



PUBLIC RECORD

INVESTIGATION 254

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

VISIT REPORT - IMPORTER

**Stemcor Australia Pty Ltd
(including Stemcor Europe AG (Switzerland)
and
Stemcor (SEA) 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

22 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
ATM	AusTube Mills Pty. Ltd.
CFR	Cost and freight
the Commission	The 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
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Samchai	Samchai Steel Industries Public Company Limited
SEF	Statement of Essential Facts
Stemcor Australia	Stemcor Australia Pty Ltd
Stemcor Singapore	Stemcor (SEA) Pte Ltd
Stemcor AG	Stemcor Europe AG (Switzerland)
Thailand	Kingdom of Thailand

1 BACKGROUND AND PURPOSE

1.1 Background

On 10 June 2014, Austube Mills Pty. Ltd. (ATM) lodged an application requesting that the Minister for Industry¹ (the Minister) publish a dumping duty notice in respect to 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. The investigation period is set as 1 July 2013 to 30 June 2014.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that Stemcor Australia Pty Ltd (Stemcor Australia), Stemcor Europe AG (Switzerland) (Stemcor AG) and Stemcor (SEA) Pte Ltd (Stemcor Singapore) had imported HSS from Thailand during the investigation period.

The Anti-Dumping Commission (the Commission) wrote to Stemcor Australia, 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.

Stemcor Australia 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 eleven selected importations and details of forward orders; and
- Part C – a detailed sales listing to Australian customers during the investigation period.

Stemcor Australia advised that for the purposes of the verification it would represent Stemcor AG and Stemcor Singapore. Stemcor Australia advised that in May 2013 its financial arrangements changed [REDACTED]

[REDACTED] This change had minimal impact on day to day operational matters, [REDACTED]

[REDACTED] [Stemcor's internal organisation details]. The Part B Importer Questionnaire response submitted by Stemcor Australia detailed which entity was involved in each transaction.

1.2 Purpose of visit

The purpose of the visit was to:

¹ On 16 September 2013, the Minister for Industry delegated responsibility for anti-dumping matters to the Parliamentary Secretary to the Minister for Industry.

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- provide the Stemcor Group entities 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 Stemcor Group entities are the importers of HSS from Thailand as attributed 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 in order to assist in the determination of export prices;
- 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	Stemcor Australia Pty Ltd, also representing: Stemcor AG and Stemcor Singapore
ABN	33 000 345 308
Address	Level 13, 15 Blue Street, North Sydney NSW 2060
Date of visit	30 October 2014

The following were present at various stages of the meetings.

Stemcor Australia Pty Ltd	Selvam Balu - Director Paul Whitehead – Chief Executive
The Commission	Reuben McGovern – Operations Team 3 Angela Kidson – Operations Team 4

1.4 Investigation process and timeframes

The visit 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 July 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 Parliamentary

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Secretary to the Minister for Industry (Parliamentary Secretary) 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>.

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

- The final report and recommendations to the Parliamentary Secretary 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 visit team explained to Stemcor Australia that a confidential report would be prepared and provided to the company to review for factual accuracy and to identify those parts of the report it considers to be confidential. Any confidential material would be handled appropriately by the Commission and not released to any third parties.

A non-confidential version of the report, prepared in consultation with Stemcor Australia, will be published on the public record.

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

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.*

2.2 Tariff classification

The application stated that the goods are classified under the following tariff classifications and statistical codes:

- *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).*

Based on information provided in the application, the ACBPS Tariff Policy and Implementation Branch confirmed that the goods are correctly classified to tariff subheadings:

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- *7306.30.00: circular hollow sections;*
- *7306.61.00: rectangular or square hollow sections;*
- *7306.69.00: other non-circular cross-sections; and*
- *7306.50.00: other circular cross-sections of other alloys of steel,*

in Schedule 3 to the Customs Tariff Act 1995.

The goods exported to Australia from Thailand under the Thailand Free Trade Agreement are free from duty as of 1 January 2010.

The Commission notes that there are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

2.3 'Like' goods

Stemcor Australia explained that HSS was a commodity product and both locally produced and imported HSS comply with relevant Australian standard's specifications. Stemcor Australia confirmed that the imported goods under investigation have the same physical characteristics as domestically produced HSS. Stemcor Australia stated that Stemcor Group imported HSS to international spec (equivalent to AS1074 & Thai. domestic grades) and considered these imports to be the goods under investigation. Stemcor Australia did not consider any alternative products as a suitable substitute for HSS for its business.

3 COMPANY DETAILS

3.1 Corporate background

Stemcor Australia, Stemcor Singapore and Stemcor AG are part of the international Stemcor Group of steel trading companies. Each company is 100 per cent owned by Stemcor Holdings Ltd (United Kingdom) (Stemcor Holdings).

Stemcor Holdings describes itself as an *'independent steel trader'* that *'...play(s) a pivotal role in the steel industry, acting as a trading intermediary and value-adding service provider. Our end-to-end services span every step in the steel supply chain and comprise five core competencies: finance, raw materials, steel trading, distribution and stockholding.'*³

Stemcor Holding's most recent interim results available on the company website stated that the Stemcor Group turnover was estimated at over 5.1 billion pounds sterling in 2012. Stemcor Holdings website also specified that *'...With turnover exceeding £5 billion in 2012, Stemcor trades around 20 million tonnes of steel and steel-making raw materials and employs 2,000 people in a network of offices in 45 countries across the globe.'*

Stemcor Australia advised that the North Sydney office is its main office in Australia.

As explained in section 1.1 of this report, in May 2013 Stemcor Australia's financial arrangements changed [REDACTED]. [details of financial structure changes] These arrangements are further detailed in section 4.1.

3.2 Commercial operations

In Australia, Stemcor Group entities predominantly trade in steel related products and sell product to customers throughout Australia. Purchases of steel products from overseas mills are completed to fill sales orders from customers in Australia. Stemcor Australia advised that it rarely maintains any steel inventory in Australia and that any imported steel is distributed directly to the customer who placed the order for the steel products.

Stemcor Australia advised that it provided an alternative supply option to Australian HSS customers, who were unable to source all their requirements from Australian manufacturers or unwilling to commit 100 per cent of their requirement to Australian manufacturers. Stemcor Australia advised that these clients also compete with OneSteel's own distribution units for their contracts and with this background, they want an alternate option of supplier than only source from their competitor.

3.3 Product range

Stemcor Australia advised that Stemcor Group entities source circular pipe (denoted as CHS) from Samchai Steel Industries Public Company Ltd (Samchai) in a variety of sizes and finishes. The base grade of pipe is 250 grade with a lightly oiled finish.

³Stemcor Webpage (www.stemcor.com)

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Other types of finishes include red paint and black paint, which attract higher premiums. Stemcor Group entities also import 350 grade HSS, which Stemcor Australia advised carries a premium [REDACTED]. [premium amount]

Stemcor Australia explained that HSS imported from Samchai meets the AS1074 standard which is roughly equivalent to the old international standard BS1387. Stemcor Group entities [REDACTED] from Samchai.

Stemcor Australia explained that circular HSS was used in services such as gas and water, as well as for structural purposes including handrails and ladders. The HSS pipe with a red painted finish is used in fire fighting applications.

3.4 Accounting

Stemcor Australia operates on a 1 January to 31 December financial year, in line with that of its parent company based in the United Kingdom. Stemcor Australia's accounts are audited on an annual basis.

3.5 Relationship with suppliers

Stemcor Australia confirmed that Stemcor Group entities purchased HSS from Samchai during the investigation period. [REDACTED]
[REDACTED] [particular supplier details]

Stemcor Australia indicated that Stemcor Group entities had no relationship with Samchai other than a commercial relationship of buyer and seller. Furthermore, it indicated that none of the Stemcor Group entities had ownership or other controlling relationship with these suppliers.

No information has been identified by the verification team to indicate that any of the Stemcor Group entities is related to any of its suppliers.

Stemcor Australia stated that none of the Stemcor Group entities receive any rebates or discounts from suppliers.

3.6 Relationships with customers

In part C of the importer questionnaire, the verification team was able to identify Stemcor Group entity customers. Stemcor Australia advised that none of the Stemcor Group entities are related to any of its customers purchasing HSS.

No further information has been identified to indicate that any of the Stemcor Group entities is related to any of its customers purchasing HSS.

4 IMPORTS

4.1 Ordering process and price

Stemcor Australia explained that it is in regular contact with its supplier mills in relation to the mills' pricing offers. Stemcor Australia added its own costs and the profit margin it was targeting onto the mill's base price and sent offers out to its customers.

When orders are placed by its customers, Stemcor Australia, [REDACTED], confirms the final price with the mill and then issue sales contracts to the customer. [REDACTED] and when cargo is ready, arranges for shipping and delivery directly to the customer in Australia. [confidential ordering process details]

Stemcor Group entity purchases from overseas mills are made [REDACTED]. [confidential purchasing details] Prices for the sale to the Australian customer and the purchase order to the overseas mill are set on the date of order confirmation of contracts.

As previously mentioned, Stemcor Australia [REDACTED] [confidential purchasing and internal policy details]

Samchai supplies Stemcor Group orders on [REDACTED] terms [Incoterms]. Stemcor Group entities imported [REDACTED] tonnes of HSS from Thailand during the period of investigation.

4.2 Forward Orders

Stemcor Australia's completed importer questionnaire included details of [REDACTED] [number] forward orders [REDACTED] tonnes of HSS. All shipments had arrived [REDACTED] [timing of arrivals].

The verification team noted that the volume of these forward orders [REDACTED] represents approximately [REDACTED] [percentage] total volume of HSS imported during the investigation period.

All forward orders were made to supply customer orders, with names detailed in the information given.

4.3 Verification

Prior to the visit, Stemcor Australia provided the Commission with information on ten selected shipments in its cost to import and sell spreadsheet in its questionnaire Part B response (**Confidential Appendix 1**). [REDACTED] [shipment details]

As outlined in this section, the visit team verified the information in the cost to import and sell spreadsheet to source documents provided by Stemcor Australia. Stemcor Australia provided the documents for a further two transactions at the verification visit, [REDACTED] [transaction details]. An amended spreadsheet incorporating these shipments was provided by the company subsequent to the visit. [REDACTED]. (**Confidential Appendix 2**).

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Stemcor Australia provided source documents including:

- tax invoices for purchase, sales, and expenses;
- mill certificates and packing lists;
- bills of lading;
- [REDACTED] policies;
- bank records and payment remittances;
- customs entry; and
- sales contracts

These documents were provided for each shipment and are contained in **Confidential Attachment 1**.

The twelve shipments are selected with respect to the dates they enter home consumption⁴ in Australia. [REDACTED]

[REDACTED] [confidential details about selected shipments]

For each shipment the verification team used the source documents provided to check [REDACTED]

[REDACTED] [importation details]. A sample of these documents was verified for proof of payment of the shipment and post exportation costs. The verification team was able to reconcile the shipment number, quantity, value, price and delivery terms for the selected shipments with the data in the import list.

4.3.1 Commercial Invoices

Copies of invoices for each shipment were provided to the verification team. These invoices were used to verify the applicable data provided by Stemcor Australia in the cost to import and sell spreadsheet, including the importing entity, the goods description and value. Payment of the invoice and the exchange rate applied were also verified to source documents.

4.3.2 Freight Costs

During the investigation period, HSS was imported from Thailand in [REDACTED] [shipment details]. Stemcor Australia provided freight documentation for each of the sampled transactions which were used to verify the freight amounts provided in the import route spreadsheet. The documentation provided included proof of payment, and as such the verification team was satisfied that the amounts shown were correct.

4.3.3 Marine Insurance

Marine insurance costs were allocated to each of the transactions. [REDACTED] [cost allocation method]. **Confidential Attachment 2** contains a copy of the

⁴ Home consumption date is the later of vessel's first arrival date and original lodgement date of import documents to ACBPS.

policy provided by Stemcor Australia for the 2014 calendar year. This policy covered [redacted] [cover of insurance]. The verification team examined the methodology that Stemcor [redacted] applied and the documents provided to verify the costs allocated. The team considered the costs allocated in relation to marine insurance to be reasonable.

Stemcor [redacted] similarly allocated marine insurance costs [redacted] [allocation base]. The verification team was not provided a copy of this policy, however it was satisfied that the costs allocated were reasonable based on the verified Stemcor Singapore costs.

4.3.4 Bank Charges

Bank charges [redacted] [redacted]. For Stemcor [redacted] and Stemcor [redacted], the bank charges [redacted] [redacted] [cost calculation basis]

For Stemcor [redacted], bank charges are calculated [redacted] [redacted]. The verification team considered that the rate applied was reasonable [redacted] [redacted] [apportionment method].

4.3.5 Interest Costs

Stemcor Australia identified interest costs in the cost to import and sell spreadsheet [redacted] [redacted]. The team considered the costs allocated in relation to interest costs are reasonable [interest cost calculation].

4.3.6 Credit Insurance

Credit insurance costs were allocated to each of the Stemcor Australia transactions. [redacted] [redacted]. The team considered the costs allocated in relation to credit insurance to be reasonable.[cost allocation method]

4.3.7 Australian Importation Costs

Stemcor Australia provided evidence of the importation costs incurred on each of the selected shipments by [redacted] [sources of evidence] that outlined all relevant charges. The verification team obtained proof of payment for a selection of invoices and was satisfied that the values transferred to the cost to import and sell spreadsheet were accurate.

4.3.8 Delivery Charges

Stemcor Group entities sold to customers at a [redacted] [Incoterms] price and therefore paid the [redacted] charges for each selected shipment. Documentation provided during the visit reconciled the delivery costs to the cost to import and sell spreadsheet and the verification team was satisfied that the delivery charges shown were accurate.

4.3.9 Calculation of weighted average importation costs

The verification team calculated weighted average importation expenses for the selected shipments, which are summarised in Table 1 below (expressed in Australian dollars per tonne), below:

	Stemcor [redacted] WA cost per tonne	Stemcor [redacted] WA cost per tonne	Stemcor [redacted] WA cost per tonne
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
Total import costs	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Table 1 – WA importation costs for 12 selected shipments

As noted earlier, [redacted] shipments fell within the period of investigation. These were the transactions that were processed [redacted] [redacted] [process details]. The orders carried out by Stemcor [redacted] fell outside the investigation period; however [redacted] [number] of these shipments arrived into Australia during this time, as revealed in a search of the ACBPS Import Database. Because there were three Stemcor Group entities involved [redacted] [redacted] [importation processes] the costs have been separated out by entity. Table 1 reveals that per unit [redacted] [costs].

[redacted] [redacted] [Stemcor internal policies].

Separate importation costs are provided for each Stemcor group entity [redacted] [redacted]

The calculation of these figures is included in **Confidential Appendix 3**.

4.3.10 SG&A costs

Stemcor Australia included SG&A costs as part of its total cost to import and sell. The figure was a calculated [REDACTED] per cent applied to sales revenue, and was applied to transactions involving [REDACTED] [particulars of transactions]. For further detail on this item, please see section 5.7.

4.3.11 [REDACTED] Sharing [Stemcor internal policy]

During the course of the verification visit, Stemcor Australia advised that the company had agreements with overseas Stemcor entities in relation to HSS exported from Thailand. These agreements are summarised below:

- [REDACTED]
- [REDACTED]
- [REDACTED]

4.4 Export prices for shipments

Based on sales data provided by Stemcor Australia, the verification team calculated the weighted average export price (in USD) for HSS over the investigation period for each of the Stemcor Group entities. These calculations are summarised Table 2 below:

Country	Supplier	Stemcor Group entity	Terms	\$US/T
Thailand	Samchai	[REDACTED]	[REDACTED]	[REDACTED]
Thailand	Samchai	[REDACTED]	[REDACTED]	[REDACTED]
Thailand	Samchai	[REDACTED]	[REDACTED]	[REDACTED]

Table 2 – WA Export price

5 AUSTRALIAN MARKET

5.1 General

Stemcor Australia had sales of approximately \$ [REDACTED] million during the 2013 calendar year. This is based on the internal accounts provided by Stemcor Australia to the Commission across all its departments for this period. For the same period the Stemcor Australia division responsible for trading in HSS reported total sales of approximately \$ [REDACTED] million. However, this figure also includes goods other than the goods under consideration.

Based on sales data provided by Stemcor Australia, the gross aggregate value of invoices issued for the goods under consideration (GUC) during the investigation period (1 July 2013 to 30 June 2014) from the Stemcor Group entities was approximately \$ [REDACTED]

5.2 Sales

Stemcor Group entities predominantly sell to distributors of HSS. The sales data provided by Stemcor Australia confirmed this to be the case. The Stemcor Group entities' major customers, by value of sales, during the investigation period were:



The following table includes a summary of the Stemcor Group entities' sales volume and sales value during the investigation period.

Entity	Volume (MT)	Value (AUD)	WA Unit Price (AUD /tonne)
Stemcor xxxx	[REDACTED]	[REDACTED]	[REDACTED]
Stemcor xxxx	[REDACTED]	[REDACTED]	[REDACTED]
Combined Total	[REDACTED]	[REDACTED]	[REDACTED]

Table 3 – Sales and weighted average selling price by entity

5.3 Price and distribution arrangements

Stemcor Australia explained that price offers from overseas mills were received on a regular basis. Based on this price Stemcor Australia would establish pricing for its Australian customers, after allowing for its costs and a profit margin, and would then seek orders from its customers based on this pricing.

Stemcor Group entities sell to customers on [REDACTED] terms, which include [REDACTED]

5.4 Rebates and discounts

Stemcor Australia stated that none of the Stemcor Group entities offer rebates, settlement discounts or volume discounts to their customers and that the invoiced price is the price paid. During the visit the verification team selected a sample of shipments and received proof of full payments that confirmed this to be the case.

5.5 Sales verification (accuracy)

In Part C of its Importer Questionnaire response, Stemcor Australia provided the Commission with a line by line sales list of the Stemcor Group entities' sales of HSS for the investigation period. At the visit, Stemcor Australia provided copies of commercial invoices for sales relating to the twelve shipments selected from their total imports. Copies of these documents are at **Confidential Attachment 3**. The commercial documents provided details for the invoice numbers, quantity, amount and customer's names, which reconciled with the information contained in the sales list.

The verification team received proof of payment for the goods for the invoices examined. Stemcor Australia provided evidence of payment for all transactions that confirmed that the relevant Stemcor Group entity had been paid the invoiced amounts. These documents are included in **Confidential Attachment 4**.

The verification team is therefore satisfied that the sales data provided in the importer questionnaire response is accurate.

5.6 Upwards verification (relevance and completeness)

Stemcor Australia provided audited financial statements for the year ending 31 December 2013 which were further broken down into profit centres (departments). These documents are included in **Confidential Attachment 5**.

As detailed above, Stemcor Australia also provided a line by line sales list for HSS for each Stemcor Group entity and advised

[REDACTED]

[REDACTED]

The verification team is therefore satisfied that the sales list provided by Stemcor is a reasonably complete and relevant list of all of Stemcor Group entity sales of HSS imported from Thailand over the investigation period.

5.7 Selling, general and administrative expenses (SG&A)

Stemcor Australia applied a [REDACTED] per cent rate for each Stemcor Group entity to sales revenue to calculate SG&A for each shipment in the cost to import and sell spreadsheet.

At the verification visit, Stemcor Australia indicated that SG&A for the investigation period [REDACTED]

Based on previous analysis conducted by the Commission as part of a verification visit for an investigation into rod in coil (Case 240), the verification team considered that it was reasonable to adopt the [REDACTED] per cent rate and to apply it for each of the Stemcor Group entities for calculating the profitability of each transaction. [REDACTED]

[REDACTED] For further details please refer to the verification report under Case 240, available on the public record.⁵

5.8 Profitability of sales and selling price

The verification team calculated the total profit for the 12 selected shipments (total selling price minus total cost to import and sell) in the cost to import and sell spreadsheet.

The team found that all sales were sold at a profit, with an average margin of [REDACTED] per cent. Profit margins for the selected transactions were calculated at between [REDACTED] per cent.

⁵ <http://www.adcommission.gov.au/cases/EPR240.asp>

6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

The documents provided by Stemcor were reviewed in respect of the selected shipments for the purpose of identifying the importer. It was noted that, for imports from Samchai, the relevant Stemcor Group entity:

- is named as the consignee on the bill of lading;
- is named as the buyer on supplier invoices;
- 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 are delivered to the Australian port;
- appears as the importer on the Customs declarations;
- retains ownership of the goods until they are delivered to its customers; and
- bears the risk of its customers defaulting on purchase agreements it makes.

The verification team considers that the Stemcor Group entity named as consignee on the bill of lading was the beneficial owner of the goods at the time of importation, and was 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 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.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

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In relation to Samchai, upon review of the documents the verification team is satisfied that:

- the commercial invoices identify the supplier;
- the bills of lading identify the supplier as the shipper of the goods;
- the supplier arranges and pays for the goods to be transported to the wharf and loaded onto the ship in the country of export as per FOB terms of trade; and
- the relevant Stemcor Group entity pays the supplier.

Subject to further inquiries, the verification team is satisfied that, Samchai can be considered the exporter of HSS imported by Stemcor Group entities.

To the verification team's knowledge, this entity is the principal in Thailand, who manufactures the goods and gives up the goods for shipment directly to the relevant Stemcor Group entity.

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.

The verification team reviewed the documentation for the selected shipments for and did not find any evidence, in respect of the purchase of HSS, that:

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

As discussed in section 5.8 of this report, the verification team found that all the selected shipments were profitable.

The verification team is satisfied that import transactions between the relevant Stemcor Group entity and its Thai supplier, Samchai, are at arms length in terms of s. 269TAA.

8 GENERAL COMMENTS

Stemcor Australia noted that importers provide an important role within the economy, employing many people in the import supply chain management. Stemcor Australia explained that customers prefer to have two or three supply options to ensure competitive pricing, certainty of supply, quality management and to compete with local mill's own distribution centres on equal footing.

Stemcor Australia did not comment on the applicant's allegations that Thai HSS manufacturers were dumping. Stemcor Australia did however emphasize that it considers itself to be a good corporate citizen and does not want to bring dumped goods into Australia.

If AD margins are applicable to a Thai mill, then same AD Margin principles that was adopted for case 177 to be applied as it represents continuity for the product line.

9 RECOMMENDATIONS

Based on the outcome of the verification visit to Stemcor Australia, the verification team is of the opinion that, for the goods imported by Stemcor Group entities directly from Samchai:

- 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 Stemcor Group entities from Samchai can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Original submission of Stemcor's importation costs (Part B of importer questionnaire response)
Confidential Appendix 2	Revised submission of Stemcor's importation costs (Part B of importer questionnaire response)
Confidential Appendix 3	Calculation of shipment profitability
Confidential Attachment 1	Source documents for 12 selected shipments
Confidential Attachment 2	Marine insurance policy
Confidential Attachment 3	Sales invoices
Confidential Attachment 4	Proof of payment of sales invoices
Confidential Attachment 5	Audited financial statements (profit and loss) statement for FY2013