigation period (**Confidential Attachment 10**). These reports also included supplier and customer details.

We were able trace the quantity and value of the galvanised steel sales volumes and values (relating to India and Vietnam) listed in the sales spreadsheet to the complete set of sales for [REDACTED] [confidential information – commercial arrangements]

Some minor discrepancies were observed between the sales data recorded in the sales spreadsheet and the sales data recorded in the management report for [REDACTED]. The sales data in the management reports for [REDACTED] reconciled exactly to the sales data recorded in the sales spreadsheet.

We then attempted to reconcile the total sales of each of the three Stemcor entities to audited financial statements. We were, however, unable to trace the sales of these entities to financial statements due to the imports of the goods during the investigation period [REDACTED].

As a result, to further test the relevance and completeness of the sales transactions listed in the sales spreadsheet, we compared the volume of sales in Stemcor's sales listing with the volume of imports as recorded in the ACBPS import database (**Confidential Attachment 12**).

Marginal differences in volume were found between the data provided by Stemcor and the data in the ACBPS import database. This is likely due to differences in timing between sales (recorded at the date of invoice) and importations (recorded at the date of shipment valuation).

We are satisfied that Stemcor's sales spreadsheet is a complete and relevant list of all of the company's sales of galvanised steel during the investigation period.

6.4 Profitability of sales

We calculated the profit for each of the 12 selected shipments (total sales revenue less total cost to import and sell) in the importer transaction form (**Confidential Attachment 3**).

PUBLIC RECORD

This demonstrated that [redacted] were profitable. The range of profit for the selected shipments was between [redacted] and [redacted] per cent, with an average profit of [redacted] per cent. We noted that [redacted] shipments were [redacted] [confidential information – details on profitability]

[redacted]

[confidential information – details on profitability]

[redacted]

[confidential information – commercial details]

7 ARMS LENGTH

In determining export prices under paragraph 269TAB(1)(a) and normal values under subsection 269TAC(1), the Act 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 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; and
- in the opinion of the Parliamentary Secretary, 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.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of galvanised steel, that:

- there was any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between Stemcor or an associate of Stemcor, and its suppliers or an associate of the supplier; and/or
- Stemcor, or an associate of Stemcor, was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

Further, we calculated the total profit for each of the 12 selected shipments (refer to Section 6.4 of this report). We consider the resulting indications of profitability are not such that would cause us to question the arms length nature of the transactions between Stemcor and its suppliers of galvanised steel. We noted the profitability of sales ranged from [REDACTED] to [REDACTED] per cent, with a weighted average profit of [REDACTED] per cent.

Therefore, we are satisfied that transactions between Stemcor and its suppliers of galvanised steel are at arms length in terms of section 269TAA.

8 RECOMMENDATIONS

Based on the information available, we are of the opinion that, for the goods imported by Stemcor from [REDACTED]:

- the goods have been exported to Australia otherwise than by the importer (Stemcor);
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.


Subject to further enquiries with these exporters, we recommend that the export price for galvanised steel exported by [REDACTED] can be established under paragraph 269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

We are of the opinion that, for the goods imported by Stemcor from [REDACTED], the goods have been exported to Australia otherwise than by the importer. However, we do not have sufficient information to determine whether the goods have been purchased by the importer from the exporter.

Subject to further inquiries in relation to these shipments, we recommend that the export price for galvanised steel exported from [REDACTED] could be established under paragraph 269TAB(1)(c) or subsection 269TAB(3) of the Act.

PUBLIC RECORD

9 ATTACHMENTS

Confidential Attachment 1	Response to Part A – importer questionnaire
Confidential Attachment 2	Response to Part B and C – importer questionnaire
Confidential Attachment 3	Revised importer transaction form – Response to Part B – importer questionnaire (including analysis)
Confidential Attachment 4	Revised sales listing – Response to Part C – importer questionnaire
Confidential Attachment 5	Verification visit agenda
Confidential Attachment 6	Source documents for 12 selected shipments
Confidential Attachment 7	Copy of marine insurance policy
Confidential Attachment 8	Copy of credit insurance policy
Confidential Attachment 9	Profit and loss statement for June 2013 to June 2014
Confidential Attachment 10	
Confidential Attachment 11	List of forward orders
Confidential Attachment 12	List of Stemcor's galvanised steel imports extracted from the ACBPS import database (including analysis)
Confidential Attachment 13	Stemcor Australia Pty Ltd – audited financial report for the year ended 31 December 2013