



Australian Government
Anti-Dumping Commission

PUBLIC RECORD

INVESTIGATION 234

ALLEGED DUMPING OF QUENCHED AND TEMPERED STEEL PLATE EXPORTED FROM FINLAND, JAPAN AND SWEDEN

VISIT REPORT - IMPORTER

Sojitz Australia Limited

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

JUNE 2014

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ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ACBPS	Australian Customs and Border Protection Service
█	█
Bisalloy	Bisalloy Steels Pty Ltd
█	█
Commission	Anti-Dumping Commission
█	█
█	█
FOB	Free On Board
GAAP	Generally accepted accounting principles
█	█
Sojitz	Sojitz Australia Limited
Q&T steel plate	Quenched and tempered steel plate
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry

1 BACKGROUND AND PURPOSE

1.1 Background

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the relevant Minister publish a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

On 10 December 2013, Bisalloy provided further information and data in support of its application. As a result, the Commission restarted the 20 day period for considering the application.

After consideration of the application, an investigation was initiated on 8 January 2014, and public notification of the initiation of the investigation was published in *The Australian* on that day.

Anti-Dumping Notice (ADN) No. 2014/01 refers to the initiation of the investigation, and is available at www.adcommission.gov.au.

The Commission has not previously conducted any dumping investigations in respect of Q&T steel plate.

1.2 Purpose of visit

The purpose of the visit was to:

- confirm that Sojitz Australia Limited (Sojitz) is the importer of Q&T steel plate attributed to it within the Australian Customs and Border Protection Service's (ACBPS) import database and obtain information to assist in establishing the identity of the exporter of the Q&T steel plate;
- verify information on imports of Q&T steel plate to assist in the determination of export prices;
- establish whether the purchases of Q&T steel plate were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for Q&T steel plate; and
- provide Sojitz with an opportunity to discuss any issues it believed relevant to the investigation.

1.3 Meeting details

Company	Sojitz Australia Limited Level 11, 115 Pitt Street Sydney NSW 2000
Dates of visit	Friday, 21 March 2014

The following were present at various stages of the meetings.

Sojitz Australia Limited	Jamie Lee – Assistant Manager, Energy and Metal Dept. Tatsuya Nitta – General Manager, Energy and Metal Dept. Ken Tohara – Company Secretary - Finance, Accounting & General Affairs
Consultants	N/A
the Commission	Mick Kenna – Manager, Operations 4 Peter McCrohan – Supervisor, Operations 4 Bora Akdeniz - Supervisor , Operations 4

1.4 Investigation process and timeframes

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

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (10 March 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

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

This is distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) will be the decision maker for this investigation.¹ The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 April 2014 or such later date as the Parliamentary Secretary allows under s.269ZH1 of *the Customs Act 1901* (the Act).

¹ In December 2013, the Minister for Industry delegated responsibility for Anti-Dumping matters to the Parliamentary Secretary to the Minister for Industry.

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- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 12 June 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

Sojitz were advised that the Commission would prepare a report of our visit (this report) and provide it to Sojitz to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

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

2 THE GOODS

2.1 Description

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

Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered (“Q&T”) steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).

Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:

- *High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as ‘Wear’ Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as ‘Structural/High Tensile’ Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as ‘Armour’ Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000).*

For further details regarding the goods, refer to ADN 2014/01 which is available on the public record.

2.2 Tariff classification

Goods identified as Q&T steel plate are classified to tariff subheading 7225.40.00 in Schedule 3 to the *Customs Tariff Act 1995*.

Tariff subheading 7225.40.00 deals with flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils. The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

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Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to subheading 7225.40.00, statistical codes 22 and 24. The Commission will seek further clarification on this matter during the course of the investigation.

For tariff subheading 7225.40.00, the general rate of duty is 5% for goods imported from Finland, Japan and Sweden.

3 COMPANY DETAILS

3.1 Company background

Sojitz is a 100 per cent owned subsidiary of Sojitz Corporation (Japan). Sojitz Corporation was formed through the business integration between Nichimen Corporation and Nissho Iwai Corporation, two companies with over a century of history.

Sojitz Corporation is a public listed company on the Tokyo Stock Exchange. Sojitz Corporation's annual turnover for the financial year (1 April to 31 March 2013) was \$18.6 billion (USD). Sojitz Corporation has 15,963 employees globally (at a consolidated level).

Sojitz has offices in Brisbane, Perth and Sydney (Head Office). In Australia, Sojitz has operations in:

- coal;
- steel;
- iron ore;
- non-ferrous products;
- machinery;
- chemicals;
- forest products; and
- foodstuff.

Sojitz provided an overview of its operations at **Confidential Attachment 1**.

3.2 Accounting structure and details of accounting systems

Sojitz stated that it recently moved to a 1 April to 31 March financial reporting period. It had previously maintained a 1 January to 31 December financial reporting period. However in order to align its financial reporting period to its Japanese parent, it produced a 15 month financial report for the period 1 January 2012 to 31 March 2013.

A copy of Sojitz's audited financial statements for the period ending March 2013 is at **Confidential Attachment 2**.

3.3 Relationship with suppliers and customers

3.3.1 Suppliers

During the investigation period, Sojitz stated that it imported all Q&T steel plate from a trader, [REDACTED]. Sojitz Corporation [REDACTED] [relationship to trader].

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The manufacturer of the Q&T steel plate is [redacted] an unrelated party to both Sojitz and [redacted] [trader].

3.3.2 Customers

During the investigation period, Sojitz sold its Q&T steel plate imports to [redacted] but also made [redacted] sales to [redacted] [customers].

3.4 Like Goods

Sojitz purchased a range of Q&T steel plate products from [redacted] during the investigation period. Sojitz advised that [redacted] [redacted] [redacted] [product knowledge]. Its role previously was [redacted] for its Australian customers.

According to descriptions provided in the ACBPS import database and on a sample of invoices collected, imports of Q&T steel plate by Sojitz included the following grades:

- [redacted] [grade];
- [redacted] [grade];
- [redacted] [grade];
- [redacted] [grade];
- [redacted] [grade]; and
- [redacted] [grade];

The Q&T steel plate purchased by Sojitz was in various thicknesses, widths and lengths.

A sample specification sheet for one of the imported grades is at **Confidential Attachment 3**.

Sojitz did not provide an opinion as to whether the Q&T steel plate it imported during the investigation period were 'like goods' to the Q&T steel plate manufactured by the Australian industry.

4 IMPORTS

4.1 General

The ACBPS import database shows that Sojitz imported a total of [REDACTED] metric tonnes (MT) of Q&T steel plate during the investigation period. [REDACTED] MT of the [REDACTED] MT were entered directly into home consumption and [REDACTED] MT were entered into underbond warehousing.²

Sojitz also entered [REDACTED] MT of Q&T steel plate into home consumption from underbond warehouses meaning that the total of Q&T steel plate entered into home consumption was [REDACTED] MT during the period of investigation.

In February 2013, [REDACTED] acquired [REDACTED]. Due to [REDACTED] [commercial reasons], Sojitz imported Q&T steel plate on [REDACTED] incoterms and stored the goods in underbond warehouses. The product was on sold by Sojitz to [REDACTED] and [REDACTED] collected the shipments from the licenced warehouses in their own trucks.

Once [REDACTED] [commercial reasons], importation terms became [REDACTED] and Sojitz sold to [REDACTED] on a [REDACTED] basis. For both the [REDACTED] shipments, Sojitz was responsible for [REDACTED] in Australia.

[REDACTED]

[REDACTED] [confidential supply chain arrangement].

4.2 Order process and pricing

The order process for Q&T steel plate during the investigation period was as follows:

- Sojitz received a purchase order from [REDACTED];
- Sojitz passed the details of this purchase order (such as grade) to [REDACTED];
- [REDACTED] forwarded this to the manufacturer, [REDACTED];
- a quote was then returned to [REDACTED] which is sent to Sojitz. Sojitz add their costs and a mark-up (typically [REDACTED]) to the quote;
- [REDACTED] then decided whether or not to accept the quote.

² Arrangement for deferring duty by storing goods in licensed warehouses until required.

4.3 Verification of imports

Prior to the visit, the Commission selected 12 shipments and asked Sojitz to prepare a listing of all associated costs for these shipments (import sales listing). During the visit, Sojitz were asked to provide the following source documents for the selected shipments:

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

Documents for the sample shipments are at **Confidential Attachment 4**.

4.3.1 Supplier invoice details

From the source documents it was established that:

- the shipment terms of 5 of the 12 shipments of the goods under consideration are [REDACTED] and 7 were [REDACTED];
- payment to the supplier is [REDACTED];
- Sojitz takes [REDACTED] on [REDACTED] for each shipment.

The [REDACTED] shipments related to bonded warehouse shipments where the Q&T steel was held at a customs warehouse until they were sold to a customer.

4.3.2 Bank Charges

Sojitz provided total bank charges of [REDACTED] and divided this by the total tonnes of steel sold ([REDACTED] which equals to [REDACTED] per MT in the import sales listing.

4.3.3 Import cost summary

The calculated average post free on board (FOB) expenses for the 12 selected shipments, are provided in Table 1 below:

Cost item	Weighted average unit price (AUD/MT)
Ocean freight	[REDACTED]
Marine Insurance ([REDACTED] of FOB value)	[REDACTED]
Australian importation costs (excluding GST)	[REDACTED]
Selling, general and administrative costs	[REDACTED]
Total importation and sales costs	[REDACTED]

Table 1: Summary of import costs for selected Sojitz shipments

4.4 Export prices

The following weighted average export prices were calculated for both the 12 selected shipments as well as from all shipments during the investigation period as shown in the ACBPS import database. Table 2 provides the following summary of export price calculations:

Description	Weighted Average FOB
Selected Shipments	██████████
ACBPS Import Database	██████████

Table 2: Summary of Export Prices

The above estimates of FOB prices are not based on evidence of ocean freight costs as these expenses were not incurred by Sojitz.

The selected invoices indicate that export prices appear to vary according to product grade and thickness.

4.5 Forward orders

In its response to the importer questionnaire, Sojitz ██████████ forward orders. Sojitz advised that ██████████ [future import arrangements].

5 WHO IS THE IMPORTER AND EXPORTER

5.1 Who is the importer?

Documents provided in respect of the selected shipments show that:

- Sojitz appears on invoices issued by [REDACTED] for shipments to Australia;
- Sojitz pays the Customs duty;
- Sojitz pays the overseas supplier, [REDACTED].

The Commission considers Sojitz was the beneficial owner of the goods at the time of importation and therefore the importer.

5.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal 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 the Commission 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.

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

Subject to further enquiries, the Commission is of the view that the Japanese manufacturer, [REDACTED] is the exporter of the goods imported by Sojitz. We consider that [REDACTED] acts as an intermediary in shipments arranged by [REDACTED], where [REDACTED] have selected the market and are aware that the goods are destined for shipment to Australia.

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Sojitz were then asked to demonstrate that its sales listing was a complete and reliable list of sales of Q&T steel plate over the investigation period by verifying its sales upwards to financial statements. Sojitz produced a report from its sales system showing all sales by the Steel department in the period 1 January 2012 to 31 March 2013 (**Confidential Attachment 5**). Sojitz highlighted sales of Q&T steel plate listed in the report.

Sales revenue in the report for February 2013 was able to be matched with the sales revenue shown in the Steel department profit and loss statement for February 2013. The monthly profit and loss statements were reconciled to the audited financial statements for the period ending March 2013.

6.4.1 Selling, general and administrative costs

Sojitz provided monthly profit and loss statements for the Steel department for the investigation period (**Confidential Attachment 6**). These statements showed the expenses that were included in the calculation of Selling, General and Administrative costs (SG&A) for the purpose of the questionnaire response. To calculate SG&A per tonne, Sojitz divided the total expenses (total of SG&A less non-operating expenses such as internal interest and losses on disposal of assets) for each month in the investigation period by the total tonnage of steel sold during the same period (██████████). A per tonne SG&A expense (██████████) was calculated.

To support the Steel department sales volume (██████████) used in the calculation of the unit SG&A expense, Sojitz provided a report of every transaction entered into by the Steel department for the calendar year 2013 (**Confidential Attachment 7**). The total sales volume matched the sales volume used to calculate the unit SG&A expense.

Sojitz were asked to demonstrate, by reference to its audited financial statements for 2013, how the monthly Steel department profit and loss statements could be relied upon to calculate SG&A costs. Following the visit, Sojitz provided the balance sheet and profit and loss statements for each of its departments, including the Steel department (**Confidential Attachment 8**).

The departmental profit and loss statements include monthly results for March 2013 as well as accumulated figures for the period ending March 2013. The sum of the profit and loss figures for all departments reconciled to the audited financial statements and the March 2013 statement for the Steel department agreed with the amount used to calculate the unit SG&A amounts. On this basis the Commission is satisfied that the SG&A calculation is reasonable and reliable.

6.5 Profitability of sales

Of the 12 shipments examined, seven were profitable (with a profit ranging from ██████████), three shipments were marginally unprofitable (less than ██████████) and two shipments were at cost. Overall profitability for the 12 shipments was ██████████.

The weighted average profitability calculated based on all shipments during the investigation period is ██████████.

7 ARMS LENGTH

The Act requires that the relevant sales are arms length transactions when determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1).

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; and
- in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Given the weighted average profitability of [REDACTED] the unprofitable importations do not lead us to deem that section 269TAA(2) of the Act should apply. Accordingly, for the purpose of determining whether the export sales are arms length transactions, we do not consider that Sojitz will be reimbursed, be compensated or otherwise receive a benefit from its supplier.

The documentation for the selected shipments was reviewed and showed no evidence that:

- there is any consideration payable other than price;
- the price is influenced by a commercial or other relationship between Sojitz and its supplier; or
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, 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.

Subject to further enquires, the Commission is satisfied that import transactions between Sojitz and its supplier are arms' length transactions in terms of s. 269TAA.

8 RECOMMENDATIONS

Based on verified information provided, the Commission is of the view that, for Q&T steel plate imported by Sojitz from [REDACTED]:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods by the importer were arms length transactions

Subject to further enquiries, it is recommended that the export price for Q&T steel plate imported by Sojitz [REDACTED] be established under s. 269TAB(3) of the Act, having regard to all the circumstances of the exportation. Specifically, we recommend that the export price be calculated using the invoiced price between [REDACTED] and [REDACTED], less deductions to the FOB level as required. It is recommended that s.269TAB(3) be used as verified information on ocean freight costs is not available.

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9 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Sojitz Australia operations
Confidential Attachment 2	Sojitz audited financial statements 2013
Confidential Attachment 3	Sample specification sheet
Confidential Attachment 4	Documents for sample shipments
Confidential Attachment 5	Steel department sales listing Jan to Mar 2013
Confidential Attachment 6	Steel department monthly P&L statements
Confidential Attachment 7	Sales department steel sales listing 2013
Confidential Attachment 8	Reconciliation to audited financial statements