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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 TAIWAN**

IMPORTER VISIT REPORT

MINMETALS 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 in the alleged dumping of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan.

Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at www.customs.gov.au.

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

2.2.1 Investigations

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

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

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

2.3 Background to meeting

Following the initiation of the investigations, a search of Customs and Border Protection's import database indicated that Minmetals Australia Pty Ltd (Minmetals)

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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imported goods under investigation from China during the period 1 July 2011 to 30 June 2012 (the investigation period). Customs and Border Protection also confirmed from its import database that Minmetals was a major³ importer of galvanised steel. Minmetals was also nominated as a supplier of the goods.

Customs and Border Protection notified Minmetals of the initiation of the investigations and sought its cooperation with the investigations and provided an importer questionnaire in respect of galvanised steel to the company to complete⁴. Minmetals 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.

Minmetals 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 Minmetals importer questionnaire response is at **Confidential Attachment GEN 1**.

2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that Minmetals was a major importer of galvanised 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;
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing the goods;
- identify Minmetal'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*⁵ (the Act); and
- provide Minmetals with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting Customs and Border Protection forwarded an agenda to Minmetals 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**.

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

⁴ This questionnaire covered aluminium zinc coated steel imports only, as Minmetals 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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2.5 Visit

Details of the visit were as follows:

Company:	Minmetals Australia Pty Ltd
Address:	8 th Floor, 564 St Kilda Road, Melbourne VIC
Telephone no:	(03) 9520 6800
Fax no:	(03) 9521 1815
Visit date:	Tuesday 23 October 2012
Present at the visit	
Minmetals Australia Pty Ltd	Mr Chris Riches, Administration Manager Mr Nigel Ostrom, Senior Trade Flat Products Mr Alan Tipping, Manager – Commerce & Logistics
Customs and Border Protection	Mr Rod Jones, Manager Operations 1 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 the galvanised steel and aluminium zinc coated steel investigations):

- the investigation period for both investigations 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);
- 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 the 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 final decision.

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This is the first visit to Minmetals. Minmetals was co-operative and had the required documentation available for the visit. Minmetals 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 Minmetals that:

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

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

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

Customs and Border Protection advised Minmetals that as a major importer of galvanised steel the visit would focus on this product. Sections 3.2 to 10 of this report relate to galvanised steel only unless otherwise specified.

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

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3 THE GOODS

3.1 The goods the subject of the applications

3.1.1 Description

(i) Galvanised steel

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

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

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

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

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

(ii) Aluminium zinc coated steel

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

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

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:

⁷ Galvanised Steel Application, page 10.

⁸ Aluminium Zinc Coated Steel Application, page 10.

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

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

3.1.2 Product standards

The applications stated that:

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

(i) Australia

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

(ii) International

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

⁹ Galvanised Steel Application, page 12.

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

Figure 2: International Standards for aluminium zinc steel¹¹

3.1.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

¹⁰ Galvanised Steel Application, page 11.

¹¹ Aluminium Zinc Coated Steel Application, page 11.

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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%.

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

3.2 'Like' goods

3.2.1 Imports and domestically produced goods

Minmetals stated that they believe the products it imports are like goods for the purpose of this investigation. Some customers seek supply of the goods through Minmetals from particular overseas mills. The goods imported are like goods in all respects from the production process through to finished product. Minmetals advised that some of the overseas mills it sources from have adopted the Australian standards.

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Minmetals advised that its customers drive the demand for particular standards of product supplied to them. Whilst some customers want products with Australian standards, many seek products with the Japanese standards applied as they are viewed as a superior product.

Minmetals stated that the majority of the galvanised steel it imports is manufactured to the [REDACTED] with a small quantity manufactured to [REDACTED]. [*Steel specifications*]

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4 COMPANY BACKGROUND

4.1 Company background

Minmetals is part of China Minmetals Corporation (China Minmetals) which was established in 1950. China Minmetals is one of the largest international groups producing and trading metals and minerals in China. In 1999, China Minmetals was listed one of the 44 “key enterprises” managed by the Central Government of China. The corporation is a State Owned Enterprise and maintains a worldwide sales network.

Minmetals explained that it has recently undergone a corporate restructure. Minmetals was founded in 1988. Whilst previously Minmetals was a wholly owned branch office of China Minmetals Corporation, it is now a wholly owned subsidiary of Minmetals International Trading Company PTE LTD Singapore, which is ultimately controlled by China Minmetals.

4.1.1 General background

Minmetals is divided into three divisions, iron ore, exports and imports. Whilst the import division is the most labour intensive area, it is not the main focus of the company. The iron ore and exports divisions account for the greatest percentage of the business whilst the galvanised steel section is considered relatively small in comparison.

Minmetals itself is not involved in the mining of the iron ore but acts as an agent for China Minmetals which is involved in the mining of minerals in Australia.

Galvanised steel is part of the flat steel product business in the import division.

All ordering and management of Minmetals is done from its sole sales office in Melbourne. However, Minmetals maintains certain stock levels in Australia that it stores at the warehouses of the transport companies it uses in Brisbane, Sydney, Melbourne and Adelaide.

Galvanised steel accounts for approximately ■■■ of Minmetals’ flat steel product business. Sales of galvanised steel account for approximately ■■■ of total company revenue.

4.1.2 Functions of company

Minmetals’ main business areas are the export of iron ore, supplying Chinese made steel products into the Australian market, trading metallurgical raw material, and investing in Australia.

4.2 Accounting

Minmetals advised that it uses the ■■■ accounting system and that its financial year is based on the calendar year, 1 January to 31 December. Audited financial statements and profit and loss statements have been provided for the period ended 31 December 2011. These documents are at **Confidential Attachment ACC 1**.

The accounting system is not an integrated system and half year profit and loss statements are not available.

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4.3 Relationship with suppliers

Minmetals imported galvanised steel only from China and advised of the following suppliers during the investigation period:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Minmetals also advised of two other suppliers it had used or proposed to use for galvanised steel; however these suppliers had not exported to Minmetals during the investigation period.

- [REDACTED]
- [REDACTED]

Minmetals confirmed that it has no relationship other than a purely commercial one with all of its suppliers as all transactions occur at arms' length. Minmetals also explained that it does not receive any rebates or discounts from its suppliers.

Minmetals advised that [REDACTED]. [*Information on commercial relationship regarding one supplier*]

4.4 Relationships with customers

Over the investigation period, Minmetals sold galvanised steel to [REDACTED] [customers]. Minmetals confirmed that it has no relationship other than a purely commercial one with all of its customers and that all transactions occur at 'arms length'.

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- commission payments;
- packing lists;
- certificates of origin;
- bills of lading;
- ocean freight invoices and proof of payment;
- insurance invoices and proof of payment;
- port, clearing and fees and proof of payment;
- delivery to customer and proof of payment;
- offers to customers;
- orders from customers; and
- invoices to customers and proof of payment.

The source documents are at **Confidential Attachment IMP 2**.

Minmetals had completed a sales route spread sheet for the selected shipments and we were able to verify the amounts for all items to the documents provided.

As noted the purchase price from suppliers was in USD per tonne, ocean freight was also in USD per tonne. Minmetals used a conversion rate for USD to Australian dollars (AUD) based on the date when the L/C was taken for that shipment.

For purchases from [REDACTED] there was a separate payment of commission to the associated traders. [REDACTED]

[explanation of commission]

The documents provided by Minmetals matched the figures in the import database for quantities and price except for those imports relating to [REDACTED], where [REDACTED].

[minor variation in matching]

An outline of a typical import and sales process is outlined below using shipments [REDACTED]

[REDACTED]

The lead time from offer/confirmation of order to delivery was [REDACTED]

Payments from Minmetals to suppliers were [REDACTED]
Payments from customers to Minmetals were [REDACTED]

[explanation of import and sales process]

The sales route spread sheet is at **Confidential Appendix 2**.

5.3.1 Importation costs

Selling, general and administrative expenses (SG&A)

Minmetals records the cost of SG&A separately within its account system. For the purpose of this investigation Minmetals has allocated an amount of SG&A based on the number of personnel allocated to the galvanised steel division within the

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business. This has resulted in an amount of [REDACTED] being allocated. [REDACTED]. [explanation of SG&A allocation]

Minmetals provided a spread sheet to support the SG&A cost which is based on its financial year of January 2011 to December 2011. We were able to verify these amounts to the audited statements and consider the allocation reasonable. The spread sheet in relation to SG&A costs is at **Confidential Attachment SALES 1**.

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

Minmetals import costs	Weighted average cost per unit (tonne) China
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Import costs are summarised at **Confidential Appendix 3**.

5.4 Export prices for shipments

We calculated weighted average export prices for the manufacturers via their associated traders (in USD per tonne) for the goods over the investigation period.

We have included the commission paid to the trader in the calculation for the export price for [REDACTED].

Manufacturer	export price (USD/tonne)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Export price calculations are at **Confidential Appendix 1**.

5.5 Who is the importer

We noted that Minmetals:

- 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 Minmetals was the beneficial owner of the goods at the time of importation and is therefore the importer.

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5.6 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

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

Documents provided by Minmetals demonstrated the relationship between the related traders and manufacturers in respect of [REDACTED]. We did not collect documents in relation to [REDACTED] but at this stage of the investigation accept Minmetals' advice in regards to those manufacturers and associated traders subject to further inquiries.

Upon review of the documentation provided we are satisfied that:

- the commercial invoices identify the supplier and manufacturer;
- 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
- Minmetals pays the relevant supplier.

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

5.7 Forward orders

Minmetals provided a list of forward orders with their questionnaire response. [REDACTED] *[information regarding forward orders]*.

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6 AUSTRALIAN MARKET AND SALES

6.1 General

Minmetals noted that the general manufacturing market within Australia is shrinking. Minmetals believes the reason for this decrease in the manufacturing sector is the increasing level of competition from finished goods entering the Australian market. Australian businesses in the building and construction industry, automotive industry and pipe and tube industries are importing more products with the added value of being finished goods.

Further Minmetals advised that the housing market is the key market for galvanised and aluminium zinc coated steel and as it has weakened in recent times, there has been a flow on effect to the goods under consideration supply.

A strong Australian dollar also made imported products more price competitive to customers based in Australia.

6.2 Australian sales

Minmetals mainly supplies the east coast of Australia with its imported products with a smaller proportion of sales made to businesses on the west coast. Overall sales have been weaker due to weaker demand in the building industry.

6.3 Price and distribution arrangements

Pricing is generally based on market information [REDACTED]. Minmetals advised that Bluescope New Zealand were the steel importing arm of the applicant and are the price setters in the market. Minmetals use [REDACTED].

[Minmetals view on prices in the market and distribution arrangements]

6.4 Rebates and discounts

Minmetals do not provide rebates or discounts to their customers and do not receive any rebates or discounts from their suppliers.

The price invoiced is the price paid in respect for both suppliers and customers except for the commission payments as noted below.

6.5 Commission

As noted previously Minmetals pay a separate commission to the associated traders of [REDACTED] in regards to its purchases of galvanised steel.

Minmetals advised that it does not pay or receive commission in regards to its sales of galvanised steel.

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6.6 Sales verification (accuracy)

Minmetals provided a spread sheet of its sales of the goods over the investigation period; we verified these sales to the sales amounts in the sales route spread sheet.

We were able to verify the sales invoices to the sales documents provided, there were two minor errors in the sales listing which were corrected.

6.7 Upwards verification (completeness)

We were not able to verify information to audited accounts or financial statements. As noted in section 4.2 Minmetals financial year and accounts are a calendar year from January to December, half year accounts are not available.

We noted that sales volumes of ■ tonnes in the sales listing provided approximated to import volumes of ■ tonnes in the import listing. Given ■ we were satisfied that the data provided by Minmetals in regards to sales was complete.

6.8 Profitability of sales and selling price

We calculated an average profit for the selected shipments of ■. Calculation of profit for the selected shipments is included at **Confidential Appendix 3**.

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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, noting that there is a separate commission payment in respect of the goods exported by [REDACTED];
- the price was influenced by a commercial or other relationship between Minmetals or an associate of Minmetals, and its suppliers or an associate of the supplier; and/or
- Minmetals or an associate of Minmetals 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 note that export prices from [REDACTED], whilst not verified, are [REDACTED].

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

PUBLIC RECORD

8 DUMPING, MATERIAL INJURY AND CAUSATION

8.1 General

Minmetals are concerned that the initiation of anti-dumping investigations affects its relationships with its suppliers and has an effect on the market in general. Minmetals advised that its suppliers have stated that they will not bear any costs that arise as a result of a dumping investigation. Forward orders have reduced since the announcement of the initiation of the investigation. Overseas suppliers will only supply at the importer's own risk of any dumping duties that may apply.

The initiation of the investigation creates a period of uncertainty for importers until the final outcome is determined. The steel industry is expecting more cases of this kind to be lodged in the future.

Minmetals believes that the cost involved in participating in investigations, lodging applications and filing responses is prohibitive. The biggest flaw within the anti-dumping system is that it is not capturing finished goods. End user manufacturers will be penalised indirectly if the cost of imported raw materials is increased which will result in them being unable to compete with imported finished goods. The flow on effect will be further damage to Australia's manufacturing businesses. If import costs increase it will be to the detriment of the Australian manufacturing industry.

Minmetals noted that China has been granted market economy status however issues are arising due to market situation claims being made in applications by industry.

Minmetals claims the applicant previously supplied the Australian market with approximately 7 to 8 million tonne of steel product. Since that time, Bluescope has closed one of its two mill operations which has resulted in the reduction of supply to the Australian market by approximately 2 to 3 million tonnes which now must be sourced from other avenues. The closure of Bluescope's second mill has resulted in them being no longer able to adequately supply the Australian market demand.

PUBLIC RECORD

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 Minmetals did not have any comments on the calculation of an USP or NIP.

PUBLIC RECORD

10 RECOMMENDATIONS

As a result of the importer questionnaire submitted by Minmetals and the verification conducted on site, we are of the opinion that the goods imported by Minmetals 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 because the purchase is conducted via related trading companies;
- purchases of the goods by the importer from its suppliers were arms length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporters and suppliers of the goods, at this stage we are satisfied that the export prices can be established under s. 269TAB(1)(c) of the Act having regard to all the circumstances of the exportation.

PUBLIC RECORD

11 ATTACHMENTS AND APPENDICES

Confidential Attachment/ Appendix.	Title
Confidential Appendix 1	Import volumes Export prices
Confidential Appendix 2	Sales route spread sheet
Confidential Appendix 3	Import costs summary and profit
Confidential Attachment GEN 1	Minmetals importer questionnaire response
Confidential Attachment GEN 2	Visit agenda
Confidential Attachment ACC 1	Financial reports
Confidential Attachment IMP 1	Import offers and costing
Confidential Attachment IMP 2	12 selected shipments source documentation
Confidential Attachment SALES 1	SG&A spread sheet