



Australian Government  
Australian Customs and  
Border Protection Service

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## INVESTIGATION

**ALLEGED DUMPING OF CERTAIN HOLLOW  
STRUCTURAL SECTIONS (HSS) EXPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA (CHINA), THE  
REPUBLIC OF KOREA (KOREA), MALAYSIA, TAIWAN  
AND THE KINGDOM OF THAILAND (THAILAND)**

**AND**

**ALLEGED SUBSIDISATION OF HSS EXPORTED FROM  
CHINA**

**VISIT REPORT - IMPORTER**

**STEELFORCE TRADING 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

January 2012

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**1 BACKGROUND AND PURPOSE****1.1 Background to the current investigation**

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd (ATM, the applicant) on behalf of the Australian industry manufacturing HSS, lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of HSS exported to Australia from The People's Republic of China (China), The Republic of Korea (Korea), Malaysia, Taiwan and Thailand and a countervailing duty notice in respect of HSS exported to Australia from China.

The application alleges that HSS has been exported to Australia from China, Korea, Malaysia, Taiwan and Thailand at prices lower than its normal value, that HSS exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing HSS.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011.

Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2007 for injury analysis.

Prior to initiation of the investigation, Steelforce Trading Pty Ltd (Steelforce Trading) was identified as a potential large importer of HSS from China in the investigation period in Customs and Border Protection's commercial database. Consequently, Steelforce Trading was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Steelforce Trading completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports, expenses, and sales.

A copy of Part A (company and supplier details) of Steelforce Trading's Importer Questionnaire response is at **Confidential Attachment 1**.

**1.2 Purpose of meeting**

The purpose of this visit was to:

- confirm that Steelforce Trading is the importer of HSS attributed to it within the commercial database and obtain information to assist in establishing the identity of the exporter(s) of this HSS;
- verify information on imports of HSS to assist in the determination of export prices;

- establish whether the purchases of HSS by Steelforce Trading was in arms length transactions;
- establish post-exportation costs incurred by Steelforce Trading in importing HSS;
- identify Steelforce Trading's sales and customers and verify sales volume, selling prices and selling costs;
- recommend how export price for importations of HSS by Steelforce Trading may be determined under s. 269TAB of the *Customs Act 1901* (the Act)<sup>1</sup>; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting

#### 1.3.1 Introduction

At the meeting, we gave a general outline of the reporting timeframes. Steelforce Trading also confirmed that they were aware of the following:

- Customs would prepare a confidential report on the visit (this report), and before finalisation of the report, Steelforce Trading would be given an opportunity to review the report for accuracy;
- Customs and Border Protection is required to maintain a Public Record of the investigation containing non-confidential copies of all reports, submissions, correspondence and other documents relevant to the case - we advised that the Public Record is available to interested parties; and
- a non-confidential version of this report would be prepared in consultation with Steelforce and placed on the Public Record.

We confirmed that Steelforce Trading had been able to access the Public Record online through Customs and Border Protection's Electronic Public Record (EPR). Steelforce confirmed that there were no issues while accessing online records.

Prior to the meeting, Customs and Border Protection forwarded an agenda to Steelforce Trading. A copy of the agenda is at **Confidential Attachment 2**.

Steelforce Trading was co-operative and well prepared for our visit.

During the verification visit, Steelforce Trading requested customs to consider visiting its sole supplier Dalian Steelforce Hi tech Co Ltd (Dalian Steelforce) in China before Christmas 2011 to verify the information and data submitted by Dalian Steelforce in response to the exporter questionnaire, which is a related company to Steelforce Trading. We confirmed that we would discuss this matter

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<sup>1</sup> All references to legislative provisions within this report refer to the Act, unless specified otherwise.

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with case management and be in contact with Steelforce Trading's consultant (Moulis Legal) in the future.

## 1.3.2 Meeting Details

<b>COMPANY:</b>	Steelforce Trading Pty Ltd
<b>ABN</b>	40 110 146 515
<b>ADDRESS:</b>	5-7 Osprey Drive, Port of Brisbane, Queensland 4178
<b>TEL NO:</b>	07 3276 8612
<b>FAX NO:</b>	1300 661 800
<b>DATE:</b>	10 November 2011

PRESENT	
<b>Steelforce Trading</b>	Rod Corkill, Chief Executive Officer (Steelforce Australia) Vic Patterson, Manager
<b>Moulis Legal</b>	Daniel Moulis, Principal Alistair Bridges, Solicitor
<b>Customs and Border Protection</b>	Andrea Stone, Manager, Operations 3 Sanjay Sharma, Manager, Operations 2 Jason Farr, Supervisor, Operations 1

## 1.4 Documents provided by Steelforce Trading

As part of the Importer Questionnaire, Customs and Border Protection provided Steelforce Trading a copy of a download from the Customs and Border Protection commercial database of all identified potential importations of HSS during the investigation period, and selected 12 shipments from the listing for further examination and verification (**Confidential Attachment 3**).

As its response to Part B of the Importer Questionnaire, Steelforce Trading completed a 'Cost to Import and Sell' (sales route form **Confidential Attachment 4**) for the selected lines for nine of these 12 shipments, identifying that the three of the selected shipments were for products it did not consider were the goods subject of the application (see Section 3.1.4).

The sales route form includes information on the importation, shipment and post-importation costs for each of these nine shipments, through to details of the sale of that shipment to Steelforce Trading's Australian customers.

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Within the visit agenda, we requested that Steelforce Trading prepare packages of source documents to verify the data within the sales route form for each of the nine reported-upon shipments. As requested, Steelforce Trading prepared and supplied these documents during the verification visit (**Confidential Attachment 5**).

In addition, as Part C of its response to the Importer Questionnaire, Steelforce Trading provided a complete transaction by transaction list of its sales of goods it considered to be HSS under investigation for the investigation period (**Confidential Attachment 6**), originally providing summary data but then revising this with detailed information. The detailed Part C listing includes the invoice price, quantity, price and customer for each transaction.

In the agenda, we requested Steelforce Trading prepare and supply supporting documentation for 10 sales transactions we selected from Part C of the Importer Questionnaire. However, early in the verification visit we discovered that the transactions requested in the agenda were identified using an identification number from the original Part C (summary data).

At the visit, we queried whether Steelforce Trading had been able to identify these transactions using this number. Steelforce Trading advised that they had not yet prepared the requested information. We provided a revised list of seven requested transactions using the transaction's invoice number as listed in the revised Part C.

Steelforce Trading provided invoices for each of these seven selected sales (**Confidential Attachment 7**).

Steelforce Trading provided further relevant documentation during the verification as discussed in this report.

**2 THE GOODS****2.1 Description**

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

*certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.*

*Sizes of the goods are, for circular products, those exceeding 21mm up to and including 165.1mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.*

The application includes the following information to clarify the nature of the goods.

**Finishing**

All HSS regardless of finish is included in the application.

Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

**Standards**

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS).

HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

**Excluded goods**

The following categories are excluded from the goods subject of the application:

- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not

exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);

- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS.2556.

**2.2 Tariff classification**

As at the time of the verification visit, the goods are were considered to be classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes.21, 22 and 23); and
- 7306.69.00 (statistical codes.26, 27 and 28).

This classification has since changed to be as follows:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes.21, 22 and 25); and
- 7306.69.00 (statistical code 10).

The goods exported to Australia:

- from Korea and Taiwan are subject to a 5% rate of duty;
- from China and Malaysia are subject to a 4% rate of duty; and
- from Thailand using Thailand Free Trade Agreement rates are free from duty as of 1 January 2010.

There are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.



**3 COMPANY DETAILS****3.1 Commercial operations****3.1.1 Organisational structure of company**

Steelforce Trading advised that its group (the Steelforce Group) corporate structure is as follows:

**[CONFIDENTIAL DIAGRAM DELETED – SHAREHOLDER INFORMATION]**

As displayed in the above chart, Steelforce Trading is a wholly owned subsidiary of Steelforce Australia Ltd (Steelforce Australia). Steelforce Australia is an unlisted public holding company, which itself is wholly owned by Steelforce Holdings Pty Ltd (Steelforce Holdings).

**[CONFIDENTIAL TEXT DELETED – SHAREHOLDER INFORMATION]**

Steelforce Trading advised that Dalian Steelforce, its sole supplier of the goods, is an HSS-manufacturing operation that is fully owned by Steelforce China Pty Ltd, which itself is fully owned by Steelforce Australia. Steelforce Trading advised that Dalian Steelforce was established solely to manufacture and export steel pipe and tube (including the goods) to Steelforce Group businesses.

Steelforce advises that the legal entity Steelforce Australia Pty Ltd (Steelforce Australia) operates entities known as 'Steelforce Distribution', which are distribution businesses based in Brisbane, Sydney, Melbourne and Perth.

**3.1.2 Functions of company**

Steelforce Trading stated it is a Brisbane-based steel trading business supplying various types of imported steel.

Steelforce explained that [CONFIDENTIAL TEXT DELETED – INTERNAL COMMERCIAL DATA] of Steelforce Trading's total business is the supply of steel products at distributor level to related Steelforce Distribution branches and that the remaining [CONFIDENTIAL TEXT DELETED – INTERNAL COMMERCIAL DATA] of sales are to external customers, comprising a mixture of wholesalers and retailers.

In terms of HSS, the Australian sales data supplied by Steelforce Trading (Confidential Attachment 6) displayed this break-down between related/unrelated customers to be [CONFIDENTIAL TEXT DELETED – INTERNAL COMMERCIAL DATA] during the investigation period.

In relation to HSS, Steelforce Trading stated that it approaches distributors and external customers with offers, places orders with Dalian Steelforce, arranges importation and delivery of the goods and sells the goods to its Australian customers under agreed credit terms.

Steelforce Trading advised that, in financial year 2011 (FY2011) the goods represented approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA] of Steelforce Trading's sales volume and value in Australia and [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA]

### 3.1.3 Product range

Steelforce Trading operates in the Australian market as an importer/wholesaler of steel products, including the goods.

On behalf of the Steelforce Group, Steelforce Trading imports and supplies various steel products directly to the related Steelforce Australia, and (on a smaller scale) to unrelated external customers.

Steelforce Australia, through Steelforce Distribution businesses, supplies the Australian market with:

- structural products (universal beams and columns);
- steel pipe and tube (including the goods and other non-goods pipe and tube e.g. outside the size limits of the goods) in painted, black and galvanised finishes;
- merchant bar (steel flats, angles and rounds): and
- other products - plate and miscellaneous products.

### 3.1.4 Like goods

Steelforce Trading confirmed that the goods it imported were like goods to the HSS manufactured in Australia by members of the Australian industry and identified most sales within its commercial database list (Confidential Attachment 3) as the goods, with two categories of exceptions:

- downgrade pipe and tube; and
- pipe and tube exported to Australia from NZ (see below).

These are discussed below.

Steelforce Trading discussed the recent changes to the Australian standard for structural hollow sections (AS1163), and explained that significant changes have been made to the Dalian Steelforce manufacturing plant in China to fully comply with this revised Australian standard.

Steelforce Trading advised that its normal (premium) products meet Australian standards and Steelforce Trading claimed they offer a premium product at a reasonable price.

#### Downgrade

Steelforce Trading claimed that it does not consider downgrade HSS as the good, as it is not prime HSS but rather sub-standard product that is produced as a by-product of the HSS manufacturing process, but is still pipe and tube and hence not considered to be scrap material but a saleable product.

Steelforce Trading explained that it is of the view that this 'downgrade' product should be distinguished from their normal premium products and therefore not considered as part of the goods. Steelforce Trading advised that it understands that Dalian Steelforce in China attempts to sell any true 'scrap' product (e.g. off-cuts) to the domestic market in China.

Steelforce Trading explained that, as it buys all of Dalian Steelforce's production of pipe and tube, it also purchases its downgrade HSS, which it offers to the Australian market.

According to Steelforce Trading's analysis of the information provided from the commercial database, during the investigation period downgrade product accounted for only

[REDACTED] [CONFIDENTIAL TEXT  
DELETED – INTERNAL SALES DATA] of total imports.

We observe that the description of the goods (see Section 2.1) does not appear to differentiate between downgrade and non-downgrade product, and that, from our understanding of the goods, downgrade is likely to be considered to be the goods. We consider that further consideration of this point is warranted by Case Management.

We observe that the sales listing of sales of the goods provided by Steelforce Trading in its Part C of the Importer Questionnaire (Confidential Attachment 6) does not include sales of downgrade product (see Section 4.4.3).

#### Product from New Zealand

Steelforce Trading explained that, during the investigation period, some product that was originally produced by Dalian Steelforce in China and exported to New Zealand was then re-exported to Australia following quality issues in New Zealand.

Steelforce Trading explained that, although the commercial database download still identified these goods as originating in China, that had effectively entered the economy of New Zealand.

According to Steelforce Trading's analysis of the information provided from the commercial database, downgrade product accounted for only [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA] of total imports during the investigation period.

Taking into account Steelforce Trading's description of how these goods came to be imported to Australia, we consider that they did in fact enter New Zealand and were re-exported to Australia, and thus were likely not the goods.

We observe that the sales listing of sales of the goods provided by Steelforce Trading in its Part C of the Importer Questionnaire (Confidential Attachment 6) does appear to include sales of this New Zealand product (See Section 4.4.3).

### 3.2 Accounting

Steelforce Trading explained that its accounts are prepared based on a July to June financial year.

Steelforce Trading explained that it maintains profit centres for different product groups, and consolidated accounts are prepared for the overall business.

Steelforce Trading noted that it uses [REDACTED] [CONFIDENTIAL TEXT DELETED – SOFTWARE TYPE], an integrated Australian accounting software and a business management system.

Steelforce Trading provided us with a copy of its profit and loss (income) statement and audited financial statements for the Steelforce Group for FY2011 (refer **Confidential Attachment 8**).

### 3.3 Relationship with suppliers of the goods

As discussed above, Steelforce Trading's sole supplier of the goods during the period of the investigation was Dalian Steelforce. Dalian Steelforce is fully owned by Steelforce China Pty Ltd which is wholly owned by Steelforce Australia. Dalian Steelforce is therefore legally related to Steelforce Trading, as a member of the Steelforce Group.

Steelforce Trading advised that Dalian Steelforce is regarded by the Chinese authorities as a wholly foreign owned enterprise, and is a pipe and tube mill with an export licence.

Steelforce Trading advised that it has been buying the total production of Dalian Steelforce since it was commissioned in February 2006.

Steelforce Trading advised that it received no discounts or rebates from Dalian Steelforce, and stated that the invoiced price is the price paid.

We found no evidence of any discounts or rebates being provided to Steelforce Trading by Dalian Steelforce during our verification.

Steelforce Trading stated that the terms of payment with Dalian Steelforce are generally [REDACTED] [CONFIDENTIAL TEXT DELETED – COMMERCIAL INFORMATION] from date of invoice.

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**3.4 Relationships with customers**

As mentioned above, during the investigation period, approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA] of Steelforce Trading's sales of HSS were to Steelforce Australia (Steelforce Trading's parent company). The remaining [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA] were to [REDACTED] [CONFIDENTIAL TEXT DELETED – INTERNAL SALES DATA] unrelated companies [REDACTED] [CONFIDENTIAL TEXT DELETED – IDENTITY OF CUSTOMERS]

Section 269TAA(4)(b) of the Act states that bodies corporate shall be deemed to be associates of each other if both of them are controlled, directly or indirectly, by a third person (whether or not a body corporate). We consider that no such relationship of association exists between Steelforce Trading and either of these external customers.

[REDACTED]  
[CONFIDENTIAL TEXT DELETED – DETAILS OF COMMERCIAL RELATIONSHIPS]

We found no evidence of any rebates or discounts between Steelforce and its customers.

[REDACTED]  
[CONFIDENTIAL TEXT DELETED – PRICE INFORMATION]

This is discussed further in Section 4.4.4 of this report.

**4 AUSTRALIAN MARKET**

**4.1 General**

Steelforce Trading discussed the Australian HSS market generally, highlighting three key points that it considers have affected/characterised the market recently:

1. the Australian steel industry has not recovered from the global financial crisis (GFC);
2. there has been a proliferation in sourcing of fabricated (finished and semi-finished) steel products from overseas; and
3. the Applicant has caused injury to itself through the production and sale of the cheap, non-Australian Standard "Oztube" HSS. Steelforce Trading submitted this product-line is cannibalizing the Applicant's profits on its primary Australian Standard HSS.

Steelforce Trading advised that prices for steel products, including HSS declined in 2008 as a result of the GFC and prices have stayed at that low level ever since without much recovery.

Steelforce Trading claims that the Australian steel market has suffered from a prolonged period of low building and construction and a strong Australian dollar. This has resulted in a demand depression within the market.

Steelforce Trading further noted that there are higher input costs, and many of the products that go to the mining industry, which has maintained strong growth, are now sourced overseas.

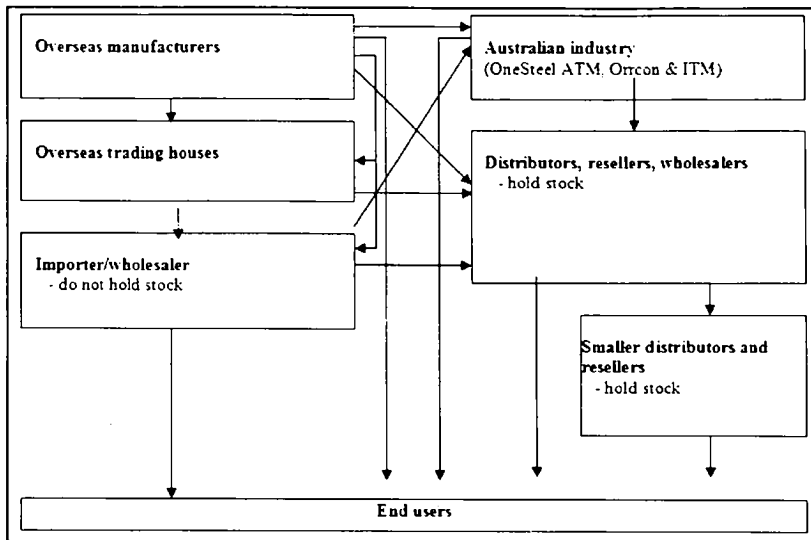
In relation to the increased prevalence of fabricated products, Steelforce Trading observed that fabricated products that incorporate HSS have seen a marked increase in imports in recent years. Steelforce Trading noted that these products do not need to comply with strict standards, and are essentially flooding the market bringing down prices of fabricated product as well as inputs like HSS.

Steelforce Trading also commented that capacity is currently outstripping demand for in the Australian HSS market, and that ATM is offering heavily discounted products in order to sell the HSS they continue to produce despite the downturn in economic conditions. Steelforce Trading observed that this has led to ATM and other Australian industry members over-supplying the Australian market with reduced prices, driving down prices overall.

Steelforce Trading is of the view that these factors have caused injury to the Australian industry and not imported HSS.

**4.2 Distribution and selling system**

We provided Steelforce Trading the following diagram (which was included by ATM within its application) for their comment on Australian HSS market distribution channels and where they compete with Australian industry:



Steelforce Trading commented that there are also Australian-based trading houses, which may also reflect the 'importer/wholesaler' in the diagram above.

Steelforce Trading explained that it considers itself to be an Australian-based trading house, which sells directly to distributors. Therefore, Steelforce Trading advised that it competed with the Australian industry and other importers at the distribution level, and that this was the most appropriate level to compare its sales prices to the Australian industry's prices.

Steelforce Trading explained that BlueScope Steel sells coil to Australian industry (namely ATM), which ATM converts to HSS and sells back to BlueScope Distribution.



[CONFIDENTIAL TEXT DELETED – PROCUREMENT INFORMATION]

Steelforce Trading noted that its understanding is that Steelforce Australia is the only Australian HSS distributor without an Australian HSS supplier.

Steelforce Trading advised that it is unique in that it sources HSS from its own mill in China (Dalian Steelforce), which the Steelforce Group set up solely for the purpose of supplying HSS to Australia. Steelforce Trading's arrangement with Dalian Steelforce is that it is solely to purchase from them, unless Dalian Steelforce is unable to meet demand, for which Steelforce Trading may source HSS from other producers/manufacturers.

**4.3 Stock holding**

[REDACTED]  
[CONFIDENTIAL TEXT DELETED - DETAILS OF INTERNAL OPERATIONS]

**4.4 Sales**

**4.4.1 Ordering and sales process**

Steelforce Trading advised that its usual ordering and sales process for the goods is as follows.

- [REDACTED]

[REDACTED]



[REDACTED]

TEXT DELETED – DETAILS OF SALES]

Steelforce Trading advised it takes approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – PRODUCTIVITY DETAILS] to manufacture and deliver the ordered HSS.

[REDACTED]

[CONFIDENTIAL TEXT DELETED – PRICING STRATEGY]

We queried with Steelforce Trading whether the price to the related Steelforce Australia is influenced by their relationship. Steelforce Trading advised that Steelforce Australia does benefit from lower prices than Steelforce Trading's unrelated customers. However, Steelforce Trading advised that, although they are the main supplier of HSS to Steelforce Australia, it is still required to compete with other HSS suppliers in the Australian market (including the Australian industry) with its prices to Steelforce Australia.

Steelforce Trading advised that all related entities that make up their supply chain have incentives to work to and meet.

**4.4.2 Date of sale**

As discussed above, Steelforce Trading stated that the price between itself and its customers, and the price between itself and its suppliers are established at the time an offer is negotiated with that party.

Steelforce Trading observed that it considers Customs and Border Protection should make price comparisons at the time of the date of an offer, rather than the date of invoice to the Australian customer. Steelforce Trading advised that the price is fixed between the parties at the time the order is confirmed.

In terms of Steelforce Trading's sales to its Australian customers, we observe that the Australian sales listing provided by Steelforce Trading (Confidential Attachment 6) does not include information as to the date of order for each sale, but only invoice date information.

[CONFIDENTIAL TEXT DELETED – INTERNAL OPERATIONS]

We consider this issue warrants further consideration by case management, and may warrant the collection of further information from Steelforce Australia.

#### 4.4.3 Sales verification

##### ***Accuracy – verification to source documents***

As discussed above, Steelforce Trading provided us with a completed sales listing for the goods for the investigation period as part of their response to the Importer Questionnaire, (**Confidential Attachment 6**).

As outlined above, seven sales were selected at the verification visit. Steelforce Trading provided tax invoices for each. These sales were as follows:

- Steelforce Toowoomba (AU5312)
- Steelforce Coolaroo (AU6019)
- Steelforce Perth (AU1722 and AU1780)
- Steelforce Melbourne (AU5421)
- Steelforce Sydney (AU5716)
- Steelforce Brisbane (AU5990)

Steelforce Trading also provided us with tax invoices for sales flowing from the 9 selected shipments detailed within their sales route form.

The total invoice price (including GST), total mass, dates and invoice numbers within the tax invoices provided for all 16 transactions reconciled with the data in Steelforce Trading's sales listing.

We are therefore satisfied that invoice details recorded in Steelforce Trading's sales listing are accurate.

##### ***Completeness and relevance - verification to Steelforce Trading's accounts***

We requested Steelforce Trading provide us with documents to conduct an upwards reconciliation of its total Australian sales of HSS (in its Part C response to the importer questionnaire) to audited financial statements (Confidential Attachment 8).

To demonstrate this, Steelforce Trading provided:

- a 'Reconciliation – Management Accounts to Statutory Financial Statements' spreadsheet;
- copies of its FY2011 profit and loss statement for Steelforce Trading overall, as well as separate profit and loss statements for Australian and export sales; and
- a 'Stock Group By Sales Tonnes' report for Steelforce Trading's Australian sales for FY2011, which detailed the company's FY2011 Australian sales by product group.

These documents form **Confidential Attachment 10**.

Steelforce Trading was able to demonstrate how the total value of HSS within its Part C sales listing [REDACTED] **[CONFIDENTIAL TEXT DELETED – COMMERCIAL INFORMATION]** reconciled to the stock group report by isolating sales of products within that report that were considered to be HSS and summing their sales values (i.e. not including non-pipe and tube products or downgrade pipe and tube).

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – COMMERCIAL INFORMATION – RECONCILIATION VARIANCE (CONSIDERED ACCEPTABLE)].**

*Note: we observe that this process indicated that downgrade HSS was not included in the Part C sales listing, but that sales of HSS exported from/via New Zealand were included. Therefore we consider that the Part C sales listing does include some non-goods product and does not include downgrade, which we preliminarily consider to be the goods.*

We were then able to trace the total sales value for all products within the stock group report to the profit and loss statement for Australian sales, and then to the total sales value within the Steelforce Trading combined profit and loss by adding the export sales value within the export sales profit and loss.

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – COMMERCIAL INFORMATION – RECONCILIATION PROCESS]**

We are therefore satisfied that Steelforce Australia's sales listing of HSS for the investigation period (FY2011) is a reasonably complete sales listing of the goods

during the investigation period, but excludes some of the goods (downgrade) and includes some non-goods (product exported via New Zealand).

**4.4.4 Profitability of sales**

Steelforce Trading calculated the total profit for each of the nine selected shipments (total selling price minus total cost to import and sell) in the sales route form.

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – PROFIT INFORMATION]**

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – PROFITABILITY OF SALES]**

Further, we observed from the FY2011 profit and loss statement, that Steelforce Trading

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – PROFITABILITY]** and from the Stock Group By Sales Tonnes report that sales of each product category of the goods were

[REDACTED]

**[CONFIDENTIAL TEXT DELETED – PROFITABILITY].**

**5 IMPORTS**

As discussed in Section 1.4, Steelforce Trading provided source documents to verify that data in its sales route form for nine selected shipments (**Confidential Attachment 4**).

These source documents included the relevant:

- supplier invoice (which takes the form of a sales contract that is used as the invoice)
- supplier packing list;
- bill of lading;
- purchase order to Dalian Steelforce;
- customs entry form (N10);
- pre-costing sheet;
- shipping and marine insurance invoices (for most shipments);
- Steelforce Trading invoice(s) to customers;
- invoices for domestic inland transportation;
- customs clearance and entry fee charges invoice; and
- port charges invoice.

We observed that Steelforce Trading did not provide proof of payment to Dalian Steelforce for any of the nine selected shipments.

**5.1 Volume of trade**

Based on the information contained within Customs and Border Protection's commercial database download (excluding imports shipped via New Zealand but including downgrade –see Section 3.1.4), we observe that Steelforce Trading's total imports for HSS during the investigation period was [REDACTED] tonnes **[CONFIDENTIAL TEXT DELETED – VOLUME OF IMPORTS]**.

We also compared the total quantity of Steelforce Trading's sales reported in its detailed sales listing (**Confidential Attachment 6**). We observed a minor variance between the amount sold within the sales listing and the amount imported as recorded within the commercial database. We consider this is likely due to timing differences and to the fact that the detailed sales listing includes sales of products imported via New Zealand.

We are therefore satisfied that total tonnes and customs value in the commercial database reasonably corresponds with the suppliers' invoices and is reasonably accurate.

We have verified the volume data from the Customs and Border Protection import database corresponding to the nine sales route shipments and are satisfied that total tonnes in the database correspond with the suppliers' invoices.

**5.2 Forward orders**

Steelforce Trading provided us with a list of outstanding forward orders for the goods (**Confidential Attachment 11**).

[REDACTED]

[CONFIDENTIAL TEXT DELETED – DETAILS OF FORWARD ORDERS].

**5.3 Verification of imports**

**5.3.1 Supplier invoice details**

We matched the invoice prices, volume and supplier details for each of the selected shipments on the sales route form to the supplier (Dalian Steelforce) sales contracts (which act as invoices). However, as proof of payment documents were not supplied, we were unable to verify that the invoiced amount was the price paid.

We confirmed that shipments were invoiced at [REDACTED] [CONFIDENTIAL TEXT DELETED – TERMS OF TRADE], and that the listed credit terms were correct. Invoices were in

[REDACTED]

[CONFIDENTIAL TEXT DELETED – TERMS OF TRADE].

We observe that the \$AU calculations in Customs and Border Protection's commercial database are converted using the exchange rate on the date of the customs entry. We verified the customs value data from the Customs and Border Protection import database corresponding to the nine sales route shipments and are satisfied that total values in the database correspond with the suppliers' invoices (with some variances for exchange rate differences).

We note that the data reported in the database does not provide sufficient detail for calculating HSS export prices by finish. Further information will be obtained from exporters during the course of the investigation.

**5.3.2 Shipment costs**

Under the heading of 'Shipment Costs' in the sales route form, Steelforce Trading entered amounts for overseas freight and marine insurance.

As mentioned above, Steelforce Trading provided invoices to demonstrate these charges for the selected shipments (with some exceptions where these invoices were not supplied). We observed that these invoices reconciled to the amounts recorded in the sales route form.

**5.4 Australian importation costs**

Under the heading of 'Australian Importation Costs' in the importer transaction form, Steelforce Trading entered amounts for customs duty and entry fees (under 'port service charges'), customs broker's fees, and delivery charges.

We compared the amounts provided with the provided customs broker and other relevant invoices to the sales route form and found that they reconciled (with reasonable discrepancies in some cases).

**5.5 Selling, general and administrative (SG&A) costs**

In the sales route form, Steelforce Trading calculated per tonne rates for SG&A expenses and finance costs [REDACTED] [CONFIDENTIAL TEXT DELETED – EXPENSE DETAILS].

We observed from the FY2011 profit and loss statement for Steelforce Trading's Australian sales (within **Confidential Attachment 10**), that this represented the total domestic costs from each category as a percentage of domestic sales revenue, and consider this to be a reasonable estimation of these costs for the purposes of the sales route form.

**5.6 Summary of importation costs**

Using the verified data in Steelforce Trading's sales route form, the Australian dollar weighted average import costs per tonne during the investigation period have been calculated as follows:

	\$AU/T
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

**6 WHO IS THE IMPORTER AND EXPORTER****6.1 Who is the importer?**

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

- negotiates directly with its supplier;
- is named as the consignee on the bill of lading;
- is named as the buyer on supplier invoices (sales contracts);
- arranges and pays for ocean freight and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port;
- retains ownership of the goods until they are delivered to its customers; and
- bears the risk of its customers defaulting on purchase agreements.

We consider Steelforce Trading to be the beneficial owner of the goods at the time of importation. This is consistent with the finding in the previous investigation, TM Report No. 116.

**6.2 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 good as described above.

We consider Dalian Steelforce to be an exporter as it negotiates the sale of goods with Steelforce Trading, arranges for the physical transportation of the goods to the port of exportation and arranges the export clearance of the goods. This is consistent with the finding in the previous investigation.



**7 ARMS LENGTH**

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

Section 269TAA of the Act 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.

**7.1 Purchase of HSS by Steelforce Trading**

During our verification, we did not find any evidence that Steelforce Trading receives any reimbursements, rebates or other support from Dalian Steelforce in respect of the goods. However, we were unable to verify whether the invoice price was the price paid to Dalian Steelforce and consider further attention should be paid to this during investigations with Dalian Steelforce. However, we found no evidence during our investigations with Steelforce Trading that indicates that the invoice price is not the price paid to Dalian Steelforce.

With regard to the price being influenced by a commercial or other relationship Steelforce Trading advised that Dalian Steelforce's price to Steelforce Trading is agreed between the two parties, and is set by reference to Dalian Steelforce's cost to manufacture plus costs associated with exportation, as well as some profit. As discussed in Section 4.2, the price between Dalian Steelforce and Steelforce Trading was previously at the breakeven level, but has since been revised to allow for profit following previous dumping investigations. We are therefore satisfied that the price between Dalian Steelforce and Steelforce Trading is influenced by their relationship and thus should not be considered to be arm's length.

However, subject to further investigations with the exporter, we consider that the price between Dalian Steelforce and Steelforce Trading may in any case be suitable for use in ascertaining the export price between these parties, subject to further investigations and assessment of the reasonableness of the price (in particular, the level of profit included in the price).

**8 GENERAL COMMENTS*****Preliminary Affirmative Determination (PAD)***

Steelforce Trading was mindful of the 60 day PAD limit and emphasised their position that no PAD should be made until exporter verifications had been completed. Steelforce Trading were advised that the decision to make a PAD by the delegate would depend on whether there were 'sufficient' grounds to do so.

Steelforce Trading advised that they intend to submit a formal submission on this point and other matters.

***USP and NIP***

Steelforce Trading will consider the USP and NIP and provide written comments on these points in due course.

***World hot-rolled coil (HRC) prices***

Steelforce Trading were of the view that the benchmark price for the rest of the world for HRC is similar to the Chinese price.

Steelforce Trading observed that the Japanese HRC price had been used within the application and consideration as a benchmark price, and remarked that the Japanese HRC market was the most expensive market in Asia.

Steelforce Trading went on to remark that steel in its many forms should be differentiated from products such as alumina that is generally more easy to categorise and price.

Steelforce Trading argued that environmental regulation does not constitute government intervention in the HRC market.

***Normal values***

Steelforce Trading argued that Steelforce did not participate in the Chinese HSS market and therefore should be treated differently for the purpose of establishing normal value.

The Steelforce Trading advised that Dalian Steelforce intend to also outline in a submission the requested adjustments applicable to the Steelforce Group.

**9 RECOMMENDATIONS**

From our investigation, we are of the following opinion.

1. For the goods imported by Steelforce Trading and subsequently sold to Steelforce Australia:
  - the goods have been exported to Australia otherwise than by the importer;
  - the goods have been purchased by the importer from the exporter;
  - the purchases of the goods by the importer were not arms length transactions; and
  - the goods were subsequently sold by the importer to an associate of the importer.

Subject to further inquiries with the exporter to assess the reasonableness of the price between the parties, we consider that the export price for HSS imported by Steelforce Trading be established under s269TAB(1)(c) of the Act, using the invoiced price from Dalian Steelforce to Steelforce Trading, having regard to all the circumstances of the exportation.

2. For the goods imported by Steelforce Trading and subsequently sold to Steelforce Trading's independent customers:
  - the goods have been exported to Australia otherwise than by the importer;
  - the goods have been purchased by the importer from the exporter;
  - the purchases of the goods by the importer were not 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 exporter to assess the reasonableness of the price between the parties, we consider that the delegate be satisfied that the export price for HSS imported by Steelforce Trading and sold to un-associated customers be established under s.269TAB(3) of the Act, using the invoiced price from Dalian Steelforce to Steelforce Trading. We consider that s.269TAB(1)(b) of the Act cannot be used for those exports due to insufficient information being available to calculate a deductive export price.

**Andrea Stone**

**Sanjay Sharma**

**Jason Farr**

Customs Manager

Customs Manager

Customs Supervisor

**10 ATTACHMENTS**

- Confidential Attachment 1      Steelforce Trading's Importer Questionnaire response (Part A)
- Confidential Attachment 2      Steelforce Trading importer visit agenda
- Confidential Attachment 3      Commercial database download of Steelforce Trading imports
- Confidential Attachment 4      Sales route form (Part B)
- Confidential Attachment 5      Sales route form source documents
- Confidential Attachment 6      Sales listing (Part C)
- Confidential Attachment 7      Sales listing source documents
- Confidential Attachment 8      FY2011 profit and loss and audited financial statements
- Confidential Attachment 9      Steelforce Trading Rolling Offer document
- Confidential Attachment 10      Reconciliation documents – sales listing to audited accounts
- Confidential Attachment 11      Forward order listing