



INVESTIGATION 254

**ALLEGED DUMPING OF CERTAIN
HOLLOW STRUCTURAL SECTIONS
EXPORTED FROM THE KINGDOM OF THAILAND**

VISIT REPORT - IMPORTER

MARUBENI-ITOCHU STEEL OCEANIA 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 THE ANTI-DUMPING COMMISSION**

05 January 2015

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ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
CFR	Cost and freight
Commission	Anti-Dumping Commission
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
HSS	Hollow structural sections
MISO	Marubeni-Itochu Steel Oceania Pty Ltd
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
██████	██
SEF	Statement of Essential Facts
Thailand	Kingdom of Thailand
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)

1 BACKGROUND AND PURPOSE

1.1 Background

On 20 June 2014, Austube Mills Pty Ltd (ATM) lodged an application requesting that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice in respect of certain hollow structural sections (HSS) exported to Australia from the Kingdom of Thailand (Thailand).

ATM alleges that the Australian industry has suffered material injury caused by HSS exported to Australia from Thailand at dumped prices.

Public notification of initiation of the investigation was made on 21 July 2014 via Anti-Dumping Notice (ADN) 2014/59.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that an entity declared as Marubeni-Itochu Steel Oceania Pty Ltd. (MISO) had imported HSS from Thailand during the investigation period, which is 1 July 2013 to 30 June 2014.

The Anti-Dumping Commission (the Commission) wrote to MISO on 21 July 2014 advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the Importer Questionnaire and associated spreadsheets to complete.

MISO completed the Importer Questionnaire, providing:

- Part A - details regarding the company, overseas supplier information and identification of its Australian customers
- Part B – details of the cost to import and sell plus profit of eight selected importations (the 'Importer Transaction Form'), and details of forward orders
- Part C – a detailed sales listing to Australian customers during the investigation period.

1.2 Purpose of visit

The purpose of the visit was to:

- provide MISO with an understanding of the key issues, dates and processes that relate to the Commission's investigation into certain HSS exported from Thailand;
- confirm that MISO is an importer of HSS from Thailand as attributed to it within the import database and obtain information to assist in establishing the identity of exporters of HSS from Thailand;
- verify information on imports of HSS from Thailand to assist in the determination of export prices;

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- establish whether the purchases of HSS from Thailand were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for HSS; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

1.3 Meeting details

Company	Marubeni-Itochu Steel Oceania Pty Ltd
Address	Level 28, 570 BOURKE ST, Melbourne Victoria 3000
Date of visit	29 October 2014

The following were present at various stages of the meetings.

Marubeni-Itochu Steel Oceania Pty Ltd	Geoff Wilson – General Manager, MISO
the Commission	Melanie Brandis – Manager – Operations 4 Rebecca Oliver – Senior Investigator – Operations 4 Danielle Rudolph – Senior Investigator – Operations 2

1.4 Investigation process and timeframes

The verification team advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 July 2013 to 30 June 2014.
- The injury analysis period is from 1 June 2011 for the purpose of analysing the condition of the Australian industry.
- The due date for Statement of Essential Facts (SEF) for the investigation has been extended and is due to be placed on the public record by 6 February 2015, though this date may be further extended by the Minister for Industry and Science (Minister)¹ as allowed under s.269ZHI of *the Customs Act 1901* (the Act).² If this occurs, it will be notified on the investigation case's public record at <http://www.adcommission.gov.au/cases/EPR254.asp>.

¹ Between September 2013 and December 2014, Anti-Dumping matters were delegated to the Parliamentary Secretary to the Minister for Industry. In December 2014, responsibility reverted to the Minister for Industry and Science.

² All references to sections, sub-sections or paragraphs in this report relate to the Act unless specifically stated otherwise.

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The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.

Interested parties are encouraged to make submissions within 20 days of the SEF's release.

- The final report and recommendations to the Minister are due to be submitted by 23 March 2015, though it is possible that this timeline will be extended.
- The Commission is able to impose a preliminary affirmative determination (PAD) and provisional measures on exporters of the goods if it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice. A PAD is able to be made at any time after Day 60 of the investigation, which was 19 September 2014 in this case. The Commission has not made a PAD at this time.

1.5 Visit report

The verification team explained to the company that we would prepare a confidential report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential. The verification team noted that any confidential material would be handled appropriately by the Commission and not released to any third parties.

The verification team explained that, in consultation with the company, a non-confidential version of the report would be prepared, and placed on the investigation's Public Record.

2 THE GOODS

2.1 Description

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

Certain electric resistance welded pipe and tube made of steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes, whether or not including alloys. 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 pre-galvanised, hot-dipped galvanised (HDG), and non-galvanised HSS.

Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 950.0 mm. CHS with other than plain ends (such as threaded, swaged and shouldered) are also included within the goods coverage.

The applicant submits that the following categories of HSS are excluded from the application:

- *conveyor tube made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1mm on outer surface and 0.25mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6mm in order to maintain vibration free rotation and minimum wind noise during operation);*
- *precision RHS with a nominal thickness of less than 1.6 mm (i.e. not used in structural applications); and*
- *stainless steel CHS and RHS sections.*

The goods covered by this application include all electric resistance welded pipe and tube made of steel meeting the above description of the goods (and exclusions), regardless of whether or not the pipe or tube meets a specific structural standard or is used in structural applications.

2.2 Tariff classification

The goods are classified to tariff subheadings 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37), 7306.50.00 (statistical code 45), 7306.61.00 (statistical codes 21, 22, 25 and 90) and 7306.69.00 (statistical code 10) in Schedule 3 of the *Customs Tariff Act 1995*.

ACBPS Tariff Policy and Implementation Branch confirmed that the goods are correctly classified to the tariff classifications listed above.

3 COMPANY DETAILS

3.1 Commercial Operations

MISO advised that it is a 100 per cent subsidiary of Marubeni-Itochu Steel Inc. (MISI), a privately owned Japanese steel trading company established in 2001. MISI is a 50:50 joint venture partnership between the iron and steel divisions of Marubeni Corporation and Itochu Corporation. MISI only trades in steel products while the two parent companies are general trading companies.

MISO identifies itself as an importer and trader of a range of carbon steel products including semi-finished steel, flat rolled steel sheets and plates, long products and other steel related products. The flat rolled sheets and plates include both galvanised steel and aluminium zinc coated steel among other products.

MISO stated that, during the investigation period, in relation to the importation and sale of HSS, MISO was involved in:

- negotiating with overseas suppliers;
- making offers to distributors;
- arranging importation of the goods; and
- delivering and selling imported goods to Australian customers under agreed credit terms.

MISO's sole Australian office located in Melbourne.

3.2 Accounting structure and details of accounting systems

MISO stated that it uses Sapphire 1 accounting software for all key functions and has its accounts audited annually by Deloitte Access Economics.

MISO's financial year commences 1 January and ends 31 December.

3.3 Relationship with suppliers and customers

3.3.1 Suppliers

MISO submitted it sources approximately [REDACTED] tonnes of HSS per year from suppliers in a range of countries [REDACTED] and [REDACTED]. [exporting countries]

MISO estimates that during the investigation period, only [REDACTED] per cent of its imported HSS was sourced from Thailand, and that these Thai imports accounted for only [REDACTED] per cent of MISO's total sales (by volume). The verification team verified that of the [REDACTED] tonnes of HSS imported by MISO during the investigation period, only [REDACTED]% were exported from Thailand.

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MISO advised it had purchased HSS off [REDACTED]
[particular conditions of purchase of HSS from Thailand] during the investigation period,
[REDACTED]. [Thai supplier(s)]

The Commission has not observed any evidence to show that MISO is affiliated with [REDACTED] and is satisfied at this stage that the two companies are unrelated.

3.3.2 Customers

MISO stated it sold goods imported from Thailand during the investigation period to one unaffiliated customer, [REDACTED]. MISO submitted that [REDACTED] was a distributor or wholesaler of the goods, which purchased goods from MISO that were manufactured by [REDACTED]. [suppliers]

The verification team has not observed any evidence to show that MISO is affiliated with [REDACTED] and is satisfied that the two companies are unrelated.

4 IMPORTS

4.1 Volume of trade

ACBPS' import database shows that during the investigation period MISO imported [REDACTED] consignments under the relevant tariff classification and statistical code, totalling [REDACTED] tonnes in quantity.

As discussed in Section 4.5 below, the verification team verified the accuracy of the data in the import database download by selecting all seven shipments made during the investigation period, plus an additional shipment made just prior to the investigation period, for verification to source documents. After performing these checks, the verification team is satisfied that the total quantity and customs value in the import database is accurate, as it corresponds with the supplier's invoices.

A copy of the import database download forms **Confidential Attachment Imports 1**.

4.2 Ordering and supply process

MISO advised that it orders HSS from [REDACTED] [purchasing arrangements], with its ordering process generally as follows:

- MISO receives an inquiry from a customer for a certain volume of goods needed and a required delivery date (typically around 3 months after order date). Each inquiry can vary in terms of the size, grade and quantity of HSS sought.
- MISO communicates the HSS inquiry to [REDACTED] and a range of other suppliers to seek the most competitive offer.
- [REDACTED] [MISO's internal purchasing arrangements]
- An offer is forwarded to the customer, and [REDACTED] [MISO's internal purchasing arrangements]
- The HSS order is produced and shipped to MISO. For goods purchased from [REDACTED], the goods are produced by [REDACTED] when the order is confirmed, then shipped to MISO via a container vessel (with shipping usually taking approximately one month).
- All purchases are made at cost including freight (CFR) terms and invoices are issued in US dollars. Payment is made via [REDACTED]. [payment method]

4.3 Pricing

MISO stated that all its purchases from [REDACTED] are made at CFR terms and invoices are issued in US dollars.

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MISO explained that [redacted] prices [redacted] [supplier] pricing policy]. [redacted] [trading arrangements with the supplier] purchase contract is issued per shipment that discusses pricing (by tonne), and other arrangements.

MISO stated that purchase prices are generally stable but can fluctuate in response to changes in the cost of raw material (hot rolled coil), as well as changes in the price of labour and power used in the HSS manufacturing process, and the value of the Thai currency (Thai Baht). International market prices for HSS also have some influence on [redacted] pricing.

[redacted] [marketing policy]

4.4 Product types

MISO advised that during the investigation period, it imported HSS that [redacted] [HSS types imported] in a variety of finishes. The verification team observed from invoices supplied by MISO that MISO imported HSS typically in [redacted] [HSS types imported]

The verification team further observed that the goods imported during the investigation period varied in size, between [redacted] [sizes of HSS]. The volume of the goods imported by size, as a percentage of the total volume of the goods imported, is shown in the table below.

	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Imports volume by size	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Table 1: Import volumes of HSS by diameters

MISO submitted that, in its view, there was any substantial difference between goods [redacted] [attributes of HSS]

The verification team observed from the source documentation provided by MISO that MISO had imported HSS that was [redacted] and on-sold these items to [redacted] at prices (per tonne) identical to those applied to HSS of [redacted], but this had occurred only for the shipment that was prior to the investigation period. [attributes of HSS]

4.5 Verification of imports

As discussed above, from the listing of all of MISO's relevant importations obtained from the ACBPS import database, the Commission selected eight shipments to examine in detail and MISO completed an 'importer transaction form' detailing the costs to import

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and sell for each selected shipment as Part B of its response to the Importer Questionnaire (**Confidential Attachment Imports 2**).

At the visit, MISO provided the following source documents, so as to verify the data in its 'importer transaction form' for the eight selected shipments (**Confidential Attachment Imports 3**):

- purchase orders;
- commercial invoices;
- packing lists;
- bills of lading;
- customs broker invoices;
- ACBPS entry declarations;
- invoices for delivery;
- debit notes [REDACTED] to MISO;
- proof of payment (in the form arrival notices issued by MISO's bank);
- applications for forward exchange contracts; and
- invoices for MISO's insurance policies and premiums for the periods 31 December 2012 to 31 December 2013, and 31 December 2013 to 31 December 2014.

From the importer transaction form, the verification team was able to reconcile the bill of lading numbers and packing lists for the selected shipments with the source documentation provided in relation to each of the selected shipments.

4.5.1 Supplier invoice details

For each of the selected shipments, the verification team matched the invoiced prices, volumes (by tonne), and supplier details to the importer transaction form.

The verification team confirmed that all the selected shipments were supplied by [REDACTED] and were invoiced at [REDACTED]. [incoterms and currency]

For each selected shipment, the verification team verified that the value of the payment made (in the proof of payment) matched the total invoice value. The verification team observed that payment was made via electronic funds transfer (EFT) for the CFR price reflected in the commercial invoices. The verification team was satisfied that the amount on the commercial invoice was the price paid to [REDACTED] by MISO.

The verification team sought information by MISO as to how it calculated the exchange rate used to convert the costs of the goods in the importer transaction form from USD to AUD. MISO submitted that it used in the importer transaction form the exchange rate included in the ACBPS entry declarations.

[REDACTED]
[REDACTED] [MISO's internal policies], and

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provided the verification team with copies of MISO's [REDACTED] application forms applicable to all eight shipments.

The verification team agreed with MISO that the importer transaction form should be amended to show the actual rate of exchange applied under MISO's forward cover arrangements, and the verification team amended the AUD invoice prices to reflect the AUD amount paid per transaction as shown in the proof of payment for each selected shipment.

4.5.2 Shipment costs

Under the heading of 'Shipment Costs' in the importer transaction form, MISO entered amounts for overseas freight (both in USD and converted to AUD), and insurance (in AUD only).

Freight

The verification team queried the source of overseas freight costs contained in the importer transaction form. MISO stated that since the freight costs are paid by the supplier, it did not have detailed information on freight costs. MISO obtained these costs from the ACBPS entry forms, but was uncertain as to whether the quoted costs were accurate as all goods were shipped under CFR terms and MISO did not distinguish between the costs of the goods and shipping in its invoices.

The verification team observed from the ACBPS entry forms that the [REDACTED] [details on import transactions] into the importer transaction form, [REDACTED] in the ACBPS forms being entered [REDACTED] [details on import transactions].

[REDACTED] [details of transactions] [REDACTED] shipments that occurred during the investigation period) shown in the table below.

	Weighted average cost AUD/tonne
Ocean freight	[REDACTED]

Table 2: Weighted average ocean freight cost

While the verification team calculated an average freight cost (above) based on data drawn from ACBPS entry forms, the verification team considers that given that it is not possible to verify these freight costs against invoices from MISO, these costs are too uncertain to be included in a calculation of a free on board (FOB) price for the goods imported by MISO.

Should the Commission be required to use MISO's import data to calculate a non-injurious price (NIP) at FOB terms, the verification team considers that the Commission should use verified freight cost data, preferably submitted from [REDACTED], or other

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importers of the goods if [REDACTED] is unable to provide evidence of freight costs for goods shipped to MISO.

Insurance

MISO submitted it purchases on an annual basis a marine insurance policy that covers all of its goods transiting via marine freight, and provided the verification team with copies of its insurance policy for the periods CY2013 and CY2014.

The verification team queried how to reconcile the data contained in the copies of MISO's insurance policies with the [REDACTED] per cent blanket cost for marine freight insurance in the importer transaction form. MISO advised that its insurance costs could be calculated using the following formula:

$$\frac{\text{Annual cost of premium (excl. GST)}}{\text{Total value of imports and exports}} = \text{Premium costs as a \% of shipping costs}$$

The verification team was able to replicate the expected premium costs (as a percentage of shipping costs) by calendar year using the above formula, as the policies provided by MISO showed the annual premium costs, the value listed for all imports and exporters.

However, during the visit, the verification team had difficulty reconciling the [REDACTED]% blanket insurance rate quoted in the importer transaction form. The verification team understood that this [REDACTED]% rate was actually the sum of the [REDACTED] [cost details]. These calculations are in **Confidential Attachment Imports 4.**

Whilst the verification team were able to calculate this blanket rate, it did not consider that it accurately reflected the true insurance costs for the shipments as [REDACTED] [transaction details] for goods across the investigation period.

As a result, the verification team replaced the [REDACTED] per cent insurance rate with the applicable rate calculated by calendar year (in accordance with the above formula submitted by MISO). A weighted average insurance cost for the seven shipments that occurred during the investigation period is shown below.

	Weighted average cost AUD/tonne
Insurance	[REDACTED]

Table 3: Weighted average marine insurance cost

4.5.3 Importation costs

Under the heading of 'Australian Importation costs' on the importer transaction form, MISO entered amounts for:

- customs entry fees;

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- customs brokers fees;
- quarantine charges;
- port service charges;
- delivery charges; and
- bank charges.

The verification team compared the importation cost amounts provided in the relevant invoices to the importer transaction form and found that the all the costs except for the bank fees recorded in the importer transaction form were accurate.

In relation to the [REDACTED] per cent cost of bank fees included in MISO's importer transaction form, the verification team was unable to verify these costs. The verification team agreed with MISO that the verification team would change these bank fees from a standardised [REDACTED] per cent fee to the total value of all bank fees (\$[REDACTED]) shown in the proof of payment advice submitted by MISO for each of the eight selected shipments.

Using the verified data in the importer transaction form, weighted average importation costs per tonne have been calculated for the seven shipments that occurred during the investigation period, in the below table. These calculations are located in **Confidential Attachment Imports 4**.

	Weighted average cost (AUD/tonne)
Customs entry fees	[REDACTED]
Customs broker fees	[REDACTED]
Quarantine Charges	[REDACTED]
Port Service Charges	[REDACTED]
Delivery	[REDACTED]
Bank fees	[REDACTED]
Total	[REDACTED]

Table 4: Weighted average importation costs

4.6 Selling, general and administrative (SG&A) costs

At the verification visit, MISO [REDACTED] in how SG&A costs had been included in MISO's importer transaction form. MISO agreed to a revision to the importer transaction form consistent with the provided management accounts. The verification team revised the importer transaction form to contain a figure of [REDACTED] per cent based on MISO's management accounts for the period.

MISO stated that some of its payroll and legal services are provided by a related company within Australia [REDACTED] [related company], and that a service agreement is in place to govern the provision of these services. MISO explained that the cost of these services was reflected in the SG&A expenses included in MISO's importer transaction form.

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4.7 Commission costs

Within the “Other costs” section of the importer transaction form, MISO included commission fees charged by [REDACTED] for each purchase made. These fees amounted to either [REDACTED] or [REDACTED] per cent of the total cost per order (with orders totalling over \$[REDACTED] charging the [REDACTED] per cent commission).

The verification team observed that commission fees were detailed in the debit notes submitted by MISO, but were unable to match the fees initially included in the importer transaction form to those in the debit notes because MISO calculated commission fees based on [REDACTED] per cent of the (initially inaccurate) AUD invoice value, rather than the actual amount identified in the debit notes. The verification team amended the importer transaction form to reflect the commission fees as detailed in the debit notes.

The verification team sought from MISO proof of payments for commission fees, and MISO provided bank transfer summaries and bank statements which showed that commission fees were paid. The verification team is thereby satisfied that these costs should be included in the importer transaction form.

Weighted average commissions paid per tonne have been calculated for the seven shipments that occurred during the investigation period, as shown in the table below.

	Weighted average value per tonne
Commissions paid	[REDACTED]

Table 5: Weighted average value of commissions paid

4.8 Export prices for selected shipments

Based on verification of eight of the selected shipments, the verification team calculated weighted average export price (in AUD) of the goods over the investigation period.

The verification team determined it was most suitable to calculate costs at CFR rather than Free on Board terms because of the inability to verify that the freight costs included in the importer transaction form were the actual shipping costs.

	Q3 - 2013	Q4 - 2013	Q1 - 2014	Q2 - 2014
CFR export price by quarter	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table 6: Weighted average export prices per quarter

The export price and weighted average importation cost calculations are in **Confidential Attachment Imports 4**.

5 AUSTRALIAN MARKET

5.1 General

MISO claimed that the price leader for HSS in the Australian market was ATM. MISO considered itself being a small player in the market which does not import significant quantities of HSS.

MISO stated that since 2011, conditions of the market had been difficult for Australian industry. MISO noted ATM's claims that the weakening market for HSS was due to various large industrial and commercial construction projects being finalised. MISO also noted that little HSS used in residential construction. MISO stated that, in its view, the Australian industry had found the market difficult due to the high Australian dollar, which reduced the price of imported goods. MISO alleged that the GUC are sold into Australia at competitive prices based on international price.

MISO estimated the total market volume to be approximately [REDACTED] tonnes and argued that local manufacturers do not have capacity to meet the whole demand.

MISO noted that a degree of vertical integration in the market also affected market dynamics. For example, MISO's customer [REDACTED] used HSS to produce [REDACTED]. Those [REDACTED] competed with locally manufactured [REDACTED] supplied by ATM. As ATM sold [REDACTED], [REDACTED] was unable to secure competitive market terms for HSS from ATM to produce its own [REDACTED] [product group]. As a result, [REDACTED] sourced its HSS from imports.

5.2 Distribution and Selling

MISO stated that all the goods imported from [REDACTED] were purchased in response to a customer enquiry, and directly on-sold to the Australian customer. MISO thereby did not incur any warehousing costs associated with imports of the goods during the investigation period.

5.3 Sales

5.3.1 Ordering and sales process

In the case of HSS from Thailand, MISO dealt with [REDACTED] [supplier details] [REDACTED]. [local customer details]

The ordering and sales process involves:

- MISO receives an inquiry for a certain volume of goods needed from local customers.
- MISO communicates the HSS inquiry to [REDACTED] and negotiates a price. Based on that price, an offer is made to local customers.
- [REDACTED] the offer is accepted by local customers, a final confirmation is sought from [REDACTED].

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- Customers are invoiced. All sales are made at delivery duty paid (DDP) terms with payment [REDACTED] days from the bill of lading date.
- [REDACTED] produces the goods when the order is confirmed, then ship the goods to MISO via a container vessel (with shipping usually taking approximately one month).

5.3.2 Pricing

MISO confirmed that it does not provide discounts or rebates to its customers in respect of the sales of HSS from Thailand. The verification team found no evidence to indicate that rebates or discounts were applicable.

5.4 Sale verification to source documents

Prior to the verification visit, MISO provided a 'sales listing' spreadsheet in its importer questionnaire Part C response (**Confidential Attachment Sales 1**). This spreadsheet provided a detailed sales listing of all its sales of HSS imported from Thailand during the investigation period.

[REDACTED] the Commission for verification, the verification team were able to verify [REDACTED] for verification [sales verification details].

During the verification, MISO provided source documents relevant to the eight Australian sales of the goods, as follows:

- invoices; and
- extracts of MISO's bank statements showing payments made for all eight sales of the goods.

These form **Confidential Attachment Sales 2**.

The verification team matched the invoice details (invoice number, customer name, value, volume, size, and invoice date) for the eight transactions to MISO's sales listing. The verification team also matched the value of the payments for each of the selected shipments (as shown in MISO's bank statements) with the GST-inclusive invoice value shown in each of the eight sales invoices.

The verification team further matched the above invoice details for the sales invoices to the corresponding invoices [REDACTED] issued to MISO for each of the eight sales.

As a result of the above, the verification team are satisfied that invoice details recorded in MISO's sales listing are accurate. The verification team are also satisfied that MISO directly on-sold to [REDACTED] [customers] the goods imported from [REDACTED] in full and without any modifications.

The verification team is therefore satisfied that invoice details recorded in MISO's sales listing are reasonably accurate.

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5.5 Completeness and relevance - verification to management accounts

The verification team requested MISO provide documents in order to conduct an upwards reconciliation from MISO's sales listing spreadsheet to its audited financial reports.

MISO provided the verification team with:

- Audited annual report for the 2013 calendar year (**Confidential Attachment Sales 3**); and
- Management accounts for Jan to June 2013, July to December 2013, and Jan to June 2014 (**Confidential Attachment Sales 4**).

The verification team noted that audited accounts were unavailable for the Jan to June 2014 half year.

The verification team observed that for the 2013 calendar year, the provided management accounts revenues reconciled to the audited annual report.

MISO's sales listing spreadsheet (Confidential Attachment Sales 1) only contained details of sales of HSS from Thailand. These sales represented less than █ per cent of MISO's total business by volume. MISO advised that its management accounts did not separately account for revenue for HSS products, and the verification team was therefore unable to conduct a reconciliation by product category.

However, MISO provided the verification team with:

- a complete sales listing for the investigation period (divided by half year) identifying the purchase mill, customer name, and order volume and invoice amount (**Confidential Attachment Sales 5**); and
- a listing of sale volumes for each customer (**Confidential Attachment Sales 6**)

The verification team confirmed that the provided documents were complete by checking that:

- the sum of the sales listing sales to █ [customers] (in Confidential Attachment Sales 3) reconciled to the sales volume per customer spreadsheet (in Confidential Attachment Sales 4); and
- the total of the sales on the sales volume per customer spreadsheet reconciled to the management accounts (Confidential Attachment Sales 2).

The verification team then checked that the Part C sales listing spreadsheet was complete and relevant by reconciling that listing with the sales to █ [customers] from █. The verification team calculated a variance of 1.5 per cent which was considered insignificant.

As an additional check on the completeness and accuracy of MISO's information, the verification team noted that the volume of sales in MISO's sales spreadsheet was consistent with MISO's importation volumes in ACBPS' database.

PUBLIC RECORD

From the verification of the sales listing, the verification team is reasonably satisfied that MISO's sales listing of HSS imported from Thailand is a complete and relevant record of its actual sales.

5.5.1 Profitability of sales

In the importer transaction form, MISO calculated the profit it made by calculating the difference of total selling price minus total cost to import and sell for each shipment.

Following the adjustments as detailed in this report – most notably the revision to SG&A costs and to the currency conversions – all consignments were profitable. The verification team calculated range of profits between [REDACTED] per cent and [REDACTED] per cent.

6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

The verification team reviewed the documents provided in respect of the selected shipments. The verification team notes that MISO:

- negotiates directly with the supplier;
- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- has an insurable interest in the goods while they are on the water;
- arranges customs clearance, logistics and storage of the goods after delivery to an Australian port; and
- retains ownership of the goods until they are delivered to customers.

The verification team considers MISO the beneficial owner of the goods at the time of importation, and therefore the importer.

6.2 Who is the exporter?

The Commission 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 in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

Subject to further inquiries, the verification team is satisfied that [REDACTED] can be considered the exporter of HSS imported by MISO. To the verification team's knowledge, [REDACTED] is a principle in the country of export that manufactures the goods and gave up the goods for shipment directly to MISO.

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.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; and
- 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.

MISO advised that it has no relationship with [REDACTED] other than being buyer and seller in arms length transactions.

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

During the examination of the selected shipments, the verification team did not find any evidence, in respect of the purchase of HSS, that:

- there is any consideration payable other than price;
- the price was influenced by the commercial relationship between MISO and its suppliers; and
- subsequent to the purchase, MISO received or will receive a benefit in respect of any part of the price.

Further, the verification team calculated that all of the selected shipments were profitable.

The verification team is therefore satisfied that import transactions between MISO and [REDACTED] are at arms length in terms of s. 269TAA.

8 RECOMMENDATIONS

Based on the outcome of the verification visit to MISO, the verification team is of the opinion that, for the goods imported by MISO from [REDACTED]:

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

Subject to further inquiries with the exporter, the verification team recommends that the export price for HSS imported by MISO from [REDACTED] can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

PUBLIC RECORD

9 ATTACHMENTS

Confidential Attachment Imports 1	MISO download from ACBPS database
Confidential Attachment Imports 2	Importer Transaction Form completed by MISO
Confidential Attachment Imports 3	Source documents provided by MISO
Confidential Attachment Imports 4	Amended Importer Transaction Form
Confidential Attachment Sales 1	MISO Part C sales listing
Confidential Attachment Sales 2	Source documents relevant to the eight Australian sales of the GUC
Confidential Attachment Sales 3	Audited annual report for the 2013 calendar year
Confidential Attachment Sales 4	Management accounts for Jan to June 2013, July to December 2013, and Jan to June 2014
Confidential Attachment Sales 5	Complete sales listing for the investigation period
Confidential Attachment Sales 6	List of sales volume and invoice value for each customer