



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

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# **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**

**OneSteel Australian Tube Mills 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**

**November 2012**

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## 2 BACKGROUND AND PURPOSE

### 2.1 The application

On 3 August 2012, applications<sup>1</sup> 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 2012<sup>2</sup> 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](http://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 or aluminium zinc coated steel products.

#### 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 /or aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

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<sup>1</sup> *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.

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

## 2.3 Background to meeting

### 2.3.1 Preliminary matter – identification of Arrium group entities

Following the initiation of the investigations, a search of Customs and Border Protection's import database indicated that OneSteel Australian Tube Mills Pty Ltd ATM (here after referred to as OneSteel ATM) and OneSteel Trading Pty Ltd (hereafter referred to as OneSteel Trading) imported the goods under investigation during 1 July 2011 to 30 June 2012 (the investigation period).

Prior to the meeting Customs and Border Protection were aware that the three affiliated entities trading under the 'OneSteel' brand - OneSteel ATM, OneSteel Trading and an entity trading known as OneSteel Coil Coaters Pty Ltd (hereafter referred to as OneSteel Coil Coaters) - are involved in commercial operations associated with the importation of the GUC.

After discussions with these entities, we ascertained that:

- OneSteel ATM is an importer of hot rolled galvanised coil ;
- OneSteel Trading is an importer of galvanised and aluminium zinc coated steel coil; and
- OneSteel Coil Coaters uses Galvanised and Aluminium Zinc Coated Steel coil in their manufacturing processes<sup>3</sup>.

We understand that the abovementioned three commercial entities are part of a corporate group of companies wholly owned by a single corporate entity, Arrium Limited (Arrium), which formerly traded as OneSteel Limited. The corporate structure of Arrium Limited (and the relevant OneSteel entities for the purposes of the present investigations) is explained in greater detail below.

Customs and Border Protection confirmed from the Customs and Border Protection's database that the entities identified, when viewed as a composite group by virtue of shared corporate ownership, was a major<sup>4</sup> importer of galvanised steel and was a minor-importer of aluminium zinc coated steel.

Prior to the meeting it was unclear whether OneSteel Coil Coaters was an importer of the GUC. Through discussions with the representatives present at the meeting, the relevance of OneSteel Coil Coater's commercial operations in relation to the importation of the GUC was clarified. We have articulated Customs and Border Protection's views on the relevance of OneSteel Coil Coaters, for the purposes of the relevant investigations, in a separate report.

### 2.3.2 Treatment of identified related entities for the purposes of the meeting

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<sup>4</sup> 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.

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Customs and Border Protection notified each separate entity individually 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 and/or galvanised steel to the company to complete, where applicable.

Whilst each entity provided separate responses to the questionnaire provided, as applicable to its particular commercial operations, Customs and Border Protection conducted a single verification visit at which representatives of all three entities were present.

The entities confirmed that, as a result of the shared corporate ownership structure under which they operated, there were no issues of confidentiality associated with the treatment of three entities as a composite group under the corporate umbrella of Arrium Limited for the purposes of the meeting.

For the sake of efficiency, the meeting was conducted to cover both products under investigation, however the focus of verification differed in relation to each specific entity present at the meeting, as applicable in relation to the specific commercial operations of each entity.

### **2.3.3 Treatment of OneSteel entities for reporting purposes**

Notwithstanding the above, we recognise that each of the relevant OneSteel entities present at the meeting are involved in separate commercial activities which relate to distinct downstream markets. In summary we clarified at the meeting that:

- OneSteel Trading is appropriately categorised as [REDACTED] and distributor of galvanised steel and aluminium zinc coated steel;
- OneSteel ATM is an importer of galvanised coil but is appropriately categorised wholly as an end user of both goods; and
- OneSteel Coil Coaters is an end user of imported aluminium zinc coated steel coil, which it procures from [REDACTED], but is not itself an importer of the goods.

The representatives of the above entities emphasised that, notwithstanding their mutual commercial association by virtue of ownership by Arrium and identification within the portfolio of Arrium Limited entities trading with the 'OneSteel' brand, each entity had a different relationship with the goods and different perceptions in relation to the key issues associated with the anti-dumping investigations.

On this basis separate reports have been prepared for each entity outlining the process of verification undertaken in relation to the particular commercial operations of the relevant entity.

### **2.3.3 Information specific to OneSteel ATM**

OneSteel ATM was provided with a list of its imports of hot rolled galvanised coil during the investigation period, extracted from Customs and Border Protection's

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import database, with selected consignments for further verification to source documentation.

OneSteel ATM 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 OneSteel ATM importer questionnaire response is at **Confidential Attachment GEN 1**.

### 2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that OneSteel ATM was an importer of hot rolled galvanised coil and obtain information to assist in establishing the identities of the exporters of the goods;
- verify information on imports of hot rolled galvanised coil to assist in the determination of export prices from [REDACTED];
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing;
- identify OneSteel ATM'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 1901*<sup>5</sup>; and
- provide OneSteel ATM with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting Customs and Border Protection forwarded an agenda to the key contact handling the administration of the meeting on behalf of all three entities, and advised that we would require supporting documentation for the selected consignments for each entity, including OneSteel ATM that had been identified prior to the visit. A copy of the visit agenda is at **Confidential Attachment GEN 2**.

### 2.5 Visit

Details of the visit were as follows:

<b>Company:</b>	OneSteel ATM
Address:	Level 8 205 Pacific Highway, St Leonards, NSW
Telephone no:	03 8671 4428
Fax no:	03 8671 4451
Visit date:	Thursday 18 October 2012
<b>Present at the visit</b>	

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

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OneSteel ATM	Nick Fithal, General Manager Sales & Marketing, Distribution Segment
Customs and Border Protection	Mr Mick Kenna, A/G Director Operations 2 Ms Cathy Cole, Supervisor Operations 1 Mr Edward Macgregor, Supervisor Operations 1

We note that Mr Josh Harslett, Steel in Concrete Value Chain Manager for OneSteel Market Mills, was providing support for all three entities in relation to the provision of responses prior to the meeting and all relevant correspondence thereafter. Mr Harslett was present at all stages of the meeting.

Mr Carlos Osborne (representing the OneSteel International Trade Group) and Peter Stawiarski (ATM Procurement Manager) were present, via telephone link, at various stages of the verification.

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;
- the 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.

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OneSteel ATM 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 OneSteel ATM was familiar with the anti-dumping investigation process.

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

- a '*For Official Use Only*<sup>6</sup>' report on the visit will be prepared;
- OneSteel ATM 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 OneSteel ATM and placed on the Public Record for the investigation.

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

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<sup>6</sup> Which replaces the previously used security classification of "*Confidential*".



### 3 THE GOODS

#### 3.1 The goods the subject of the applications

##### 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”<sup>7</sup>.*

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;
- “GALVSPAN®” 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/m<sup>2</sup>) 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”<sup>8</sup>.*

<sup>7</sup> Galvanised Steel Application, page 10.

<sup>8</sup> Aluminium Zinc Coated Steel Application, page 10.

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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/m<sup>2</sup> with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

### 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”<sup>9</sup>.*

#### (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.

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<sup>9</sup> Galvanised Steel Application, page 12.

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International Standards	Product Grade Names
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
<i>Forming, Pressing &amp; Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCD, SGCD
<i>Structural Grades</i>	
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 steel<sup>10</sup>**

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 &amp; 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 steel<sup>11</sup>**

### 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

<sup>10</sup> Galvanised Steel Application, page 11.

<sup>11</sup> Aluminium Zinc Coated Steel Application, page 11.

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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 <sup>2</sup> and NOT greater than 380 N/mm <sup>2</sup> ; (b) tensile strength NOT less than 440 N/mm <sup>2</sup> ; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m <sup>2</sup> and NOT greater than 65 g/m <sup>2</sup> ; (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 Preliminary views regarding like goods*

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OneSteel ATM reiterated that the view in relation to 'like goods' with respect to the current investigations differs between each of the relevant OneSteel entities due to the different commercial operations for which the GUC is procured by each entity.

Specifically, OneSteel ATM submitted that they have concerns with the defined scope of like goods with respect to galvanised steel as it relates to their commercial use of the goods.

In summary, OneSteel ATM expressed the view that the definition of like goods fails to appreciate specific areas of production which consume types of imported GUC which the Australian applicant cannot itself manufacture.

As is explained in section 4 below, OneSteel ATM's production output is overwhelming comprised of [REDACTED] product, and further, predominantly the [REDACTED] category of tube (explained below). OneSteel ATM advised that [REDACTED] of the [REDACTED] product in FY12 was produced from hot rolled galvanised coil.

OneSteel ATM advised that it has concerns with the scope of like goods positioned by the applicant, and subsequently reflected in Customs preliminary views when initiating the investigation with respect to galvanised steel, on the basis that the applicant is unable to manufacture hot rolled galvanised steel coil.

OneSteel ATM allege that the applicant's manufacturing processes require hot rolled coil to be cold rolled prior to being galvanised – essentially adding a production process that isn't applied by overseas steel mills.

In summation, OneSteel ATM claim that the additional cold rolling of coil for the purposes of galvanising has a number of impacts on the specifications of the product in terms of;

- the coil dimensions;
- the crystalline structure of the steel which effects its mechanical properties and ease of manufacture into tube; and
- the ductility of the steel (the relative relationship between tensile strength and yield strength).

OneSteel ATM noted that the additional cold rolling processes also added a significant cost to the product. In short, resulting in a product of quality largely not suitable for manufacture of Structural Pipe and RHS, produced at a greater cost.

OneSteel ATM advised that, as a result of the inherent quality differences between hot rolled galvanised and cold rolled galvanised steel coil it has been unable to [REDACTED].

[Explanation on outcome of OneSteel ATM substituting cold rolled product in the manufacturing process.]

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OneSteel ATM provided a written summary (in draft form) of its preliminary views regarding like goods. This is included as **confidential attachment GEN 3**.

### *3.2.2 Caveat to preliminary view regarding like goods*

OneSteel ATM emphasised that its views regarding like goods, summarised above at 3.2.1, were provided as preliminary draft submissions and did not represent the final official position of OneSteel ATM.

OneSteel ATM advised that the issue of the applicant's inability to produce hot rolled galvanised steel coil was the subject of [REDACTED]

[Explanation of OneSteel ATM negotiations with the applicant.]

In summation OneSteel ATM advised that its final views with respect to like goods would be influenced directly [REDACTED]

[Explanation of how like goods position depends on outcome of negotiations]

## 4 COMPANY BACKGROUND

### 4.1 Company background

#### 4.1.1 General background

As mentioned above, OneSteel ATM (along with OneSteel Trading Pty Ltd and OneSteel Coil Coaters) is a separately registered entity under the corporate umbrella of Arrium.

Arrium is a publicly listed company, registered in Australia that was spun out from BHP Billiton in 2000. Arrium was formerly named OneSteel Limited. OneSteel Limited changed its name to Arrium with effect from 2 July 2012.

The OneSteel representatives present at the meeting provided a short presentation regarding the corporate structure of Arrium Limited and the relevant position of OneSteel branded business within this structure.

In summary, we note that Arrium comprises 3 major divisions:

- Arrium Mining;
- Arrium Mining Consumables; and
- OneSteel Steel and Recycling.

OneSteel Steel and Recycling is the relevant division under which the three abovementioned commercial entities operate. We note that, despite the change in name of the parent corporate entity, 'OneSteel' is still the commercially used, and recognised, trading name associated with the various operations that fall within the Steel and Recycling division and specifically in relation to those operations that relate to the GUC.

We understand that OneSteel Steel and Recycling division comprises three internal subdivisions, each of which in turn comprises a number of specific, separately registered and operated business entities. The subdivisions are:

- OneSteel Distribution;
- OneSteel Manufacturing; and
- OneSteel Recycling.

We clarified that each division (and business entities within that fall under each limb) are delineated by the commercial services that the entities within each perform.

For completeness, we confirmed that:

- OneSteel Distribution is responsible, inter alia, for the distribution of steel and related products. The portfolio of businesses under the division use separate selling, distribution and supply chains to deliver products and services to

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Australian customers. This division comprises a number of distinct businesses including OneSteel Trading (which trades under the trading name OneSteel Sheet and Coil) and OneSteel Coil Coaters

- OneSteel Manufacturing comprises operational facilities and business entities associated with the manufacture of the array of steel products within OneSteel Steel's product catalogue (which are sold directly to end users or distributed via the network of entities within OneSteel Distribution and third party distributors). This division comprises, amongst others, OneSteel ATM.
- OneSteel Recycling is responsible for the supply of raw materials for steelmaking to domestic and overseas steelmaking facilities. We confirmed that this division is unrelated to the importation of the GUC.

We understand that the corporate structure within the divisions is complex, however, for the purposes of the investigation, it is enough to understand that all sub-divisions (and the entities within each) are recognised as wholly owned entities of Arrium.

### 4.1.2 Functions of OneSteel ATM

OneSteel ATM provided an overview of its commercial operations. This is included as **confidential attachment GEN 3**.

#### *Corporate structure*

OneSteel ATM is a wholly owned subsidiary of Arrium. OneSteel ATM was formed in December 2006 when the two separate pipe and tube businesses operated by OneSteel Trading Pty Ltd and Smorgon Steel Group formed a joint venture company. From 20 August 2007, this company became a wholly owned subsidiary of Arrium (then trading as OneSteel Limited) and was renamed OneSteel ATM.

#### *Commercial operations*

OneSteel ATM is one of the major manufacturers of steel pipe and tube, as well as other specialty steel sections in Australia. OneSteel ATM advised that its tube production processes consume galvanised steel coil as a primary raw material.

OneSteel ATM advised that coil accounts for more than [REDACTED] of the cost structure associated with the manufacture of pipe and tube products which OneSteel ATM sells in the Australian market.

We understand that over [REDACTED] of the steel coil consumed by OneSteel ATM in its commercial operations has been procured from the applicant.

OneSteel ATM has 5 manufacturing facilities:

- Newcastle (NSW);
- Sunshine (VIC); (Closure announced in November, 2012)
- Somerton (VIC); and



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- Kwinana (WA). (Closure announced in November, 2012)
- Acacia Ridge (QLD)

### *Products*

OneSteel ATM advised that the GUC is used in the manufacture of two categories of product:

- structural Tube;
- precision Tube. (Manufacturing will cease with the closure of Sunshine and Kwinana [REDACTED].) [Proposed closure date]

We understand that structural tube uses predominantly HRC and Hot Rolled Galvanised Coil, whilst precision tube uses a combination of HRC, Cold rolled pickled and oiled steel and cold rolled pre-galvanised coil.

OneSteel ATM also explained that the Galvanised structural tube product category is delineated by two sub-categories of tube:

- DuraGal – which is produced using hot rolled coil which is externally galvanised during the production of the tube; and
- SupaGal – which is produced using pre-galvanised steel coil.

In relation to the production of SupaGal, we confirmed that historically OneSteel ATM purchased 'black' hot rolled coil steel (HRC), primarily from [REDACTED] which it then galvanised (that is, coated with zinc) itself at its strip-coating facility at Acacia ridge in Queensland. OneSteel ATM advised that its Acacia Ridge facility was 'mothballed' in July 2012, and their importation strategy switched, by necessity, to purchasing pre-galvanised hot rolled coil.

OneSteel ATM stated that BlueScope has only produced coated coil that has undergone a cold rolling process. It said that this was unproven and unlikely to be suitable for producing the popular AS1163 450 grade of pipe and tube. Cold rolled coil is typically less ductile than hot rolled coil.

OneSteel ATM advised that it is canvassing options for the integration of technology into its manufacturing processes which would enable the use of [REDACTED]. OneSteel ATM advised, [REDACTED] associated with such technologies are [REDACTED] and it will [REDACTED].

[Explanation of possible manufacturing processes.]

OneSteel ATM advised that the total average output of structural tube is roughly [REDACTED] tonnes per annum, whilst precision tube is produced in far smaller quantities of roughly [REDACTED] tonnes per annum.

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Structural tube and precision of product are manufactured in accordance with a variety of standards, depending on the specific product and customer requirements/intended end-use. We understand the standard ATM grade for structural RHS is AS1163 – C450 PLUS.

OneSteel ATM advised that there was a direct, and logical, correlation between the specific standard and grade of the end product and the grade of the raw material input.

OneSteel ATM advised that the significant majority of product supplied by [REDACTED] – its [REDACTED] supplier during the period of investigation – was described as [REDACTED] or [REDACTED] grade. We understand that the relevant specifications of these grades were specifically customised for OneSteel ATM to ensure the finished pipe and tube manufactured using the imported goods satisfied relevant Australian standards.

OneSteel ATM typically imports coated coil in widths of [REDACTED] mm to [REDACTED] mm. OneSteel ATM requires coils with an internal bore to suit its operating equipment. BlueScope supplies Cold Rolled Galvanised coils with an internal bore of 508mm which requires some modification before it can be used on OneSteel ATM's machinery.

At the visit OneSteel ATM provided a detailed summary of the specifications (comprising mechanical and chemical composition) of hot rolled carbon strip steel it uses in its manufacturing processes. This is included as **confidential attachment GEN 4**.

OneSteel ATM sells its products to over [REDACTED] steel distribution locations in Australia and historically a [REDACTED] number of end users.

### 4.2 Accounting

OneSteel ATM operates on a 1 July to 30 June financial year. OneSteel ATM's financial statements are consolidated into the annual statements of Arrium, which are audited annually.

### 4.3 Relationship with suppliers

OneSteel ATM claimed that they are not related or affiliated in any way with their suppliers in [REDACTED]. As will be discussed in more detail in the following section, we requested, and were provided with a copy of a [REDACTED] executed between OneSteel ATM and its major [REDACTED] supplier – [REDACTED]. This is included as **confidential attachment GEN 5**.

The [REDACTED] represented [REDACTED] the terms of supply (with respect, inter alia, to product specification, [REDACTED] quantity of supply and pricing [REDACTED]) as negotiated between the two parties.

On the assumption that the [REDACTED] provided as a representative sample of the form and substance of OneSteel ATM's commercial relationship with its suppliers, we

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found no evidence that would indicate that the terms of trade negotiated between OneSteel ATM and its overseas suppliers are influenced by any relationship or affiliation.

### **4.4 Relationships with customers**

OneSteel ATM advised that it has no interest or affiliation with Australian distributors to which it sells products (produced using the GUC) apart from the commercial relationship reflected in the terms of the supply agreement in force between the two entities and the commercial transactions executed pursuant to these terms.

For completeness, we note that, on the basis that OneSteel ATM is regarded to be an end-user of the GUC for the purposes of the investigation issues associated with its sales into the Australian pipe and tube market were not considered relevant.

## 5 IMPORTS

### 5.1 Introduction

Customs and Border Protection's import database indicates that OneSteel ATM imported [REDACTED] tonnes of galvanised steel during the investigation period.

We have ascertained that approximately [REDACTED] of galvanised steel ([REDACTED] of total imported volume) was imported from [REDACTED]. The remaining imported quantities were imported from [REDACTED] not identified as within the scope of the present investigations.

OneSteel ATM imported hot rolled galvanised coil during the POI from [REDACTED]. We ascertained that imports from [REDACTED] account for over [REDACTED] of the total volume of hot rolled galvanised coil imported by OneSteel ATM from the nominated countries during the POI.

### 5.2 Ordering process and price

#### 5.2.1 Ordering process

OneSteel ATM submitted that the demand for procurement of hot rolled galvanised coil, is logically linked to the patterns of demand in the pipe and tube market which, in turn, is shaped by growth patterns of residential and non-residential construction.

OneSteel ATM advised that the Australian pipe and tube market has experienced a pronounced contraction of demand following the global financial crisis and ongoing economic uncertainty. OneSteel ATM submitted that, whilst demand has stabilised somewhat, it is significantly below pre-GFC historical levels.

OneSteel ATM explained that the significant pressures of demand in the pipe and tube market have significantly increased competition between manufacturers of pipe and tube, and imported finished product. OneSteel ATM advised that these pressures have significantly impacted its performance and, in turn, influences its procurement strategies with respect to the GUC.

OneSteel ATM imports the GUC based on demand forecast for pipe and tube, which is usually projected for a [REDACTED] prospective period. This is developed from market intelligence of likely customer requirements which is informed by ongoing dialogue directly with the distributors of its products.

The forecast is converted into a supply plan, which is a high level planning model of production requirements which logically dictates the raw material requirements (that is, relevant grades and specifications).

#### 5.2.2 Price

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OneSteel ATM advised that it negotiates with its overseas suppliers for the supply of the GUC on the basis of the finalised supply plan. OneSteel ATM negotiates specific terms of supply which include, inter alia, the technical product specifications required and the relative [REDACTED] quantity required to be shipped along with the [REDACTED] price of the product for each [REDACTED] of supply. The negotiated terms of supply are formalised in a binding commercial agreement which is executed between OneSteel ATM and the relevant supplier.

As referred to previously, OneSteel ATM provided an example of an [REDACTED] which reflected the terms of supply, including a detailed explanation of the [REDACTED] to determine the applicable unit price for each shipment made pursuant to the terms of the agreement.

### 5.2.3 Shipment

Once produced, the coil is packed by first strapping the coil across its circumference and diameter, then covering with oiled paper before being strapped again with steel sheet. The packaged goods are then shipped in [REDACTED] to Australia.

OneSteel ATM informed us that the average timeframe, from the date the order is submitted to the supplier [REDACTED] to the date the GUC is delivered into store at OneSteel ATM's designated warehouse, is roughly up to [REDACTED].

All sales are negotiated [REDACTED] basis. Payment terms are noted on the commercial invoice or purchase order with payment terms of [REDACTED] days from the [REDACTED] by the supplier.

### 5.3 Verification

Prior to the visit, we selected [REDACTED] shipments so that OneSteel ATM could provide Customs and Border Protection the following source documents, where applicable:

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

In relation to the selected shipments OneSteel ATM also provided:

- proof of payment to supplier; and
- evidence of payment of importation costs.

The source documents are at **confidential attachment IMP 1**.

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### Reconciliation to source documents (accuracy)

From the importer transaction form we were able to reconcile the shipment number, order number, quantity, price, and packing list for the selected shipments with the source documentation provided in relation to each selected shipment.

OneSteel ATM hedges the currency for all purchases and provided a copy of outstanding month end foreign exchange contracts for the period September 2011 to August 2012 (**confidential attachment IMP2**). We matched the hedging rate from this document to the exchange rate used in the importer transaction form for the 10 shipments.

### Proof of payment

Shipments ■ and ■ were from ■ and were on a ■ basis. The remaining shipments were sourced from ■. The sales contracts for shipments ■ and ■ were made through ■ providing ■ days payments terms on a ■ basis. Once the quality was confirmed OneSteel ATM reached an agreement directly with ■ and ■ payment terms to ■ days on a ■ basis.

Prior to the visit we were provided proof of payment to the supplier in relation to all selected shipments.

For each selected shipment we verified that OneSteel ATM paid the supplier the price reflected in the importation spreadsheet (on either a ■ basis). We confirmed from bank statements that payment is via international electronic funds transfer. We verified that the amount on the commercial invoice was the price paid and funds transferred by OneSteel ATM.

### *Shipment costs*

Prior to the visit OneSteel ATM provided invoices for freight for each of the ■ selected shipments which matched the amounts recorded on the importer transaction form. With regard to proof of payment we reviewed the proof of payment documentation provided by OneSteel ATM to Customs and Border Protection as part of the importer visit in respect of the hot rolled coil (HRC) steel investigation in July 2012 and we are satisfied that the freight costs are accurate.

OneSteel ATM also provided a copy of its marine insurance contract for the period 31 October 2011 to 31 October 2012 (**confidential attachment IMP3**) showing a rate of ■ of the value of the shipment.

### *Importation costs*

Under the heading of 'Australian Importation Costs' on the importer transaction form, OneSteel ATM entered amounts for customs duty, port service charges, terminal handling charges, customs entry fees, customs broker fees, AQIS delivery, bank charges and commission.

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We compared the amounts provided with the relevant importation cost invoices to the importer transaction form and found the details matched. We also verified the proof of payment provided for each importation cost.

All importation charges relevant to specific purchase orders [REDACTED] who then submitted a commercial invoice to OneSteel ATM for the total value of costs incurred.

Prior to the visit we were provided with proof of payment of importation costs for most shipments (**confidential attachment IMP1**). We were able to confirm that OneSteel ATM paid the amount reflected in the commercial invoice to [REDACTED] identified on the invoice.

On the basis of the above verification, we are satisfied that the importer transaction spreadsheet is complete, accurate and reliable.

### Shipping and Importation cost calculations

We calculated the average shipping costs for the selected [REDACTED] shipments to be [REDACTED] per tonne (expressed in AUD). We calculated the average clearance and into store costs for the [REDACTED] selected shipments to be [REDACTED] per tonne. Our working is at **confidential attachment IMP4**.

#### a) Shipping costs

For completeness, we included the [REDACTED] shipments from [REDACTED] (not within the scope of the investigation) to compare the average shipping and importation costs.

Item	Average cost \$A/tonne [REDACTED]	Average cost \$A/tonne [REDACTED]
Overseas Freight	[REDACTED]	[REDACTED]
Insurance	[REDACTED]	[REDACTED]
<b>TOTAL</b>	[REDACTED]	[REDACTED]

#### b) Importation costs

We calculated the individual weighted average unit importation cost in relation to imports from [REDACTED]. This is summarised in the table below:

Item	Average cost \$AU/T
Customs duty	[REDACTED]
Port charges	[REDACTED]

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Customs entry & broker fees		█
Delivery		█
Bank charges		█
Commission		█
Survey fees		█
<b>Total</b>		█

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

On the importer transaction form OneSteel ATM included selling, general and administration (SG&A) costs for each of the selected shipments based on an amount per tonne. Separate SG&A costs were calculated depending whether the shipments were destined for █, or █.

As OneSteel ATM is an end user of hot rolled galvanised coil, and primarily a manufacturer, not all SG&A expenses for its profit and loss account are directly relevant to the importation of galvanised coil. OneSteel ATM demonstrated the calculation of relevant SG&A expenses by reference to a spreadsheet it prepared (**confidential attachment IMP 5**).

OneSteel ATM's SG&A costs related to the following expenses:

- █ and █
- █.

[Explanation of SG&A expenses]

OneSteel ATM apportioned the above costs based on the relevant proportion of hot rolled galvanised coil. OneSteel ATM provided a copy of its calculation spreadsheet in addition to financial reports to support each of the amounts.

### 5.4 Export prices for shipments

Based on verification of all selected shipments from █, we calculated the weighted average █ unit export price (in AUD) for hot rolled galvanised coil over the investigation period to be █ per tonne and the weighted average █ unit price to be █ per tonne. Our working is at **confidential attachment IMP 6**.

### 5.5 Who is the importer

We noted that OneSteel ATM:

- is named as the customer on supplier invoices;



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

On this basis, we consider OneSteel ATM 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 will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

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
- OneSteel ATM pays the relevant supplier.

Based on the information available we are satisfied that, for the purposes of the investigation, [REDACTED], are the exporters of the goods.

## 6 AUSTRALIAN MARKET AND SALES

### 6.1 General

#### 6.1.1 Overview of the Australian pipe and tube market

As previously discussed, the entirety of GUC imported by OneSteel ATM is procured for consumption as the primary raw material in production of steel pipe and tube which is sold, via an expansive distribution network, to end users in Australia primarily for use in residential and non-residential construction.

OneSteel ATM indicated that the principle demand in the Australian pipe and tube market is for structural tube.

As mentioned previously, OneSteel ATM advised that the pipe and tube market in Australia has volatile patterns of demand correlative to pressures and patterns in the construction industry.

OneSteel ATM advised that the international price of hot rolled coil (the primary raw material in manufacture) directly influences the cost of tube produced. Related to this issue, OneSteel ATM explained that, in the current economic climate, which has significantly dampened the growth of residential and non-residential construction in Australia, there is significant competition between pipe and tube manufactured domestically and imported finished products.

OneSteel ATM submitted that recent market climates have significantly affected the performance abilities of pipe and tube manufacturers in Australia. OneSteel ATM advised that it had been forced to close a major tube mill in the last 18 months as a result of decreasing commercial performance [REDACTED]. We note that since the verification visit ATM has announced the overall closure of its precision tube business.

#### 6.1.2 Conclusion regarding relevance of Australian sales verification

As reflected in the above discussion, we were satisfied that OneSteel ATM is wholly an end user of the GUC and therefore sales verification and discussion was not required.

OneSteel ATM considers that the biggest impact on the Australian market for the GUC is the reduction in local manufacture of finished goods, which results in a decreased demand for raw materials such as the GUC.

The appreciating Australian dollar has had an impact on the competitiveness of imports.

### 6.2 Forward orders

OneSteel ATM provided a list of forward orders with its questionnaire response. We examined the orders and noted nothing of significance by way of source of supply, volume or price.

## 7 ARMS LENGTH

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;
- 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.

We are unable to use the profitability test to assess whether transactions between OneSteel ATM and its exporters of the GUC from [REDACTED] are at arms' length. However, we did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced by a commercial or other relationship between OneSteel ATM and its [REDACTED] suppliers.

Therefore, we consider that sales between OneSteel ATM and the identified exporters were arms length transactions.

## **8 DUMPING, MATERIAL INJURY AND CAUSATION**

### **8.1 General**

We asked OneSteel ATM to outline its views (if any) in relation to injury and causation with respect to both of the relevant investigations.

We note that, as OneSteel ATM is an end user of the GUC, which is consumed as a raw material in the production of pipe and tube, comments and views in relation to these issues were limited to consideration of the Australian pipe and tube sector.

In summary, OneSteel ATM considers that the reduction in production capacity of pipe and tube makers in Australia, which itself is a symptom of increasingly tough economic pressures in the pipe and tube market, combined with the increase in imports of finished goods, is a major factor in any injury experienced by the applicant in relation to GUC sales.

OneSteel ATM is of the view that these factors are a far more significant injury factor than imports of the GUC.

## 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 OneSteel ATM did not have any comments on the calculation of an USP or NIP.

## 10 RECOMMENDATIONS

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

- goods that have been exported to Australia otherwise than by the importer;
- goods that have not been purchased by the importer from the exporter;
- purchases of the goods by the importer and its supplier were arm's length transactions

Subject to further inquiries with the exporter, we are satisfied that the export price can be established under s. 269TAB(1)(a) using the invoice prices less any costs in respect of matters arising after exportation.

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### 11 ATTACHMENTS

Confidential Attachment No.	Title
Confidential Attachment GEN 1	OneSteel ATM questionnaire response (Part A)
Confidential Attachment GEN 2	Visit agenda
Confidential Attachment GEN 3	OneSteel ATM presentation
Confidential Attachment GEN 4	Specification schedules
Confidential Attachment GEN 5	████████████████████████████████████████ [Exporter Agreement]
Confidential Attachment IMP 1	Source documents to support importer transaction form
Confidential Attachment IMP 2	Foreign exchange contracts report
Confidential Attachment IMP 3	Marine insurance contract
Confidential Attachment IMP 4	Calculation of shipping and importation costs
Confidential Attachment IMP 5	Calculation of SG&A expenses
Confidential Attachment IMP 6	Calculation of weighted average FOB export price