



INQUIRY NO. 452

**ANTI-CIRCUMVENTION INQUIRY
REGARDING ANTI-DUMPING MEASURES
APPLYING TO STEEL REINFORCING BAR FROM
THE REPUBLIC OF KOREA**

VISIT REPORT - IMPORTER

STEMCOR (S.E.A.) Pte 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 THE ANTI-DUMPING COMMISSION**

March 2018

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1 BACKGROUND

On 20 November 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate an anti-circumvention inquiry in relation to steel reinforcing bar (rebar or the goods) exported to Australia by Daehan Steel Co., Ltd (Daehan) from the Republic of Korea (Korea).

The background to initiation of this inquiry is contained in Anti-Dumping Notice (ADN) No. 2017/163, available on the electronic public record (EPR) at www.adcommission.gov.au.

For the purposes of the inquiry, there is to be an examination of whether the importer of goods from Daehan, directly or through an associate or associates, sold those goods in Australia without increasing the price commensurate with the total amount of duty payable on the goods under the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act).

The Commission is examining goods exported to Australia by Daehan during the period 1 April 2016 to 31 March 2017.

As part of its application, OneSteel Manufacturing Pty Ltd (OneSteel trading as Liberty OneSteel) claimed that:

- Daehan's export price has been lowered following investigation no. 264 to a greater extent than any corresponding reduction in Daehan's normal value; and
- that the reduced export price has allowed the importer or associate of the importer to sell the goods in Australia without increasing the price commensurate with the total amount payable on the circumvention goods under the Dumping Duty Act.

To assess OneSteel's claims, the Anti-Dumping Commission (the Commission) sought Stemcor (S.E.A.) Pte Ltd's (Stemcor S.E.A.) cooperation through the completion of an Importer Questionnaire, in particular to assess Stemcor S.E.A.'s Australian selling prices of the goods it imported from Daehan. Should there be found to be a circumvention activity, the Commission may use verified data from this report to recommend changes to the dumping duty notice. However, at this stage of the inquiry there has been no determination of whether a circumvention activity has occurred.

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of Stemcor S.E.A.'s sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to audited financial statements.

2.2 Verification of sales to source documents

The verification team verified the accuracy of Stemcor S.E.A.'s sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

2.3 Related party customers

The verification team did not evidence that Stemcor S.E.A. is related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

Stemcor S.E.A. confirmed that it imports the goods from Daehan during the inquiry period, which matches the description of the circumvention goods that are the subject of this application.

The goods imported by Stemcor S.E.A. from Daehan are mostly rebar coils manufactured to the Australian standard, of grade 500N, in a range of diameters.

3.2 Verification of importation and selling costs

The verification team verified the accuracy of the importation and selling costs by assessing the costs incurred in relation to a sample of 12 shipments selected from the ABF import database. The verification team obtained a complete set of source documents in relation to the sample and in accordance with ADN 2016/30 was able to reconcile all costs to the relevant source documents.

Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

The verification team generally did not find any issues with the verification of importation and selling costs to source documents however the following details an amendment which was required to Stemcor S.E.A.'s initial calculation of the selling, general and administration (SG&A) costs relevant to its sale of the goods in Australia.

3.2.1 Calculation of SG&A allocation

Following an analysis of the importer's financial records, the verification team observed that certain overhead costs relevant to the allocation of SG&A had not been included in the initial version of the importer's questionnaire response. Inclusion of the omitted costs resulted in an increase in the allocation rate of SG&A cost (as a percentage of sale revenue) of less than half of one percent.

3.3 Import listing

Stemcor S.E.A. confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 1**.

3.4 The importer

The verification team considers Stemcor S.E.A. to be the beneficial owner of the goods at the time of importation and therefore the importer as Stemcor S.E.A. (S.E.A.) Pte Ltd is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading;

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- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

3.5 The exporter

The verification team observed that Stemcor S.E.A. purchased the goods directly from Daehan and on occasion indirectly from Daehan through a Korean based intermediary, Sungjin Co., Ltd (Sungjin). Notwithstanding that an intermediary was involved for those transactions, the verification team was satisfied that Daehan was the exporter of the goods¹.

3.6 Profitability of imports

3.6.1 Profitability of sampled transactions

Using the verified cost to import and sell the goods, the verification team calculated the profit margin on each of the 12 sampled shipments referred to in section 3.2. The verification team notes that the actual number of Australian sales transactions resulting from the 12 sampled shipments was 16. The profitability analysis of sampled transaction was therefore conducted in relation to each of the 16 Australian sales transactions.

Although certain individual Australian sales transactions were found to be marginally unprofitable, the verification team observed that overall, the 16 Australian sales transactions were profitable after taking into account necessary deductions for the cost of the goods and selling, general and administration costs.

3.6.2 Profitability using financial records

Using the financial records supplied by the importer, the verification conducted a broader profitability analysis using the total volume of Stemcor S.E.A.'s Australian sales of the goods sourced from Daehan and sold during the inquiry period.

The verification team observed that Stemcor S.E.A.'s sales were profitable overall and generated sufficient margin to cover the full cost to import and sell (including dumping duty payable) and, all relevant overhead costs incurred by both Stemcor S.E.A.'s operations in Singapore and Stemcor Australia Pty Ltd (Stemcor Australia).

With respect to Stemcor Australia, the verification team took into account the costs it incurred in relation to trading of the goods on the basis that it is the Stemcor Group's Australian based entity charged with undertaking a large proportion of the day to day administrative functions on behalf of Stemcor S.E.A. Stemcor S.E.A.'s activities in relative cost terms were minimal in relation to its trading activities in Australia.

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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In conducting the profitability analysis, the Commission took into account expenses incurred by Stemcor S.E.A. in relation to commissions paid to third parties involved in the exportation of the goods out of Korea. The verification team found that these payments were accurately reported by Stemcor S.E.A. in its questionnaire response and were readily identifiable in the relevant financial records. The verification team was satisfied that the profit margin observed for the whole inquiry period, as referred to above, was inclusive of deductions relevant to commissions paid.

The assessment is at **Confidential Appendix 2**.

3.7 Related party suppliers

The verification team did not find any evidence that Stemcor S.E.A. is related to the exporter or intermediary involved in the supply of the circumvention goods during the inquiry period.

3.8 Arms length

In respect of imports of the circumvention goods to Australia by Stemcor S.E.A. during the inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, the verification team is satisfied that Stemcor S.E.A.'s imports are arms length transactions.

4 RECOMMENDATIONS

The verification team are of the opinion that for the goods imported by Stemcor S.E.A. from Daehan:

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

The verification team recommends that the export price for goods imported by Stemcor S.E.A. directly from Daehan can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

The verification team is also of the opinion that, for the goods imported by Stemcor S.E.A. via Sungjin, the goods have not been purchased by the importer from the exporter (Daehan).

The verification team therefore recommends that the export price for goods imported by Stemcor S.E.A. via Sungjin can be established under s.269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the verification team recommends that export price be established using the price paid by Sungjin to Daehan.

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5 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Profitability of sales
Confidential Attachment 1	Verification Work Plan