



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

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF ZINC
COATED STEEL AND ALUMINIUM ZINC COATED STEEL**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA AND TAIWAN**

IMPORTER VISIT REPORT

GM Holden 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 GM Holden Ltd (Holden) imported goods under investigation from China and Korea during 1 July 2011 to 30 June 2012 (the

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.

investigation period). Customs and Border Protection also confirmed from its import database that Holden was a major³ importer of galvanised steel. Holden did not import aluminium zinc coated steel during the investigation period.

Customs and Border Protection notified Holden 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. Holden 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.

Holden completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and importation expenses. Holden are an end user of galvanised steel, all imported galvanised steel is used by Holden in the manufacture of vehicles.

A copy of Part A (company and supplier details) of Holden importer questionnaire response is at **Confidential Attachment GEN 1**.

2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that Holden 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 and Korea;
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing;
- recommend how export price may be determined under section 269TAB of the Customs Act 1901⁵; and
- provide Holden with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting Customs and Border Protection forwarded an agenda to Holden and advised that we would require supporting documentation for the selected consignments that had been previously identified. A copy of the visit agenda is at **Confidential Attachment GEN 2**.

2.5 Visit

Details of the visit were as follows:

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

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

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

Company:	GM Holden Ltd
Address:	191 Salmon Street, Port Melbourne, VIC 3207, Australia
Telephone no:	(03) 9647 2675
Fax no:	(02) 9647 2082
Visit date:	Wednesday 24 October 2012
Present at the visit	
GM Holden Australia Pty Ltd	Mr Alex Menta, Regional Customs Manager Andrew Hudson, Representative Lawyer
Customs and Border Protection	Mr Rod Jones, Manager Operations 1 Mrs Michelle Gibson, Manager Operations 3 Mrs Eileen Liu, Supervisor, Operations 3

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):

- 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 decision.

Holden has been recently visited by Customs and Border Protection for the investigation into the alleged dumping of Aluminium Road Wheels (ARW) exported from China, and was familiar with the anti-dumping investigation process.

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

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

At the outset of the meeting, Customs and Border Protection advised Holden 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 Holden 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*".

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.

- 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.

International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDD,
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel¹⁰

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

Figure 2: International Standards for aluminium zinc steel¹¹

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.

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 2: 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

Like goods

Holden uses the imported or domestic galvanised steel for the manufacture of motor vehicles, automotive parts and components.

Holden stated that its standards for galvanized steel incorporated the international standards. Holden has its own process for approving the quality of the mills which produce the galvanised steel as well as the producers of the galvanised steel.

Holden tests the galvanized steel against the international standards to ensure the quality of the galvanized steel.

Holden considers that the base grade galvanised steel products manufactured domestically by BlueScope are like goods to the base grade galvanised steel it imports from China and Korea in terms of commercial likeness and functionality.

Holden considers that BlueScope has the production capability to manufacture products comparable to a range of 'base grade' galvanised steel imported into the Australian market from the nominated countries subject to the investigation.

However, Holden said that for certain base grade galvanized steel coils it requires the coils to be of a specified width to reduce manufacture costs and wastage. Holden explained that Bluescope would not or could not manufacture to the specified widths and it was therefore more economical for Holden to import those coils.

Holden said that is awaiting the BlueScope Visit Report which confirms that BlueScope does not produce the base grade galvanized steel products in certain widths. If BlueScope's report does not address this issue, Holden will make a submission to address this issue.

Not the goods

Holden considers the following products should be excluded from the investigation and any anti-dumping measures.

Goods used by the auto industry

Holden said that as the automobile industry shifts to more efficient motor vehicles with lighter weight and more efficient engines, it required high tensile steel (automotive grade), which is stronger and lighter than the quoted 'normal/base grade' galvanized steel.

Holden stated that in a recent meeting between Holden and BlueScope in May 2012, BlueScope acknowledged that it no longer has the capability to produce galvanized steel in certain automotive grades required by Holden. These grades are:

- exposed grade, that is with no oil added as a protective coating;
- widths greater than 1500mm;
- high strengths, with steel tensile above 340 MPa (yield strength); and
- hot stamped galvanised steel. Hot stamping is a way of processing steel to make lightweight, high-strength parts commonly used in automobile manufacturing

Holden said that 'tailor welded' products were not the goods.

Holden explained that tailor welded products consisted of two coils of varying thickness and widths welded together using a curvature weld process. Holden said by way of example that the resulting coil may be have a thickness of 0.7 mm and width of 1,215 mm on one side and a thickness of 1.6mm and width of 1,011 mm on the other. The resulting coil was cut into sheets and shipped in containers. Holden presses the sheets into the required auto part.

Holden advised that the curvature weld was essential as its pressing equipment only worked with this process. Holden also advised that curvature welding was not done in Australia as Bluescope did not have the equipment for this process.

Holden noted that tailor welded products were not covered by TCOs and that it was considering an application to cover those products.

Goods covered by TCOs

Holden referred to the goods covered by TC 9612218 referenced in 3.1.3 above as not being part of the goods. These goods are:

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.

Holden explained that Bluescope could not produce any of the above products and that those products should be excluded from the investigation. Holden said that the above were used by the auto industry, such as galvanized steel with different coating masses (eg 60 gram one side and 50 gram the other), widths greater than 1525 mm and tensile strengths greater than 340 MPa.

Holden undertook to provide documents in support of its submissions in regards to those products it considers not the goods including the discussions between Bluescope and Holden and further information on tailor welded products.

Holden has subsequently provided two confidential files (GEN 3 and 4) which set out details of suppliers of steel to Holden (**Confidential Attachment GEN 3**) and those types and widths of steel not supplied by BlueScope. (**Confidential Attachment GEN 4**)

Substitutability of galvanised steel

Holden advised that certain materials, including aluminium, plastics and advanced composites etc., are not substitutable for galvanised steel products supplied in the domestic market for the automobile industry.

Holden believes that the other two auto manufacturers in Australia, Ford Motor Company of Australia Limited and Toyota Motor Corporation Australia Limited, did not import galvanised steel in their own right, sourcing their products from import agents in Australia. However Holden considered that they had the same views and concerns as Holden in regards to the goods, like goods and the investigation.

4 COMPANY BACKGROUND

4.1 General Background

Holden is an Australian public company, limited by shares. Holden's parent company is General Motors Company (General Motors), based in Detroit Michigan, USA.

Holden is one of only seven fully-integrated global General Motors operations that designs, builds and sells vehicles for Australia and the world. Holden has its headquarters in Port Melbourne, with an engine manufacturing plant on-site, has vehicle manufacturing operations in Adelaide South Australia and is represented by approximately 250 dealerships.

Holden operates as a single legal entity with a number of business functions or cost centres including 'Holden Vehicle Operations' which is the manufacturing business of Holden.

Holden Vehicle Operations produces 51 models of Holden vehicles for domestic and export customers. For the Australian market, the facility produces the Commodore range of sedans, Sportwagon and Ute together with Caprice long-wheel base luxury vehicles. From 2011 the Adelaide plant began production of the Cruze.

Holden's global V6 Engine plant, which opened in 2003, is located in Port Melbourne and produces engines for local and international customers including: 2.8, 3.0, 3.2 and 3.6 litre variants. Holden exports its V6 engines to China, Korea, Thailand, Germany, Sweden, Mexico and South Africa for Buick, Cadillac, Chevrolet, Vauxhall and Opel vehicles.

Holden is a centre of expertise in design and engineering for GM globally. Holden is one of GM's nine global design centres responsible for vehicles such as the Holden Commodore and Chevrolet Camaro. Holden is also the centre of expertise for large, rear-wheel drive vehicles in the GM family as well as a major powertrain engineering centre with expertise in R&D and customer programs in V6 and V8 gasoline, CNG and LPG applications.

4.2 Organisational structure of company

Holden's facilities are:

- Head Office and Design & Engineering Centre:
Design; engineering; national sales and marketing; customer satisfaction and quality; finance; human resources; product, business and strategic planning; purchasing and logistics; corporate affairs; legal; information systems and services; vehicle line executive group. This facility is located in Port Melbourne, Victoria;
- Holden Vehicle Manufacturing Operations:
Plastics, body tool design, stamping, sheet metal and body fabrication, paint and vehicle assembly. This facility is located in Elizabeth, South Australia;

- Holden Engine Manufacturing Operations:
Manufacture and assembly operation of six-cylinder engines and component manufacturing facilities. This facility is located in Port Melbourne.
- Holden Service Parts Operations:
Distribution and marketing of Holden service parts and accessories for the Holden Dealer Network and international customers. This facility is located in Dandenong, Victoria.
- Automotive Proving Ground:
Vehicle development, durability testing, safety test centre and exhaust emission facility. This facility is located in Lang Lang, Victoria.
- Holden Innovation:
Identifies future consumer needs and develops products, technologies and skills for Holden to compete in global markets. Its activities encompass initiatives such as safety, in-car IT systems and alternative propulsion systems. This facility is located in Port Melbourne.
- State Sales Offices:
Provide a direct interface between Holden and its Dealer Network, giving support in the areas of fleet sales, service and parts. Sales offices are located in Victoria, New South Wales, South Australia, Queensland and Western Australia.
- Dealer Network:
The nationwide Holden Dealer Network consists of over 200 authorised stores and 12 authorised service centres. Holden Dealerships represent and promote Holden products and services and employ more than 13,500 people throughout Australia.

4.3 Functions of company

Holden's main business is the manufacture and distribution of motor vehicles, engines, components and parts.

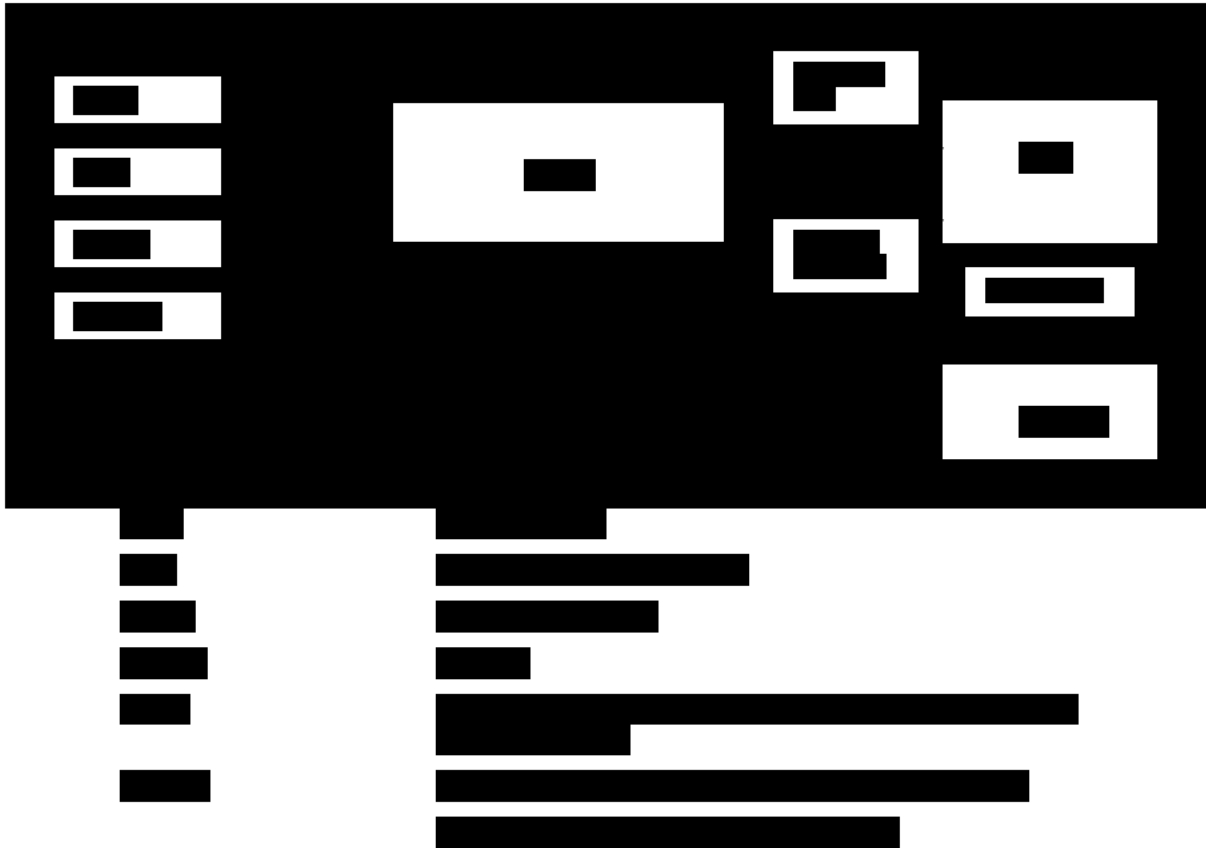
4.4 Accounting

Holden's financial year runs from 1 January to 31 December. The accounts are audited by [REDACTED]. *[Confidential service provider details]*

Holden runs a suite of SAP applications for managing its data.

Holden operates cost centres that are aligned to its business functions, described in Section 4.1, including 'Holden Vehicle Operations' which is the manufacturing business of Holden.

Holden advised that it uses a General Motors global trade management system (TMS2) which has been modified for Holden and is linked to SAP. Holden described the operation of TMS2 as follows.



[Confidential service provider details]

4.5 Relationship with suppliers of the goods

Holden imported galvanised steel from China and Korea during the investigation period and advised of the following suppliers:

- [Redacted];
- [Redacted]
- [Redacted], a Japanese trader based in Melbourne acting as agents for [Redacted] *[confidential supplier details]*

Holden said that it did not know of the relationship between [Redacted] and [Redacted] and whether they were related companies.

Holden stated that it is not related to any of its suppliers or the manufacturers of galvanised steel and has no relationship with the suppliers and manufacturers beyond an arm's length commercial relationship.

5 IMPORTS

5.1 Introduction

The following table summarises the total volume of galvanised steel imported by Holden from the respective Korean and Chinese suppliers during the investigation period.

Country of Origin	Exporter	Trader	Galvanised steel (tonnes)
Korea	██████	██████████████	██████
China	██████	██████████	██████
China	██████	██████	██████
TOTAL			██████

[Confidential Supplier details]

All purchases are in United States dollars, USD. Payments terms are net 47 days after arrival at port in Australia, shipping terms for ██████████ are cost insurance and freight (CIF) and for ████████ free on board (FOB). *[Confidential supplier details]*

All galvanised steel is shipped as bulk freight except for tailor welded which is shipped in containers.

5.2 Procurement process and price

Holden Approved Mills

Holden stated it has a standard validation process for the supply and purchase of materials for its vehicles including galvanized steel.

Only mills which meet the standards of the General Motors group can supply products. Accreditation as a supplier is a 12 to 18 month process involving the General Motors Global group and relevant personnel from manufacturing centres in other countries. Staff from Holden are involved in the accreditation process for mills supplying products relevant to Holden's operations.

Mills can apply to become an accredited supplier to General Motors companies. Staff from General Motors Global group quality department visit and examine the mill to check it meets General Motors global standards. The galvanized steel products are tested for mechanical, chemical composition and process capabilities (painting, adhesive and welding capability, etc.). If the mill is approved by the General Motors Global group, it becomes an eligible supplier. Only eligible suppliers can submit for tenders.

Eligible suppliers are not restricted in which General Motors units they can supply, provided they meet the requirements and can provide products to General Motors manufacturing facilities in different countries.

The selection of eligible suppliers is done on a global basis, analysing the benefits to the General Motors group of companies as a whole. Holden advised that local suppliers such as Bluescope for galvanised steel also have to complete the accreditation process.

Contracts and pricing

Holden procure galvanized steel through contracts where tenders are set for eligible suppliers. During the tender process, a trial of the specific steel is taken to ensure the tendered specific steel meets Holden's specifications, which takes a 4-6 month period. If an eligible supplier wins the tender, it takes a further 12 months before the chosen supplier starts supplying the specific galvanized steel, as contracts are normally set in advance and are for set periods (e.g. 6 months in advance). The contract prices are set in a fixed USD price for 6 months and are re-negotiated at the end of the 6 month period. A contract generally lasts for at least 2 years.

Holden order and purchase the galvanized steel only from approved mills, there is no spot buying of products. Holden advised that there are a number of approved mills that meet the requirements of the General Motors group and should a mill be unable to supply products (e.g. due to material shortages or natural disaster) then Holden would be able to source alternatives from other accredited mills. In this instance, Holden would still require testing of the specific steel type to ensure it met the General Motors global standard.

Holden currently purchase galvanised steel from four suppliers, Bluescope and three overseas suppliers, and Holden's contracts are not exclusive. Different contracts are set for particular types of galvanized steel (e.g. grade, width, etc.) in a certain quantity for manufacturing different parts of the automobile. For each automotive part, there is only one contract with one approved mill supplying the particular type of galvanized steel.

Prices are referenced to world pricing in that tenders are provided to accredited mills from around the world that are competing with each other on mainly a price basis given they already meet the quality requirements of the General Motors group.

The General Motors Global purchasing group also monitors steel prices and trends through available indices to keep up to date with pricing.

Holden stated that it believes Bluescope pricing is based on an import parity basis. Holden analyses prices based against price into store for products whether supplied by Bluescope or from accredited overseas suppliers. Holden said that it may be willing to pay a premium to purchase from Bluescope as Bluescope bears the carrying costs of holding stock whereas Holden bears these costs for its imported stock.

Considering tailor welded products and the table at Figure 2 of 3.1.3 of the report – TCOs applicable to tariff subheading 7210.49.00 – we reviewed the sample import transactions in order to determine which importations were not tailor welded products or subject to a TCO and could be produced by Australian Industry.

Of the total ██████T, we noted that ██████T were not tailor welded product and did not meet the requirements under TC 9612218 or TC 0939596. The remaining ██████T of product was tailor welded. Holden advised that it cannot readily verify these figures without a lengthy and detailed review of its records.

We asked Holden if it could provide a listing of the products supplied by Bluescope and the products it imported and could Holden identify the products Bluescope could not supply due to manufacturing reasons, for example the tailor welded and different coating masses. Where Bluescope could supply a like imported product, we requested Holden identify the reason as to why the imported product was preferred. Holden has subsequently provided details as requested in **Confidential Attachments GEN 3 and GEN 4**.

5.3 Verification

Prior to the visit, we selected 12 shipments for verification. Holden provided copies of the following documents:

- commercial invoices from suppliers;
- packing lists;
- mill certificates;
- contracts with suppliers;
- evidence of payment to suppliers;
- recipient created tax invoices;
- bills of lading;
- ocean freight charges where applicable;
- port charges in Australia; and
- customs fees and charges;

These documents are at **Confidential Attachment IMP 1**.

All supplier invoices were quoted in USD, however we noted that the import database showed transactions were in Australian dollars (AUD). Holden explained that the TMS converts transactions automatically to Australian dollars based on the customs exchange rate at the date of export and it is this amount that is entered.

Holden further explained that it paid the amount due under the contract with its suppliers and not to the amount on the invoices where there was a variance between the invoiced price and the contract price. The contracted amount was entered in the payment system. Holden used recipient created tax invoices to account for the GST, the exchange rate used was that applying at date of export the AUD amount entered into its purchasing system.

Using the commercial documentation provided by Holden, we matched the invoice prices, volume and supplier details for each of the selected shipments on the importer transaction form to the supplier invoices. We have identified the tailor welded products from the sampled 12 transactions.

We noted that the contracts included revisions relating to pricing and also referenced global terms and conditions as well as having separate sections relating to Holden in Australia.

We confirmed that shipments were invoiced at the terms of trade as described on the contracts of FOB, or CIF shipments and as recorded in the response to importer questionnaire.

The contracts are signed and agreed with the local trader of the manufacturer. Payment terms for [REDACTED] and [REDACTED] were 47 days after arrival of the goods.

Payment terms in the contract with [REDACTED] were 20 days after arrival, payments to [REDACTED] varied between 20 and 40 days. *[Confidential Supplier details]*

We calculated weighted average export prices for galvanized steel for each supplier based on the selected shipments. Note that export prices for the tailor welded product are calculated separately.

Country	Supplier	Incoterms	Invoice Price (USD)	Quantity - M/T	WA Price USD/Tonne
China	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
China	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Korea	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[Confidential Supplier details]

5.3.1 Commissions and Rebates

Holden claimed that it does not receive any commissions or rebates from its suppliers for galvanized steel and that the price invoiced is the price paid.

We noted that the contracts had a clause, Clause 22 - Customs Export controls, that stated any benefits to the seller from export credits or the refund of taxes, duties and fees belonged to the seller.

Holden advised that this was a standard clause in all global contracts and that there had not been any payments in relation to this clause. Holden further advised that if there was any benefit to the seller/ manufacturer then this benefit would be taken account of in the pricing to Holden.

We found no evidence to indicate that any commissions and rebates or other payments were received by Holden.

5.3.2 Importation costs

Holden provided details of ocean freight and marine insurance in Part B of the Importer Questionnaire (the Importer Transaction Form).

Holden advised that they self-insure for FOB shipments.

We calculated the below ocean freight and marine insurance costs based on the selected shipments.

Item	Average cost \$A/tonne (Korea)	Average cost \$A/tonne (China – Excl [REDACTED])	Average cost \$A/tonne (China – [REDACTED])
Ocean freight	[REDACTED]	[REDACTED]	[REDACTED]
Marine insurance	[REDACTED]	[REDACTED]	[REDACTED]

[Confidential service provider details]

Holden provided details for Australian importation costs, such as customs duty, customs broker fees, customs entry fees, quarantine fees, wharf storage and delivery, in the Importer Transaction Form.

We were able to view the source documents that reconciled with the values listed for the majority of the Australian Importation Costs.

We noted that on certain shipments from China the general 5% rate of duty was paid, Holden advised that it could only claim the DCS rate of zero for imports from China if the relevant documents were provided.

We calculated the below weighted average importation costs based on the verified data in the importer transaction form.

Item	Average cost \$A/tonne (Korea)	Average cost \$A/tonne (China)
Customs entry fee		
Customs Duty		
Quarantine charges		
Customs Brokers fees		
Port service charges		
Delivery		

[Confidential service provider details]

5.3.3 Proof of payment of imports

Payment of supplier invoices is an automated process generated through the SAP accounting system. As parts are received from suppliers, the data is entered into the company's Primo receipts system generating a corresponding entry in SAP. The amount owed is then paid automatically by the SAP system whether or not the supplier has provided an invoice. Payment is based on the previously negotiated contract with the supplier.

Holden provided evidence of payment for each selected shipment.

We are satisfied that payment was made for the imports and the invoiced amount is the price paid.

5.4 Who is the importer

We have reviewed the documents provided by Holden in respect of the selected shipments. We note that Holden:

- is named as the customer/buyer on supplier invoices;
- is named as the buyer on the contracts which specify terms and conditions; and
- arranges and pays for customs clearance, logistics and delivery of the goods after they delivered to the Australian port.

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

5.5 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.

Documents provided by Holden demonstrated the relationship between the traders and manufacturers in that the prices and products in the contracts with the traders matched the pricing and products from the mills. On the evidence before us it appears that [REDACTED] and [REDACTED] are related companies and that [REDACTED] and [REDACTED] are related companies. The nature of the commercial relationship between [REDACTED] is however unclear. [*Confidential supplier details*]

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
- Holden pays the relevant supplier.

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

6 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.

Holden stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Holden advised that the invoice price was the price actually paid.

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

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

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

7 AUSTRALIAN MARKET

Holden said its consumption of galvanized steel is approximately [REDACTED] tonnes per year depending on its motor vehicle sales. Approximately [REDACTED] tonnes is imported with the balance of [REDACTED] tonnes purchased from Bluescope.

Holden stated that the decrease in Holden's total sales has led to a decrease in its consumption of the raw materials, domestic galvanized steel products and imported galvanized steel products. The portfolio of domestic and imported galvanized steel remains the same as previous years. Holden advised that the main determinant in sourcing the raw materials is not price as Holden follows its proved procurement process, which is an approximate 2 year period to ensure the quality of the raw materials and the suitability to its designed motor vehicles and other relevant automobile products. Holden stated that its procurement of the raw material is quality-focused by following the global standards of its parent company, General Motor.

Holden said it would provide further details on its purchases from Bluescope, which it has subsequently done in **Confidential Attachment GEN 3**.

8 DUMPING, MATERIAL INJURY AND CAUSATION

Holden stated that purely from a logistics perspective, it may have been easier to buy all its product from Bluescope, but it would not buy all its steel from Bluescope. It was explained to the visit team that Holden import tailor welded steel and steel under the TC 9612218 that Bluescope cannot supply. In addition Holden advised that they import steel coil in particular widths that Bluescope cannot/will not supply. Tailor welded steel is the only cut steel that Holden is importing.

Holden advised that it would consider making an application to get an exemption from any dumping duty imposed for the imported products that are subject to a TCO or cannot be or are not being produced by Bluescope. Customs and Border Protection advised that if Holden submitted an exemption application prior to the Final Report being provided to the Minister, it could possibly be presented to the Minister for consideration at the same time as the Final Report.

Holden stated that it does not consider that the Australian steel industry has suffered material injury from exports of galvanized steel having been sold at artificially low prices through dumping practices in the automotive industry. Holden also stated that in its view, this was consistent to the findings of Customs and Border Protection in the investigation regarding Hot Rolled Coil Steel that any injury to BlueScope's market for that product in the automotive market is likely to have arisen from general reduction in demand for automotive vehicles.

Holden advised the decrease in consumption of the domestic galvanized steel is caused by the decline of total sales of the Australian automobile industry.

Holden also suggests other factors contributing to the material injury claimed by the Australian steel industry are the strong Australian dollar and competitive cost environment for raw material consumption (galvanized steel).

Holden said that galvanized steel is a global commodity which is traded on the global market its price is determined by global demands and supplies. Holden argued it operates in the global market and purchases the galvanized steel in line with global prices.

Holden said that if measures were to be imposed that they need to be considered for different markets. Holden did not consider that Bluescope was suffering injury in the automotive market and measures should only be applied to the markets where injury to Bluescope was occurring. Holden stated that as a result, there should be no measures applied to product being provided to Holden from any supplier.

Holden referred to its submission to Customs and Border Protection on 15 October 2012 for further information of Holden's view in relation to injury and causation.

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 Holden did not have any comments on the calculation of an USP or NIP, but advised it may make a submission at a later date. Subsequently, Holden has advised that given that Bluescope is a price taker and adopts an import parity approach then Customs and Border Protection should not adopt "constructed industry prices – industry cost to make and sell plus profit" as a basis to determine the USP.

10 RECOMMENDATIONS

As a result of the importer questionnaire submitted by Holden and the verification conducted on site, we are of the opinion that the goods imported by Holden 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 as the purchase is conducted via related trading companies in the cases of [REDACTED] [Confidential supplier details];
- goods that have not been purchased by the importer from the exporter as the purchase is conducted via trading companies whose commercial relationship to each other is unclear in the case of [REDACTED] [Confidential supplier details]; and
- purchases of the goods by the importer from its suppliers were arms length transactions.

Subject to further inquiries with the exporters, we recommend that export prices for galvanised steel exported by [REDACTED] [Confidential supplier details] to Holden can be established under s. 269TAB(1)(c) of the Act having regard to all the circumstances of the exportation.

Subject to further inquiries with the exporter, we recommend that export prices for galvanised steel exported by [REDACTED] [Confidential supplier details] to Holden can be established under s. 269TAB(3) of the Act having regard to all relevant information.

11 ATTACHMENTS

Confidential Attachment No.	Title
Confidential Attachment GEN 1	GM Holden response to Importer Questionnaire
Confidential Attachment GEN 2	Agenda for verification visit meeting
Confidential Attachment IMP 1	Verification documents for sample importations
Confidential Attachment GEN 3	Holden "supplier footprint" document identifying suppliers of steel and details of supply
Confidential Attachment GEN 4	Holden spreadsheet setting out details of types and widths of steel that BlueScope does not supply