



**Australian Government**

**Australian Customs and  
Border Protection Service**

---

**INVESTIGATION INTO THE ALLEGED DUMPING OF HOT  
ROLLED COIL STEEL**

**EXPORTED FROM**

**JAPAN, KOREA, MALAYSIA AND TAIWAN**

**VISIT REPORT**

**TOKYO BOEKI 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**

**August 2012**

## PUBLIC RECORD VERSION

**1 TABLE OF CONTENTS**

1	TABLE OF CONTENTS.....	2
2	BACKGROUND AND PURPOSE .....	3
2.1	Background to the current investigation.....	3
2.2	Purpose of meeting .....	3
2.3	Meeting.....	3
3	THE GOODS .....	5
3.1	Goods the subject of the application .....	5
3.2	Tariff classification.....	5
3.3	Like goods .....	6
4	COMPANY BACKGROUND .....	7
4.1	Company background .....	7
4.2	Commercial operations .....	7
4.3	Relationship with suppliers .....	8
4.4	Relationships with customers.....	8
5	IMPORTS.....	9
5.1	Introduction.....	9
5.2	Ordering process and price .....	9
5.3	Verification.....	10
5.4	Importation costs .....	11
5.5	Who is the importer .....	11
5.6	Who is the exporter? .....	11
6	AUSTRALIAN MARKET AND SALES .....	13
6.1	General.....	13
6.2	Australian sales .....	13
6.3	Price and distribution arrangements .....	14
6.4	Rebates and discounts.....	14
6.5	Sales verification (accuracy) .....	14
6.6	Upwards verification (completeness) .....	14
6.7	Selling, general and administrative expenses (SG&A).....	15
6.8	Profitability of sales .....	15
6.9	Forward orders .....	15
7	ARMS LENGTH .....	16
8	RECOMMENDATIONS.....	17
9	ATTACHMENTS AND APPENDICES .....	18

## PUBLIC RECORD VERSION

**2 BACKGROUND AND PURPOSE****2.1 Background to the current investigation**

On 15 June 2012, the Australia Customs and Border Protection Service (Customs and Border Protection) initiated an investigation into the alleged dumping of hot rolled coil steel (HRC) from Japan, the Republic of Korea (Korea), Malaysia and Taiwan following an application by BlueScope Steel Ltd (BlueScope), an Australian manufacturer of HRC.

The initiation of the investigation was published in *The Australian* on 15 June 2012. Australian Customs Dumping Notice No. 2012/30 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Tokyo Boeki Australia Pty Ltd (Tokyo Boeki) had imported HRC from Japan during the investigation period (1 April 2011 to 31 March 2012). Customs and Border Protection wrote to Tokyo Boeki advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of an importer questionnaire to complete. Tokyo Boeki was also provided with a list of its imports during the investigation period, extracted from Customs and Border Protection's import database, which identified a number of transactions on the list for verification.

Tokyo Boeki completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and expenses.

**2.2 Purpose of meeting**

The purpose of the visit was to:

- confirm that Tokyo Boeki was an importer of HRC and clarify the relationship between Tokyo Boeki and the exporter;
- verify information on imports of HRC to assist in the determination of export prices from Japan;
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing HRC;
- identify Tokyo Boeki sales and customers and determine sales volume, selling prices and selling costs;
- recommend how export price may be determined under s. 269TAB; and
- provide the company with an opportunity to discuss any issues relevant to the investigation.

**2.3 Meeting**

We advised Tokyo Boeki generally of the investigation process and timeframes.

- The investigation period is 1 April 2011 to 31 March 2012.

## PUBLIC RECORD VERSION

- The injury analysis period is from 1 April 2008.
- A preliminary affirmative determination (PAD) may be made no earlier than the 60<sup>th</sup> day (14 August 2012) following the date of initiation of the investigation. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts will be placed on the public record by 3 October 2012 or such later date as the Minister allows. The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The statement of essential facts will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 17 November 2012, unless an extension to the statement of essential facts is approved by the Minister.

We advised Tokyo Boeki that we would prepare a confidential report on the meeting. Tokyo Boeki would be given an opportunity to review the visit report for accuracy. A non-confidential version of this visit report would be prepared in consultation with the company and placed on the public record.

<b>Company</b>	Tokyo Boeki Australia Pty Ltd
Address	Level 14, 10-16 Queen Street, Melbourne VIC
Telephone no.	03 8614 1400
Fax no.	03 9629 8699
Date	24 July 2012
<b>Present</b>	
Tokyo Boeki	Hiro Shigezumi – Managing Director Minae Nemoto – Account Manager Lin Chou – Financial Controller Yuta Minoshima – Marketing Manager
Customs and Border Protection	Mick Kenna, Manager Operations 3 Rachel Lohan, Supervisor Operations 1

Prior to the meeting we forwarded an agenda to Tokyo Boeki. Tokyo Boeki was co-operative during the visit and provided requested documentation as necessary.

## PUBLIC RECORD VERSION

**3 THE GOODS****3.1 Goods the subject of the application**

The goods the subject of the application are described as:

*Hot rolled coil (including in sheet form), a flat rolled product of iron or non-alloy steel, not clad, plated or coated (other than oil coated).*

*Goods excluded from this application are hot rolled products that have patterns in relief (known as checker plate) and plate products.*

Further detailed information on the goods is contained in ACDN 2012/30.

**3.2 Tariff classification**

The tariff classifications and statistical class codes in Schedule 3 to the *Customs Tariff Act 1995* and relevant rates of duty for HRC are shown below.

Tariff Classification	Statistical class code	Rate of duty - Japan	Rate of duty - Korea	Rate of duty - Malaysia	Rate of duty - Taiwan
7208.25.00	32	5%	0%	0%	0%
7208.26.00	33	5%	0%	0%	0%
7208.27.00	34	5%	0%	0%	0%
7208.36.00	35	5%	0%	0%	0%
7208.37.00	36	5%	0%	0%	0%
7208.38.00	37	5%	0%	0%	0%
7208.39.00	38	5%	0%	0%	0%
7208.53.00	42	5%	0%	0%	0%
7208.54.00	43	5%	0%	0%	0%
7208.90.00	30	5%	5%	4%	5%
7211.14.00	40	5%	0%	0%	0%
7211.19.00	41	5%	0%	0%	0%

Customs and Border Protection's Tariff Section identified that HRC may also be classified under 7208.51.00 (statistical class code 40) and 7208.52.00 (statistical

PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

class code 41), however, the goods classified under these headings are predominately plate or other products.

### 3.3 Like goods

Tokyo Boeki imported the following seven grades of HRC from Japan in the investigation period:

Grade	Standard
██████████ [steel grade]	JIS
██████████ [steel grade]	JIS
██████████ [steel grade]	JIS
██████████ [steel grade]	JIS
██████████ [steel grade]	Mill specification
██████████ [steel grade]	Mill specification
██████████ [steel grade]	Mill specification

All imports were pickled and oiled.

All of Tokyo Boeki's HRC imports are directed towards satisfying the requirements of the Ford Motor Company of Australia Limited (Ford Australia). Tokyo Boeki submitted that the HRC it imports from Japan is of a particular standard to meet Ford's specification requirements and, according to Ford Australia could not be sourced from the Australian manufacturer. Tokyo Boeki suggested that Customs and Border Protection should speak to Ford engineers about safety standards and steel performance, and the need to source particular types of steel from Japanese manufacturers for its operations. Tokyo Boeki has made a separate submission covering this issue.

Tokyo Boeki also submitted that, according to Ford Australia, BlueScope does not produce HRC in thicknesses below 1.6mm or in widths exceeding 1500mm. Tokyo Boeki suggested that HRC with these dimensions should not be part of the anti-dumping investigation.

We consider that further inquiries, including with Ford, are necessary before deciding whether HRC imported by Tokyo Boeki is sufficiently similar to HRC produced by the Australian industry to regard them as like goods.

Examples of the HRC specification standards are at **confidential attachment 1**.

## PUBLIC RECORD VERSION

**4 COMPANY BACKGROUND****4.1 Company background**

Tokyo Boeki is a privately owned proprietary company, limited by shares, registered in Australia on 30 August 1971 under the ABN 71 004 900 994. Tokyo Boeki is a wholly owned subsidiary of Tokyo Boeki Ltd in Japan. Tokyo Boeki provided a company statement from the Australian Securities and Investments Commission (**confidential attachment 2**).

Tokyo Boeki Ltd is the founding company in the Tokyo Boeki group, consisting of 18 companies within a worldwide network. As well as operations in Japan and Australia, the group has offices in Asia, North America, Russia, India and China.

Tokyo Boeki provided a presentation covering issues including:

- The types of steel it imports and its suppliers;
- A diagram of its steel supply operations;
- Its ordering timeframes;
- Its business model;
- A diagram showing the physical movement of steel imports;
- Its diminishing sales volumes in Australia; and
- The decline in sales of Australian manufactured vehicles.

The presentation is at **confidential attachment 3**.

**4.2 Commercial operations**

The Tokyo Boeki website outlines that Tokyo Boeki has “extensive experience in steel supply, resource export, construction materials export and specialty equipment import.” The web-site provides that the largest share of its business is in the Australian market.

Tokyo Boeki imports a range of steel products, including plate, hot-rolled coil, cold-rolled coil, coated steel sheet in coil, and stainless steel.

Tokyo Boeki’s HRC imports are related to its longstanding relationship with Ford Australia. [REDACTED]

[REDACTED] [Relating to other customer for processing] Tokyo Boeki advised that it supplies approximately [REDACTED] percent of Ford Australia’s steel requirements and approximately [REDACTED] percent of this supply is represented by HRC. A document setting out the history of steel trading between

## PUBLIC RECORD VERSION

Ford Australia and Tokyo Boeki is at **confidential attachment 4**. The importation and sale of HRC represents approximately [REDACTED] percent of Tokyo Boeki's business.

Currently, Tokyo Boeki's operations within Australia are carried out solely through its Melbourne office where its imports, including HRC are delivered from the port of importation to its Australian customers.

#### 4.3 Relationship with suppliers

Tokyo Boeki lists Tokyo Boeki Steel & Materials Ltd (TBSM) as its supplier of the goods under consideration, and **Company Y** and **Company Z** as the manufacturer of the goods. TBSM is a wholly owned subsidiary of Tokyo Boeki Ltd. Tokyo Boeki is related to its supplier, but not to the manufacturers of the goods. Further discussion about this is set out below in section 7.

#### 4.4 Relationships with customers

The sales data provided by Tokyo Boeki shows sales of HRC to the Ford Australia and **Company X** over the course of the investigation period, comprising a combined total sale of [REDACTED] metric tonnes (MT). Tokyo Boeki identified Ford Australia as an end-user and **Company X** as a distributor.

Tokyo Boeki advised that its relationships with its customers in Australia were purely on the basis of commercial transactions, and that it has no other relationships, equity or otherwise, with its customers. Tokyo Boeki also advised that it does not grant rebates, or discounts to any of its customers in the Australian market. Tokyo Boeki stated that its arrangements with Ford Australia are very longstanding and not the subject of a written agreement.



PUBLIC RECORD VERSION

**5 IMPORTS**

**5.1 Introduction**

Customs and Border Protection's import database indicates that Tokyo Boeki imported about [REDACTED] MT of HRC during the investigation period from one supplier, TBSM.

[REDACTED]  
[Confidential information concerning Tokyo Boeki's imports].

[REDACTED]  
[Confidential information concerning Tokyo Boeki's imports].

**5.2 Ordering process and price**

Tokyo Boeki explained that it and the Japanese entity TBSM are trading houses that facilitate the purchase of HRC by Ford Australia from Japanese steel mills. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

PUBLIC RECORD VERSION

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Detailed explanation of Tokyo Boeki's steel business commercial arrangement with Ford Australia]

**5.3 Verification**

Prior to the visit, we selected 12 shipments for detailed verification. Tokyo Boeki provided the following source documents for each shipment:

- commercial invoice;
- packing list;

## PUBLIC RECORD VERSION

- purchase order;
- bills of lading; and
- Customs broker and domestic freight invoices.

The source documents are at **confidential attachment 12**. We were able to confirm that information from the source documents had been accurately recorded [REDACTED].

Tokyo Boeki also provided evidence of payment to TBSM (**confidential attachment 13**). Evidence of payment of ocean freight and customs duty are at **confidential attachment 14**. A worksheet calculating the ratio of insurance costs to the selling price of the imported HRC is at **confidential attachment 15**.

#### 5.4 Importation costs

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

Cost item	Weighted average cost per unit (MT)
Ocean freight and port service charges	[REDACTED]
Insurance	[REDACTED]
Australian importation costs (excluding GST)	[REDACTED]
Selling, general and administrative expenses (based on average selling price)	[REDACTED]
<b>Total weighted average <i>post free on board</i> (FOB) expenses</b>	[REDACTED]

#### 5.5 Who is the importer

Tokyo Boeki:

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

However, Ford Australia negotiates prices directly with the Japanese steel mills. Ford Australia orders the goods which are manufactured specifically for Ford Australia's requirements.

**PUBLIC RECORD VERSION**

We consider Ford Australia 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 and Border Protection will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

TBSM purchases the goods from the Japanese steel mills, invoices Tokyo Boeki, receives payment from Tokyo Boeki and appears as the shipper on the bills of lading.

However, all price negotiations and discussions on specification requirements occur directly between Ford Australia and the Japanese steel mills. The manufacturers are aware that the ordered goods will be exported to Ford Australia. Subject to further investigations, our view is that the Japanese steel mills, **Company Y** and **Company Z** should be regarded as the exporters of the goods.

## PUBLIC RECORD VERSION

**6 AUSTRALIAN MARKET AND SALES****6.1 General**

Tokyo Boeki is a trading house servicing the steel requirements of Ford Australia. [redacted] [Frequency of negotiation]Tokyo Boeki issues a price list to Ford based on the prices agreed between Ford Australia and the Japanese steel mills, plus the costs of importation [redacted] [about the commercial agreement]

The four price lists issued by Tokyo Boeki to Ford Australia for the investigation period are in excel workbook 'CONFIDENTIAL TOKYO BOEKI PRICE LIST 2011'. The price lists show 'lead numbers' which represent the steel grade and size required for the corresponding Ford Australia vehicle components. [redacted] [explains frequency and detail of commercial agreement]

In its importer questionnaire response, Tokyo Boeki provided its HRC sales listing for the investigation period for widths above 600mm. It had assumed HRC with a width below 600mm was not part of the investigation as the list of imports sent to it by Customs and Border Protection had not included the small volume of narrower HRC it imports.

Subsequent to the visit, Tokyo Boeki provided a revised Australian sales listing including all HRC sales (see excel file 'Revised Importer Questionnaire – Part C Revised 7Aug2012').

**6.2 Australian sales**

Tokyo Boeki advised that all of its imports are of pickled and oiled coil, of the following grades:

- [redacted] [steel grade]
- [redacted] [steel grade]
- [redacted] [steel grade]
- [redacted] [steel grade]
- [redacted] [steel grade]
- [redacted] [steel grade]

The imported goods are sold to Ford Australia in a range of thicknesses from [redacted] mm to [redacted] mm and widths ranging from [redacted] mm to [redacted] mm. The HRC is available in both a mill and slit edge.

## PUBLIC RECORD VERSION

**6.3 Price and distribution arrangements**

Tokyo Boeki sells HRC [REDACTED] to Ford Australia [REDACTED]  
[REDACTED] [explanation of commercial arrangement]

**6.4 Rebates and discounts**

Tokyo Boeki confirmed that it does not provide discounts or rebates to its customers.  
[REDACTED] [explanation of commercial arrangement]

**6.5 Sales verification (accuracy)**

Tokyo Boeki provided us with a line by line listing of its sales of HRC for the period from 1 April 2011 to 31 March 2012.

At the visit, we sought source documents for the following six selected transactions:

Invoice Number	Date of invoice
40667	31/05/2011
40685	31/07/2011
40699	31/08/2011
40718	30/11/2011
40733	31/01/2012
40745	30/03/2012

Tokyo Boeki provided us with commercial invoices for the selected sales and evidence of receipt of payment from the customer. Copies of these documents are at **confidential attachment 16**. The invoice numbers, date, amount and customers reconciled with the selected sales information in the sales list.

Based on the source documents provided we are satisfied that the values in the revised sales listing are accurate

**6.6 Upwards verification (completeness)**

Tokyo Boeki provided its audited financial statements for 2011/12 (**confidential attachment 17**). Tokyo Boeki's financial year coincides with the investigation period.

Tokyo Boeki also provided a line by line sales listing for all products in the investigation period (**confidential attachment 18**) which reconciles to the revenue amount shown in the financial statements.

**PUBLIC RECORD VERSION**

We are satisfied that the revised sales list is complete.

**6.7 Selling, general and administrative expenses (SG&A)**

Tokyo Boeki's sales route spreadsheet shows SG&A costs equivalent to [REDACTED] % of total sales revenue. The company provided a worksheet showing the method of calculation (**confidential attachment 19**). We were able to reconcile the figures used in the calculation to the audited profit and loss statement for Tokyo Boeki and consider that the amount included for these expenses is reasonable.

**6.8 Profitability of sales**

Tokyo Boeki's revised sales route spreadsheet shows that its average profitability for the selected shipments was [REDACTED] percent (using average exchange rates at the time of invoicing).

**6.9 Forward orders**

Tokyo Boeki identified in its questionnaire response that it had forward orders with TBSM for approximately [REDACTED] MT of HRC due for delivery between 24 July 2012 and 20 November 2012.

PUBLIC RECORD VERSION

**7 ARMS LENGTH**

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

The Minister may treat the sale of those goods [redacted] [relates profitability] 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 did not find any evidence to suggest that transactions between TBSM and Tokyo Boeki (or between the Japanese mills and Tokyo Boeki) were not arms length transactions.

[redacted]

[Explanation of the commercial arrangement]



## PUBLIC RECORD VERSION

**8 RECOMMENDATIONS**

Based on the information available, the HRC exported by **Company Y** and **Company Z** to Tokyo Boeki through TBSM:

- has been exported to Australia otherwise than by the importer;
- appear not to have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were arms length transactions; and
- the goods were subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporters, we are of the view that the export price should be established under section 269TAB(1)(c) using the invoiced price between TBSM and Tokyo Boeki less appropriate deductions.

**Mick Kenna**

Manager, Operations 3

**Rachel Lohan**

Supervisor, Operations 1

## PUBLIC RECORD VERSION

**9 ATTACHMENTS AND APPENDICES**

Confidential attachment 1	Nippon steel standards
Confidential attachment 2	ASIC company extract
Confidential attachment 3	Company presentation
Confidential attachment 4	History of trading – Tokyo Boeki/Ford Australia
Confidential attachment 5	Letter to Compliance Victoria
Confidential attachment 6	Revised sales route spreadsheet
Confidential attachment 7	Invoices relating to customs value adjustments
Confidential attachment 8	Examples of extras charges schedules
Confidential attachment 9	Email referencing low volume surcharge
Confidential attachment 10	Management fees paid to TBSM
Confidential attachment 11	Diagrams of credit, stock and logistical arrangements
Confidential attachment 12	Export documents
Confidential attachment 13	Evidence of payment to TBSM
Confidential attachment 14	Evidence of payment of importation costs
Confidential attachment 15	Calculation of marine insurance ratio
Confidential attachment 16	Selected sales invoices
Confidential attachment 17	Audited financial statements 2011/12
Confidential attachment 18	Tokyo Boeki sales listing
Confidential attachment 19	Calculation of selling, general and administration cost ratio