



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

CMC AUSTRALIA 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

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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 into 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 Previous anti-dumping investigations

There have been no recent dumping or countervailing investigations in respect of galvanised steel or aluminium zinc coated steel products and there are no current anti-dumping or countervailing measures on galvanised steel and/or 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 CMC Australia Pty Ltd (hereafter referred to as CMC) imported goods under investigation from China, Korea and Taiwan during 1 July 2011 to 30 June 2012 (the investigation period). Customs and Border Protection also confirmed from Customs and Border Protection's database that CMC

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.

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was a [REDACTED]³ importer of galvanised steel and was a [REDACTED] importer of aluminium zinc coated steel.

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

CMC 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 the CMC importer questionnaire response is at **Confidential Attachment GEN 1**.

2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that CMC was a [REDACTED] importer of galvanised steel and was a [REDACTED] importer of aluminium zinc coated steel and obtain information to assist in establishing the identities of the exporters of the goods;
- verify information on imports of galvanised steel to assist in the determination of export prices from China, Korea and Taiwan;
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing;
- identify CMC's sales and customers and determine sales volume, selling prices and costs;
- recommend how export price may be determined under section 269TAB of the Customs Act 1901⁵; and
- provide CMC with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting Customs and Border Protection forwarded an agenda to CMC and advised that we 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:

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

⁴ This questionnaire covered galvanised steel imports only, as GS Global were a major importer of this product.

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

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Company:	CMC Australia Pty Ltd
Address:	Level 6, 697 Burke Road, Camberwell VIC 3124
Telephone no:	(03) 9805 0400
Fax no:	(03) 9805 0455
Visit date:	Thursday 11 October 2012
Present at the visit	
CMC Australia Pty Ltd	[REDACTED] [REDACTED] [REDACTED]
Customs and Border Protection	Ms Joanne Reid, Director Operations 2 Ms Nicole Platt, Manager 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;
- 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.

CMC has been recently visited by Customs and Border Protection for the concurrent investigation into the alleged dumping of hot rolled coil (HRC) exported from Japan, Korea, Malaysia and Taiwan (Investigation No. 188 refers), therefore CMC was familiar with the anti-dumping investigation process.

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CMC was co-operative and had the required documentation available for the meeting. CMC 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 CMC that:

- a '*For Official Use Only*⁶ report on the visit will be prepared;
- CMC 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 CMC and placed on the Public Record for the investigation.

At the outset of the meeting, Customs and Border Protection advised CMC 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.

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.

CMC questioned whether pre-painted and painted galvanised steel are covered by the application. These products are entered under different tariff classifications to those named in the consideration report for the investigation. We advised CMC that Customs and Border Protection was discussing this issue with BlueScope and would issue advice accordingly.

(ii) Aluminium zinc coated steel

The imported goods the subject of the aluminium zinc coated steel application are:

⁷ Galvanised Steel Application, page 10.

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*“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.*

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 (figure 1 refers) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

⁸ Aluminium Zinc Coated Steel Application, page 10.

⁹ Galvanised Steel Application, page 12.

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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

¹⁰ Galvanised Steel Application, page 11.

¹¹ Aluminium Zinc Coated Steel Application, page 11.

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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 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 2 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%.

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

3.1.4 General

CMC stated that galvanised steel is mainly used for commercial/industrial applications. It is usually thicker in application than aluminium zinc coated steel. Aluminium zinc coated steel is mainly used in construction and fencing. The majority of aluminium zinc coated steel is painted prior to use.

CMC stated that pure aluminium can be used as a substitute for aluminium zinc coated steel in some applications.

3.2 'Like' goods

3.2.1 Imports and domestically produced goods

CMC advised that they considered the two goods the subject of the investigation to be like goods and that they should be investigated as such, not as two separate products. CMC stated that the substrate of each product is steel and then a different coating is applied to make the product either galvanised or aluminium zinc coated, but otherwise if Customs and Border Protection's like goods framework is applied the goods would be found to be like to each other.

CMC stated that the majority of its galvanised steel and aluminium zinc coated steel is manufactured to the JIS standard, and a small quantity is manufactured to ASTM.

4 COMPANY BACKGROUND

4.1 Company background

CMC was established in 1980 as an importer and marketer of long and flat steel products for the domestic market. CMC is a subsidiary of US based Commercial Metals Company (CMC) Ltd, which is publicly listed on the New York stock exchange. The CMC Group operates offices in North America, Europe, Asia and Australasia and one representative office in Moscow. Sales in Australia and New Zealand reportedly accounted for approximately █% of turnover for the Group for financial year 2012. CMC operates three divisions across Australia: steel trading, steel distribution and raw materials.

4.1.1 General background

CMC is the largest marketer of imported steel in Australia and sells product to its customers through offices in Melbourne, Sydney, Perth, Brisbane and Adelaide. In addition, smaller regional sales outlets operate in a number of locations including Darwin, Townsville and Toowoomba. The company primarily sells to manufacturers in the steel, non ferrous metals, metal fabrication, chemical, refractory, construction and transportation businesses.

CMC uses warehouse facilities at several Australian ports for distribution purposes for just in time delivery and logistics management. CMC's related company, CMC Coil Steels Pty Ltd (CMC Coil Steels), formerly known as Coil Steels Group Pty Ltd, is a major distributor and processor of steel sheet, coil and long products. CMC Coil Steels is the third largest distributor of coil in Australia. CMC competes in the market on price, quality and reliability of the products, financing alternatives and additional services.

CMC advised that it is a significant purchaser of galvanised steel from the Australian manufacturer, BlueScope.

4.2 Accounting

CMC explained that its financial year runs from 1 September to 31 August as its headquarters are based in the United States.

4.3 Relationship with suppliers

CMC lists

█
█
█
[company names and countries] as its suppliers of the goods under consideration (GUC). CMC confirmed that it has no relationship other than a purely commercial one with all of its suppliers as all transactions occur at arms' length. CMC also explained that it does not receive any rebates or discounts from its suppliers.

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4.4 Relationships with customers

It was noted that CMC sells galvanised and aluminium zinc coated steel to its related company, CMC Coil Steels. However CMC Coil Steels is operated as a separate entity and has separate management. As such, all sales are made for profit and are considered arms' length transactions.

Over the investigation period, CMC sold galvanised steel to multiple end users and a number of distributors including [REDACTED] [company names].

5 IMPORTS

5.1 Introduction

Customs and Border Protection's import database indicated that CMC imported galvanised steel during the investigation period from a number of suppliers including

[REDACTED]

[REDACTED] [company names]. CMC's import volumes over the investigation period total [REDACTED] MT.

The quantity imported by supplier is summarised in the following table.

Country	Supplier	Qty MT	Value USD
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

CMC stated that it imports thicknesses in the range of [REDACTED] mm to [REDACTED] mm and all widths.

CMC provided the following table of grades of steel they import. CMC advised that JIS G3302 SGCC is the most common grade imported. We note that the following table includes grades for products in addition to the GUC.

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AUSTRALIAN GRADE	JAPANESE EQUIVALENT	USA EQUIVALENT
<i>HOT ROLLED / P&O</i>		
AS1594 HA250	JIS G3101 SS400	ASTM A36
AS1594 HA300	JIS G3101 SS490	
AS1594 HA350	JIS G3132 SPHT4	ASTM A572 GR 50
AS1594 HA1	JIS G3131 SPHC	ASTM A1011 CS
AS1594 HA3	JIS G3131 SPHD	ASTM A1011 DS
AS1594 XF300	JIS G3113 SAPH440	ASTM A1011 SS45
AS1594 XF400	JIS G3134 SPFH590	ASTM A1011 HSLAS 60
AS1594 HW350	JIS G3125 SPA-H COR-TEN RIVERTEN CUP-TEN	
<i>COLD ROLLED</i>		
AS1595 CA2	JIS G3141 SPCC	
AS1595 CA3	JIS G3141 SPCD	
AS1595 CA5	JIS G3141 SPCEN NKUFD	
AS1595 CV4S2	JIS G3133 SPP KTSM NKP1D	
<i>GALVANIZED / GALVANNEAL</i>		
AS1397 G2	JIS G3302 SGCC	ASTM A653
AS1397 G3N	JIS G3302 SGCD3N	ASTM A653 DDS
AS1397 G300	JIS G3302 SGC400	ASTM A653 SS275
AS1397 G450	NKCA590	
AS1397 G550	JIS G3302 SGC570	ASTM A653 SS550
<i>ALUZINC</i>		
ZINCALUME G300	JIS G3321 SGLC400	ASTM A792 SS GR275
ZINCALUME G550	JIS G3321 SGLC570	ASTM A792 SS GR550
<i>ELECTROGALVANIZED</i>		
ZINCSEAL G2	JIS G3313 SECC	
ZINCSEAL G3N	JIS G3313 SECEN	

5.2 Ordering process and price

CMC conducts price negotiations with steel mills on a case by case basis. Approximately [REDACTED] [frequency of offers] the mills make a price offer for the steel which are valid for [REDACTED] days. A copy of one of these [REDACTED] price offers was provided (**confidential attachment IMP1**).

The price of galvanised steel is determined by a base price for the coil, in addition to extras for grade, finish and size. The base price for the coil can fluctuate from month to month, whilst the price for extras is usually fixed. An example of the base price and additional charges were provided (**confidential attachment IMP2**).

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Overseas suppliers will consider price bids during the negotiation process depending on order size. Offers from the mills are sent by CMC to customers as a guide including details of the mill and product available (see **confidential attachment IMP3**). Once a customer places an order [redacted] [ordering process details].

CMC then forwards a contract to the steel mills directly, [redacted] [ordering process details]. Purchases are made from steel mills [redacted] [frequency of ordering].

CMC hedges the currency in [redacted] [currency name], and [redacted] [payment method]. One off orders [redacted] [payment method]. Regular customers though may [redacted] [payment method].

Once the order confirmation is made prices cannot be altered. Production of steel usually takes 60 days, however this varies from mill to mill. The length of time it takes to freight the steel to Australia depends on the availability of vessels. Shipping usually takes between 3 and 4 weeks depending on the location of the port of arrival. Shipping may take a further 2 weeks depending on when the order is made. The mills generally pack the steel at a standard suitable for export.

5.3 Verification

Prior to the visit, we selected 12 shipments and asked CMC to provide Customs and Border Protection the following source documents:

- commercial invoices;
- packing lists;
- purchase orders;
- bills of lading; and
- Customs broker and domestic freight invoices.

The source documents are at **confidential attachment IMP 4**.

For each shipment we used the source documents provided to check the listed quantity, invoice value, ocean freight and insurance, exchange rate, customs duty, importation costs, expenses and average selling prices in the import sales spreadsheet.

At the visit we verified all twelve sets of documents for proof of payment of the shipment and post exportation costs. These documents are at **confidential attachment IMP4**. We were able to reconcile the shipment number, quantity, value, price and delivery terms for the selected shipments with the data in the import list.

5.3.1 Importation costs

We calculated the average post free on board expenses for the selected shipments, which are summarised in the following table (expressed in Australian dollars per tonne).

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	Weighted average cost per unit (tonne) China	Weighted average cost per unit (tonne) Korea	Weighted average cost per unit (tonne) Taiwan
Ocean freight	████	████	████
Insurance	████	████	████
Australian importation costs (excluding GST)	████	████	████
Selling, general and administrative expenses (based on average selling price)	████	████	████

5.4 Export prices for shipments

Based on the Customs and Border Protection import database, we calculated the weighted average FOB export price (in AUS) for galvanised steel over the investigation period.

Product	FOB export price (AUD/tonne)
Galvanised Steel Coils 0.5mm to 1.5mm thick over 600mm wide	████
Galvanised Steel Coils 1.5mm to 2.5mm thick over 600mm wide	████
Galvanised Steel Coils over 2.5mm over 600mm wide	████
Galvanised Steel Coils under 0.5mm over 600mm wide	████
Total	████

We calculated the weighted average FOB export price (in AUD) for the goods over the investigation period by country. The weighted average FOB prices by country for galvanised steel are as follows:

Country	Weighted Average FOB (AUD/T)
Korea	████
China	████

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Taiwan	
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5.5 Forward Orders

CMC identified in its questionnaire response that it had forward orders with [redacted] [redacted] [company names] for approximately [redacted] MT of [redacted] [product type] due for delivery between 1 September 2012 and 1 November 2012.

5.6 Who is the importer

We noted that CMC:

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

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

5.7 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 will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

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, arrange 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.

Therefore, depending on the facts, Customs and Border Protection 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

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destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

In relation to exports from [REDACTED] [company names], upon review of the documentation provided we are satisfied that:

- the commercial invoices identify the supplier;
- the bills of lading identify the supplier 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
- CMC pays the relevant supplier.

Subject to further enquiries we are satisfied that these entities can be considered exporters of the goods imported by CMC.

Based on the information available we consider that the following entities listed as suppliers in the import database may be trading houses and are therefore unlikely to be considered the exporter:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

Further enquiries should be undertaken to ascertain the exporter of goods supplied through these entities.

6 AUSTRALIAN MARKET AND SALES

6.1 General

CMC advised that galvanised steel and aluminium zinc coated steel can each be used for making a variety of products. CMC explained that most of their customers are in the general fabricators segment and produce a range of items.

CMC stated that in other countries aluminium zinc coated steel is generally a higher price than galvanised steel. However, they explained that customers generally choose between aluminium zinc coated steel and galvanised steel based on whether it is fit for the required purpose rather than a decision based on the relative price of the two products.

CMC claimed that because Bluescope is a fully integrated producer of aluminium zinc coated steel and galvanised steel sometimes a company has no choice but to import to be able to compete in this market.

CMC explained that Bluescope offer various loyalty agreements and rebate options to its customers. In order to access Bluescope product as a customer, you need to guarantee a certain percentage of product to buy from them. CMC noted the benefits of buying from the local producer included a higher quality product that can be ordered and delivered in a shorter time frame.

CMC stated that whilst the Australian market demands a high quality product, some overseas countries do not require the same level of quality for their own uses, hence imported GUC at this point in time is not of the same quality as that offered by Bluescope. Overseas quality is improving as time goes on. Investments are being made in new technology and the skill to use that technology is increasing. As the level of knowledge and quality increases, potentially so will the level of exports from overseas as their markets expand to those countries demanding the higher quality product.

6.2 Australian sales

We discussed demand levels in Australia. CMC advised that most of the product made and imported is consumed by the construction industry, with █% of all steel used in Australia being utilised by this sector. If construction demand drops, there is a severe flow on effect to the suppliers of the GUC. Without the downturn in construction it was expected that the market for GUC should have increased.

CMC noted that imports of galvanised steel have █ [movement direction] while levels of aluminium zinc coated steel have remained fairly stable. The reason for this was noted as there being less critical applications for galvanised steel within the Australian market. Galvanised steel is a commercial product that can be used to make many products such as air conditioning units, steel boxes, and guttering. Aluminium zinc coated steel is used more in roofing applications, fencing, garden sheds and roller doors.

6.3 Price and distribution arrangements

CMC Australia sells approximately █% of the GUC to distributors with the remaining █% going to end users. The products are distributed the same way to both distributors and end users. Customers may take immediate delivery of product they have ordered or may opt for delayed delivery. CMC manages stock through their warehouses and can store product up to █ months for a customer after which time additional fees are charged. The coated steel component of CMC accounts for just over █% of total turnover. Customers are invoiced at the time of delivery.

CMC advised that Bluescope used to be a price setter in the market, however steel prices are now set internationally because of the global market. Prices are now set based on global steel prices then adjusted for any variations. CMC noted that prices have been very volatile over the last 12 months due to market fluctuations and uncertain economies overseas.

6.4 Rebates and discounts

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

6.5 Commission

CMC as a global corporation has an inter-office agreement whereby a █% internal commission is paid for services provided by their own offices in China and other countries. The █% commission is based on █ [commission basis].

6.6 Sales verification (accuracy)

CMC provided us with a line by line sales list of its sales of steel products for the period from 1 April 2011 to 31 March 2012.

At the visit CMC provided copies of commercial invoices for sales related to the 12 shipments selected from their total imports. Copies of these documents are at **confidential attachment SALES 2**. The invoice numbers, quantity, amount and customer's names reconciled with the information in the sales list. We also confirmed that only sales of steel were included in the Part C sales listing and that amounts paid for JIT holding costs that were listed on the sales invoices were not included in the sales total. Based on the source documents provided we are satisfied that the values in the sales list are accurate.

6.7 Proof of Payment

We received proof of payment for the goods for the invoices examined. We were provided with payment remittance advices for all twelve transactions. These documents confirm that CMC has been paid the invoiced amounts.

6.8 Upwards verification (completeness)

We were provided with CMC's audited financial statements for the year ended 31 August 2011 (**confidential attachment SALES 3**). CMC also provided its monthly income statement for its Sheet and Coil Division for the period 1 April 2011 to 31 March 2012 showing the quantity and value of all sales (**confidential attachment SALES 1**).

CMC provided a spreadsheet containing line by line transaction data for sales by the Sheet and Coil Division. We selected the month of July 2011 for examination. We were able to reconcile sales provided in Part C of importer questionnaire with galvanised steel sales for July 2011 in the complete listing of sales by the Sheet and Coil Division. We also examined the months of August and September 2011, however were unable to cross match the quantities and values for those months. The company viewed the material we were matching and explained the figures on one of the spreadsheets had been updated and as such were able to be matched, however, we do not have a copy of this updated data to verify.

6.9 Selling, general and administrative expenses (SG&A)

CMC included in its cost to import and sell spreadsheet at Part B of its importer questionnaire response, SG&A expenses equivalent to ██████% of average selling price of the imported galvanised steel. We could see from CMC's management profit and loss statement for the period 1 April 2011 to 31 March 2012 (**confidential attachment SALES 1**) that this percentage had been calculated by dividing its total SG&A expenses for the Sheet and Coil Division by the revenue for the Division over the same period. The company advised that they had used the same percentage for SG&A costs as per previous investigations as the basis for the calculation was the same. However, we also noted that there was an additional SG&A charge of █% relating to corporate chargebacks to the Sheet and Coil Division by head office. We consider that these should also be included in the SG&A cost and therefore adjusted the importer spreadsheet to reflect total SG&A of █% of revenue.

6.10 Profitability of sales and selling price

We found that the all of CMC's selected import transactions were sold at a profit.

7 ARMS LENGTH

In determining export prices under s.269TAB(1)(a) 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.

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

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

We are satisfied that import transactions between CMC and its suppliers are at arms' length in terms of s. 269TAA.

8 DUMPING, MATERIAL INJURY AND CAUSATION

8.1 General

CMC explained that three factors are contributing to the difficulties experienced in the steel manufacturing industry at the moment, being the high Australian dollar, falling downstream demand for steel for use in manufacturing and highly competitive imports. CMC noted that the volumes of prefabricated steel entering the Australian market had increased in recent years due to the high value of the Australian dollar.

CMC further explained that market size has decreased due to the residential housing market contracting. Whilst construction levels are higher in some states than others, as the construction demand decreases, the market will be more competitive for suppliers.

Moreover, CMC believes Bluescope is under pressure as high volume steel consumers, such as the mining industry, have turned to imported steel for their new projects over domestic product as it is more economical.

CMC agreed that BlueScope is a price taker in the market for both products due to its import parity pricing model.

CMC noted that the closure of BlueScope's Western Port mill means that BlueScope can no longer produce wider widths of coated steel so they are importing these products from Japan. CMC observed that BlueScope had not included Japan in its application for anti-dumping measures.

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.

CMC commented that the calculation of the USP should take account of the domestic price premium Bluescope is able to charge to its customers, although recognised that it is difficult to quantify its amount. CMC also considered that the lowest undumped import price should be used as the basis for a USP given BlueScope's import parity pricing model.

10 RECOMMENDATIONS

Based on the information available, the galvanised steel imported by CMC in the investigation period from [REDACTED] [company names]:

- has been exported to Australia otherwise than by the importer;
- appear to have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms' length transactions.

Subject to further inquiries with the exporter and supplier of the goods, at this stage we are satisfied that, in relation to exports from [REDACTED] [company names], the export prices can be established under s. 269TAB(1)(a) of the Act using the invoiced price less any charges incurred after exportation if required.

For those imports identified in Customs and Border Protection's import database as being supplied by any other entity, we are of the view that the export price should be established under section 269TAB(1)(c) subject to finding out further details about the export arrangements over the course of the investigation.

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11 ATTACHMENTS

Confidential Attachment No.	Title
Confidential Attachment GEN 1	Importer Questionnaire Response
Confidential Attachment GEN 2	Visit agenda
Confidential Attachment IMP 1	Price offer email from exporter
Confidential Attachment IMP 2	Price base and price additions from Ansteel
Confidential Attachment IMP 3	Email offer from CMC to Australian Customers
Confidential Attachment IMP 4	Source documents for 12 selected shipments
Confidential Attachment SALES 1	Management Reports including income statement for period 1 April 2011 to 31 March 2012.
Confidential Attachment SALES 2	Commercial invoices for sales of 12 selected shipments
Confidential Attachment SALES 3	Audited financial statements for the year ended 31 August 2011