



**Australian Government**  
**Anti-Dumping Commission**

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**PUBLIC RECORD VERSION**

**INVESTIGATION 240**

**ALLEGED DUMPING OF  
ROD IN COILS  
EXPORTED FROM  
THE REPUBLIC OF INDONESIA, TAIWAN AND THE REPUBLIC  
OF TURKEY**

**VISIT REPORT - IMPORTER**

**Sanwa 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**

**28 May 2014**

# PUBLIC RECORD VERSION

## CONTENTS

<b>CONTENTS</b> .....	<b>2</b>
<b>ABBREVIATIONS</b> .....	<b>3</b>
<b>1 BACKGROUND AND PURPOSE</b> .....	<b>4</b>
1.1 BACKGROUND.....	4
1.2 PURPOSE OF VISIT.....	5
1.3 MEETING DETAILS.....	5
1.4 INVESTIGATION PROCESS AND TIMEFRAMES.....	5
1.5 ANTI-DUMPING IN GENERAL.....	6
1.6 VISIT REPORT.....	7
<b>2 THE GOODS</b> .....	<b>8</b>
2.1 DESCRIPTION.....	8
2.2 TARIFF CLASSIFICATION.....	8
2.3 LIKE GOODS.....	8
<b>3 COMPANY DETAILS</b> .....	<b>9</b>
3.1 COMPANY BACKGROUND.....	9
3.2 ACCOUNTING.....	9
3.3 RELATIONSHIP WITH SUPPLIERS.....	10
3.4 RELATIONSHIPS WITH CUSTOMERS.....	10
<b>4 IMPORTS</b> .....	<b>11</b>
4.1 IMPORT VOLUMES.....	11
4.2 ORDERING PROCESS AND PRICE.....	11
4.3 VERIFICATION.....	11
4.4 EXPORT PRICES FOR SHIPMENTS.....	14
4.5 FORWARD ORDERS.....	14
4.6 WHO IS THE IMPORTER.....	15
4.7 WHO IS THE EXPORTER?.....	15
<b>5 SALES</b> .....	<b>16</b>
5.1 GENERAL.....	16
5.2 SALES.....	16
5.3 PRICE AND DISTRIBUTION ARRANGEMENTS.....	16
5.4 REBATES AND DISCOUNTS.....	17
5.5 SALES VERIFICATION (ACCURACY).....	17
5.6 UPWARDS VERIFICATION (RELEVANCE AND COMPLETENESS).....	17
5.7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A).....	17
5.8 PROFITABILITY OF SALES AND SELLING PRICE.....	18
<b>6 ARMS LENGTH</b> .....	<b>19</b>
<b>7 GENERAL COMMENTS</b> .....	<b>20</b>
7.1 MARKET CONDITIONS, ONESTEEL PRACTICES AND COMPETITION ISSUES.....	20
7.2 UNSUPPRESSED SELLING PRICE AND NON-INJURIOUS PRICE.....	21
<b>8 RECOMMENDATIONS</b> .....	<b>23</b>
<b>9 APPENDICES AND ATTACHMENTS</b> .....	<b>24</b>

## PUBLIC RECORD VERSION

### ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
AUD	Australian Dollar
Commission	Anti-Dumping Commission
<b>[CONFIDENTIAL TEXT DELETED – trading terms]</b>	
GUC	Goods Under Consideration
OneSteel	OneSteel Manufacturing Pty Ltd
PAD	Preliminary Affirmative Determination
<b>[CONFIDENTIAL TEXT DELETED – currency]</b>	
Sanwa	Sanwa Australia Pty Ltd
Sanwa Holdings	Sanwa Holding Ltd
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative expenses
The Act	<i>Customs Act 1901</i>
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry

## 1 BACKGROUND AND PURPOSE

### 1.1 Background

On 24 February 2014, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) publish a dumping duty notice in respect of rod in coils exported to Australia from the Republic of Indonesia (Indonesia), Taiwan and the Republic of Turkey (Turkey). OneSteel, the sole manufacturer of rod in coils in Australia, alleges that the Australian industry has suffered material injury caused by rod in coils exported to Australia from Indonesia, Taiwan and Turkey at dumped prices. The applicant claimed the industry has been injured through:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price depression;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced return on investment; and
- reduced employment.

The Commission examined the application and prepared a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) recommending the application not be rejected, Consideration Report No 240 refers.

The Commissioner after having regard to the report initiated an investigation into the alleged dumping of rod in coils from Indonesia, Taiwan and Turkey. Public notification of the initiation of the investigation was made on 10 April 2014 in *The Australian* newspaper and Anti-Dumping Notice No. 2014/27.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that Sanwa Pty Ltd (Sanwa) had imported rod in coil **[CONFIDENTIAL TEXT DELETED – identification of suppliers]** during the investigation period.

The Commission contacted Sanwa 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 to complete. Sanwa was also provided with a list of its imports during the investigation period, extracted from the ACBPS import database, and identified a number of transactions from the list for verification.

Sanwa completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and importation costs and sales data, including selling, general and administrative (SG&A) expenses.

## PUBLIC RECORD VERSION

### 1.2 Purpose of visit

The purpose of the Commission's visit to Sanwa was to:

- confirm that Sanwa is the importer of rod in coils attributed to it within the commercial database and obtain information to assist in establishing the identity of the relevant exporter(s);
- verify information on imports of rod in coils to assist in the determination of export prices;
- establish whether the purchases of rod in coils 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 rod in coils; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

<b>COMPANY</b>	Sanwa Pty Ltd
<b>ABN</b>	96 000 904 987
<b>ADDRESS</b>	Suite 201, 2nd Floor 100 New South Head Road Edgecliff, NSW 2013
<b>TEL NO</b>	02 9362 3088
<b>FAX NO</b>	02 9925 9844
<b>DATE</b>	28 May 2014

The following were present at various stages of the meetings.

<b>Sanwa Pty Ltd</b>	David Roberts - Director & General Manager Daniel Moulis - Consultant, Moulis Legal
<b>The Commission</b>	Rod Jones – Operations Team 3 Reuben McGovern - Operations Team 3

### 1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (9 June 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

## PUBLIC RECORD VERSION

The Commissioner will not make a PAD until (and if) he becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 29 July 2014; or such later date as the Parliamentary Secretary allows under s.269ZHI of the *Customs Act 1901* (the Act)<sup>1</sup>.

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

- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide his final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 12 September 2014, unless an extension is approved by the Parliamentary Secretary.

### **1.5 Anti-dumping in general**

Sanwa had been advised at initiation of the investigation process and details. An outline of anti-dumping was also provided at the visit.

There are three essential links for imposition of measures:

1. the Australian industry must be suffering or there must be a threat of material injury; and
2. the goods must be dumped; and
3. the dumped goods must be cause of material injury.

Dumping is assessed on goods by comparison of the export price to the normal value.

- The export price is generally ex-works (EW), free on board (FOB) or free alongside ship (FAS) and deductions may be made to get an imported price back to EW, FOB or FAS.
- The normal value is usually assessed on domestic sales in the ordinary course of trade at the same period as the export sales, that is, if export sales are based on the date of contract then normal values are based on the same dates.
- Where no suitable normal values may be done on domestic sales, the Commission may construct normal values based on costs plus, where appropriate, an amount for profit. The Commission may also consider 3<sup>rd</sup> country sales as a suitable comparison.

Where dumping, injury and a causal link are found duties may be imposed.

- Dumping duty can be as a percentage of the export price, as a fixed amount or a combination of both.

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<sup>1</sup> All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

## PUBLIC RECORD VERSION

- Duties may be imposed up to the full level of dumping or up to a level required to remove injurious effects (the non-injurious price (NIP)). The NIP is based on the unsuppressed selling price (USP).

Where the Commissioner is satisfied that grounds for duties exist the Commissioner may publish a PAD imposing securities whilst the investigation continues. These securities may be converted to Interim dumping duties (IDD). IDD's may be imposed after an investigation is concluded and the Parliamentary Secretary accepts the Commissioner's recommendation to impose measures. Importers can apply every six months for a final assessment of the IDD that may see none, some or all the duty refunded.

The Commissioner may terminate an investigation before conclusion where the Commissioner is satisfied of any of: no dumping, no material injury or no causal link.

Decisions by the Commissioner to terminate and by the Parliamentary Secretary to impose measures can be appealed to the Anti-Dumping Review Panel (ADRP). In any appeal to the ADRP only information before the Commissioner/Parliamentary Secretary may be taken into account.

The Anti-Dumping Commission (ADC) website [www.adcommission.gov.au](http://www.adcommission.gov.au) has detailed information on anti-dumping investigation procedures. The Electronic Public Record (EPR) contains all non-confidential information on the rod in coil investigation.

### **1.6 Visit report**

The Commission explained to the company that it would prepare a report of the 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 Commission explained that, in consultation with the company, it would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

## **2 THE GOODS**

### **2.1 Description**

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

*Hot rolled rods in coils of steel, whether or not containing alloys, that have maximum cross sections that are less than 14 mm.*

The goods the subject of the investigation include:

*all steel rods meeting the above description of the goods regardless of the particular grade or alloy content.*

And exclude:

*Deformed Bar in coils and stainless steel in coils.*

The goods are referred to as rod in coils in this report.

### **2.2 Tariff classification**

The goods are typically classified to subheadings 7213.91.00 (statistical code 44) and 7227.90.90 (statistical code 42) to Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, however, Indonesia and Turkey are designated DCS countries and Taiwan is designated a DCT<sup>2</sup> country. Rod in coils exported to Australia from DCS and DCT designated countries is free of duty.

The ACBPS Trade Branch confirmed that rod in coils of non-alloy steel is classified to 7213.91.00 if the cross section is circular as well as less than 14 mm in diameter. Rod in coils of other alloy steel are classified to heading 7227, but the reference to subheading 7227.90.90 excludes certain alloys such as silico-manganese steel and non-circular sections.

Following discussions with the Commission, the applicant confirmed that the goods under consideration should be entered under the nominated tariff subheadings. However, the Commission notes that the goods under consideration are defined by the description, not the tariff classification.

### **2.3 Like goods**

Sanwa confirmed that the imported goods under investigation have the same physical characteristics as the domestically produced goods and that it considered them to be like goods. Sanwa did not consider any alternative products as a suitable substitute for rod in coil for its business.

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<sup>2</sup> 'DCT' and 'DCS' are codes applied to classes of countries and places in relation to which special rates apply as specified in Parts 4 and 5 of Schedule 1 of the *Customs Tariff Act 1995*.



### 3 COMPANY DETAILS

#### 3.1 Company background

Sanwa is an Australian-based international trading company, which specialises in importing metals, plastics and glass into Australia and New Zealand. Sanwa is privately owned and has been operating since 1971. The company has approximately [CONFIDENTIAL TEXT DELETED – number] employees.

In Australia, Sanwa trades in various steel, plastic, glass and packaging related products which it sells to its customers throughout Australia. Sales of rod in coil are predominantly made to [CONFIDENTIAL TEXT DELETED – identification of types of customers] within Australia with a [CONFIDENTIAL TEXT DELETED – degree] volume of sales to [CONFIDENTIAL TEXT DELETED – identification of types of customers].

The Sanwa Group business has warehouses and offices in all capital cities in Australia as well as Auckland, New Zealand. The Sanwa metals business operates [CONFIDENTIAL TEXT DELETED – manner of conducting business]

Sanwa advised that for metal trading, including rod in coils, the Edgecliff office in New South Wales is its main office in Australia, with a trader based in Melbourne. Sanwa sells rod in coils to all states in Australia.

Sanwa advised that it has an association with another company, [CONFIDENTIAL TEXT DELETED – related company information] run independently of Sanwa, has no commercial dealings with Sanwa and does not trade in the goods under consideration in this application. On the basis of these discussions, the Commission is satisfied that this company is not relevant to this investigation.

##### **3.1.1 General background**

Sanwa advised that sales are made to parties in which it has no financial interest and that it considered these were unrelated parties.

Purchases of steel products from overseas mills are completed [CONFIDENTIAL TEXT DELETED – manner of conducting business] the customer who placed the order for the steel products.

Sanwa advised that it provided an alternative supply source to Australian distributors of steel products who were unable to directly purchase steel products from OneSteel. Sanwa advised that its customers were directly competing with OneSteel's distribution network. Sanwa's customers were unable to purchase rod in coil from OneSteel distributors as it would be highly improbable for OneSteel to sell the product to its own downstream competitors at competitive prices.

#### 3.2 Accounting

Sanwa operates on a 1 July to 30 June financial year. A copy of Sanwa's financial statements for the year ending 30 June 2013 was provided to the Commission. Sanwa confirmed that these accounts are audited on an annual basis.

Individual files and costing calculations were maintained for each sale. These costing calculations provided information on the budgeted, actual costs and profit on each sale.

## PUBLIC RECORD VERSION

### **3.3 Relationship with suppliers**

During the investigation period, Sanwa purchased rod in coil from **[CONFIDENTIAL TEXT DELETED – identification of suppliers]**.

Sanwa indicated that it had no relationship with **[CONFIDENTIAL TEXT DELETED – identification of suppliers]** other than that of a commercial relationship of buyer and seller. Sanwa considered that the transactions were completed on an arms length basis.

Sanwa also explained that it does not receive any rebates or discounts from **[CONFIDENTIAL TEXT DELETED – identification of suppliers]**, and the Commission found no evidence of any discounts or rebates being provided to Sanwa.

### **3.4 Relationships with customers**

In part C of the importer questionnaire, the Commission was able to identify Sanwa's customers.

**[CONFIDENTIAL TEXT DELETED – commercial arrangements with customers]**

Sanwa stated that it was not related to any of its Australian customers and that sales were made at arms-length and were made on commercial terms.

No information was identified by the Commission during the verification visit to indicate that Sanwa is related to any of its customers.

As such, the Commission considers that all sales of the goods under consideration were made at arm's length and that sales were completed at the stated invoice value.

## 4 IMPORTS

### 4.1 Import volumes

Sanwa confirmed the import listing from the ACBPS' import database was an accurate reflection of its imports of rod in coils from all sources for the period from January 2010 to 31 December 2013.

The Commission calculated the following volume of imports for Sanwa for the investigation period:

Country	Exporter	Total Quantity (MT) (ACBPS Database)
[CONFIDENTIAL TEXT DELETED – identification of suppliers, numbers]		

*Table 1 – Import Volumes*

Sanwa's imports of rod in coil and the calculation of volumes are at **Confidential Appendix 1**.

### 4.2 Ordering process and price

Sanwa explained it is in regular email contact with suppliers regarding pricing offers.

If the mill's pricing offer is reasonable, Sanwa will establish a price for its Australian customers by increasing the price offer to account for its costs and a targeted profit margin. Sanwa would then contact its regular customers to seek orders based on this pricing. There may be some discussions between Sanwa and their customers in relation to final pricing of any proposed orders.

[CONFIDENTIAL TEXT DELETED – manner of conducting business] Sanwa will place the orders and arrange for the importation and the delivery of the goods to its Australian customers under the agreed terms. Sanwa [CONFIDENTIAL TEXT DELETED – manner of conducting business].

Sanwa's purchases are made in [CONFIDENTIAL TEXT DELETED – currency] and this is set at the date of the order. Sanwa has foreign exchange cover to hedge against any currency fluctuation once orders are confirmed. Prices for the sale to the Australian customer and the purchase order to the overseas mill are set on the date of order confirmation with each party.

Sanwa's orders are sold by the exporter on [CONFIDENTIAL TEXT DELETED – trading terms] basis.

### 4.3 Verification

Prior to the visit, the Commission selected 6 shipments which were identified on the sales route spreadsheet (**Confidential Appendix 2**) and asked Sanwa to provide the Commission with the following source documents:

## PUBLIC RECORD VERSION

- commercial invoices;
- packing lists;
- purchase orders;
- bills of lading; and
- Customs broker and domestic freight invoices.

The Commission also highlighted a seventh shipment [**CONFIDENTIAL TEXT DELETED – goods under/not under consideration**] so as to clarify whether this shipment was in fact the goods. For this entry the Commission requested only the customs entry, invoice, order and shipping document.

Sanwa provided us with the source documents for all six shipments. These documents are contained in **confidential attachment IMP1**.

For each shipment the Commission used the source documents provided to check the listed quantity, invoice value, insurance, exchange rate, customs duty, importation costs, expenses and average selling prices in the import sales spread sheet. The Commission verified a sample of these documents for proof of payment of the shipment and post exportation costs. The Commission was able to reconcile the shipment number, quantity, value, price and delivery terms for the selected shipments with the data in the import list.

All shipments reviewed during the verification visit were completed on a [**CONFIDENTIAL TEXT DELETED – trading terms**] basis. [**CONFIDENTIAL TEXT DELETED – trading terms**]. As such the Commission has calculated a [**CONFIDENTIAL TEXT DELETED – trading terms**] price for the imported goods.

### 4.3.1 Commercial Invoices

Copies of invoices for each shipment were provided to the Commission. These invoices were used to verify the applicable data provided by Sanwa, including the goods description and value. Payment of the invoice and the exchange rate applied were also verified to source documents for a sample of the transactions.

All goods were identified as hot rolled steel wire rod in coil of grade [**CONFIDENTIAL TEXT DELETED – product grades**]. The grades, sizes and volumes are summarised in Table 2 (expressed in tonnes) below:

[ <b>CONFIDENTIAL TEXT DELETED – product types and grades, numbers</b> ]
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*Table 2 – Importation Volumes by Grade and Size*

Less than [**CONFIDENTIAL TEXT DELETED – number**]% of Sanwa's imports are the grade [**CONFIDENTIAL TEXT DELETED – product grade**]. The main sizes imported are [**CONFIDENTIAL TEXT DELETED – product types**], which account for approximately [**CONFIDENTIAL TEXT DELETED – number**]% of imports.

### 4.3.2 Marine Insurance

Marine Insurance costs were allocated to each of the sampled transactions based on the premium rate specified under an annual insurance policy taken out by Sanwa. A copy of this policy was provided by Sanwa (**Confidential Attachment IMP 2**). The Commission

## PUBLIC RECORD VERSION

believes considers the methodology Sanwa applied for allocating the insurance premium cost to each shipment was reasonable and reflected the total insurance costs incurred.

### 4.3.3 Finance Costs

Sanwa identified its interest costs in the sales route exercise which relate to the costs associated with providing payment terms to the Australian customers. These costs were calculated internally based on the number of payment days and were charged at rates varying between [CONFIDENTIAL TEXT DELETED – number]% and [CONFIDENTIAL TEXT DELETED – number]%. [CONFIDENTIAL TEXT DELETED – internal financial arrangements].

### 4.3.4 Debtors Insurance

Sanwa takes out debtors insurance for its domestic sales to cover the event of non-payment. During the course of the verification visit the actual cost of this insurance and the methodology for the allocation of this cost was reviewed. A copy of Sanwa's debtors' insurance policy is contained in **Confidential Attachment IMP 3**. The Commission considered the basis on which this cost was established and the allocation methodology applied to the goods was reasonable.

### 4.3.5 Australian Importations Costs

Sanwa provided invoices from their broker for each of the selected importations which outlined the importation costs shown in the import route spreadsheet. The items shown in these invoices were all listed on, and the values reconciled to, the import route spreadsheet. We obtained proof of payment for a selection of the invoices provided and were satisfied that the importation costs shown in the import route spreadsheet were accurate. The Commission calculated the weighted average importation costs for the sample selected to be \$[CONFIDENTIAL TEXT DELETED – number] per tonne as shown in Table 2 below.

### 4.3.6 Delivery Charges

Sanwa sold goods to its customers at [CONFIDENTIAL TEXT DELETED – trading terms] rates. Sanwa provided domestic freight documentation for each of the selected importations which reconciled to the amounts shown in the import route spreadsheet. The Commission obtained proof of payment for a selection of the invoices provided and was satisfied that the costs for delivery shown in the import route spreadsheet were accurate. The Commission calculated the weight average delivery costs for the sample selected to be \$[CONFIDENTIAL TEXT DELETED – number] per tonne as shown in Table 2 below.

### 4.3.7 Importation costs

The Commission calculated the average post cost and freight expenses for the selected shipments. These calculations are summarised in Table 2 below (expressed in Australian dollars per tonne).

## PUBLIC RECORD VERSION

Cost	Weighted average cost per unit (tonne)
Marine Insurance	<b>[CONFIDENTIAL TEXT DELETED – numbers]</b>
Australian importation costs (excluding GST)	
Australian Delivery Charges	
Bank Charges	
Credit Insurance	
Finance Costs	
Selling, general and administrative expenses (based on average selling price)	

*Table 2*

The basis of these calculations is contained in **Confidential Appendix 2**.

### **4.4 Export prices for shipments**

Based on sales data provided by Sanwa, the Commission calculated the weighted average **[CONFIDENTIAL TEXT DELETED – trading terms]** export price (in **[CONFIDENTIAL TEXT DELETED – currency]**) for rod in coil over the investigation period. These calculations are summarised in Table 3, below:

Goods Description	Original Country	Supplier Full Name	<b>[CONFIDENTIAL TEXT DELETED – currency] (Tonne)</b>
<b>[CONFIDENTIAL TEXT DELETED – identification of suppliers, numbers]</b>			

*Table 3*

### **4.5 Forward Orders**

In Sanwa's importer questionnaire response the volume and value of forward orders was provided. The table below summarises the volumes of forward orders for January to April 2014 as follows:

Supplier	Jan 2014 (MT)	Feb 2014 (MT)	Mar 2014 (MT)	Apr 2014 (MT)
<b>[CONFIDENTIAL TEXT DELETED – identification of suppliers, numbers]</b>				

*Table 4*

## PUBLIC RECORD VERSION

### 4.6 Who is the importer

The Commission noted that Sanwa:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- pays for delivery of the goods to the customer.

The Commission considers Sanwa was the beneficial owner of the goods at the time of importation and is therefore the importer.

### 4.7 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.

Where there is no principal in the country of export the Commission will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

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.

In this case there is no trader involved, and thus based on information collected during the visit, we are satisfied that **[CONFIDENTIAL TEXT DELETED – identification of suppliers]** of rod in coil to Sanwa.

**5 Sales**

**5.1 General**

Sanwa reported revenue for all products of approximately \$[CONFIDENTIAL TEXT DELETED – number] million during the 2013 financial year. This is based on the financial statements provided by Sanwa to the Commission.

Sales data was also provided by Sanwa for the investigation period (1 January 2013 to 31 December 2013). This data indicates that the total invoiced value of rod in coils sold during the investigation period was approximately \$[CONFIDENTIAL TEXT DELETED – number] million.

**5.2 Sales**

Sanwa identified that it sold predominantly to [CONFIDENTIAL TEXT DELETED – identification of types of customers]. The sales data provided by Sanwa identified that sales of the goods under consideration were made to [CONFIDENTIAL TEXT DELETED – number] entities during the investigation period. Reviews of these customers websites identified that they varyingly describe themselves as [CONFIDENTIAL TEXT DELETED – identification of types of customers]. Sanwa’s major customers during the investigation period were:

[CONFIDENTIAL TEXT DELETED – identification of customers, percentage numbers]

The other customers combined accounted for approximately [CONFIDENTIAL TEXT DELETED – number]% of the sales.

The following table includes a summary of Sanwa’s sales volume and total value during the investigation period.

Product	Volume (MT)	Value	WA Unit Price
Rod in Coil	[CONFIDENTIAL TEXT DELETED – numbers]		

**5.3 Price and distribution arrangements**

All sales are made on a [CONFIDENTIAL TEXT DELETED – trading terms] basis.

Sanwa explained it negotiated prices on a regular basis. Based on this price Sanwa would establish pricing for its Australian customers, after allowing for its costs and a profit margin. Sanwa would then seek orders from its customers based on this pricing.

All sales to their customers are in Australian dollars (AUD) with [CONFIDENTIAL TEXT DELETED – commercial arrangements] credit terms. All sales sold on credit terms are done so with credit insurance. During the investigation period these credit terms [CONFIDENTIAL TEXT DELETED – commercial arrangements].



## PUBLIC RECORD VERSION

### **5.4 Rebates and discounts**

[CONFIDENTIAL TEXT DELETED – commercial arrangements].

During the verification visit the Commission established that the invoiced price was the price paid on those transactions tested.

### **5.5 Sales verification (accuracy)**

Sanwa provided us with a line by line list of its sales of steel products for the investigation period.

At the visit Sanwa provided copies of commercial invoices for sales related to the six shipments selected from their total imports. Copies of these documents are at **confidential attachment IMP 1**. The invoice number, customer name, quantity, and amount reconciled with the information in the sales list.

The Commission was able to reconcile these selected shipments and respective sales to the sales spread sheet at Part C of the importer questionnaire.

The Commission received proof of payment for the goods for the invoices examined, confirming that Sanwa had been paid the full invoiced amounts.

The Commission considers that the sales data provided in the importer questionnaire response was accurate.

### **5.6 Upwards verification (relevance and completeness)**

The Commission was provided with Sanwa's financial statements for the year ended 30 June 2013. A copy of this document is at **Confidential Attachment IMP 4**.

Sanwa provided a spread sheet containing line by line transaction data for sales of rod in coil. Sanwa were able to use their financial management system to filter sales of rod in coil for the 2013 calendar year. Sanwa printed and supplied to the Commission a copy of the tax invoices for each sale of rod in coil. The Commission was able to reconcile exactly the value of the rod in coil sales contained in the spreadsheet against the invoices provided and then trace the sales of this rod in coil to the completed financial statements to verify relevance and completeness of the sales data provided.

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

At part B of its importer questionnaire response, Sanwa included SG&A expenses of \$[CONFIDENTIAL TEXT DELETED – number] per metric tonne. Sanwa advised that to calculate this amount, they divided the total SG&A expenses by the total volume of all products sold, and then allocated the relevant unit SG&A expense to the goods under consideration.

Following an examination of the financial statements and the departmental report the Commission was able to verify this as being an accurate reflection of the actual SG&A costs for the 2013 financial year.

## PUBLIC RECORD VERSION

### **5.8 Profitability of sales and selling price**

The Commission compared the selling prices into the Australian market with the corresponding full cost to import and sell those shipments for each of the consignments on the import route spreadsheet. The Commission found the sales, **[CONFIDENTIAL TEXT DELETED – commercial arrangements]**, were made at a profit for each of the selected

The weighted average profit for the investigation period was **[CONFIDENTIAL TEXT DELETED – number]%**.

## 6 ARMS LENGTH

In determining export prices, s. 269TAB(1)(a) of 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 Commission reviewed the documentation for the selected shipments for and did not find any evidence, in respect of the purchase of rod in coil, 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 Sanwa or an associate of Sanwa, and its suppliers or an associate of the supplier; and/or
- Sanwa or an associate of Sanwa was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

The Commission is satisfied that import transactions between Sanwa and its supplier are at arms length in terms of s. 269TAA.

## 7 General Comments

### 7.1 Market conditions, OneSteel practices and competition issues

Sanwa advised that prior to the global financial crisis (GFC) there was strong demand for rod in coils within the Australian economy, and OneSteel was the dominant force in the market. During this period new end users entered the market to capitalise on the strong demand for reinforcing products, and Sanwa alleged that they were unable to source rod in coils from OneSteel. Sanwa said that this provided an opportunity for importers such as Sanwa to supply the rod in coils market.

Sanwa noted that post GFC, demand for rod in coils has been relatively stable. The New South Wales market is currently strong on the back of government infrastructure spending, however this is offset by the deterioration in demand from the mining sector, particularly in Western Australia. Victoria remains weak and Queensland is stable. Sanwa's customer base has remained stable throughout the investigation period.

Sanwa believe that OneSteel remains the dominant force in the market. Sanwa contended that OneSteel seek to lock their customers into distribution arrangements where they are committed to purchasing 80-100% of their requirements from OneSteel to obtain pricing incentives. Sanwa advised many customers are uncomfortable with locking into such rigid arrangements, and are also concerned about buying from OneSteel who they see as a competitor due to OneSteel's manufacturing and distribution network. On this basis Sanwa advised that alternative sources of supply are integral to the functioning of the market for rod in coils in Australia.

Sanwa believes that OneSteel has number of advantages which enable it to set a price premium over imported rod in coils, including:

- The benefit of a recycling business to provide raw materials for the production of rod in coils;
- A national distribution network allowing rapid distribution of goods to customers;
- Technical assistance available to customers in Australia; and
- A capacity to manufacture in a shorter period than can be achieved by exporters.

Sanwa advised that despite these benefits, production costs in Australia are higher than those experienced by some overseas manufacturers. Sanwa advised that it is confident that **[CONFIDENTIAL TEXT DELETED – identification of suppliers]** not dumping rod in coils into the Australian market.

Sanwa advised that if measures were imposed prices will obviously rise and most likely importers may look to access rod in coils from other Asian countries, will import drawn wire without this value adding taking place in Australia or will commence importing ready made mesh rather than rod in coils. Sanwa noted that all of these alternate options are taking place now and the opportunity for local manufacturers to add value will further decrease.

Prior to the meeting Sanwa advised that **[CONFIDENTIAL TEXT DELETED – identification of customers]** had asked to make a statement in regards to its purchases of rod in coils from importers and OneSteels role in the market.

## PUBLIC RECORD VERSION

Sanwa imports and sells rod in coils [CONFIDENTIAL TEXT DELETED – product grades and identification of customer]. Sanwa said that [CONFIDENTIAL TEXT DELETED – identification of customer].

The principal of [CONFIDENTIAL TEXT DELETED – identification of customer], was contacted on a conference call during the visit to Sanwa.

[CONFIDENTIAL TEXT DELETED – identification of customer] stated that it manufactured [CONFIDENTIAL TEXT DELETED – products] from rod in coils and that [CONFIDENTIAL TEXT DELETED – downstream product competition with OneSteel].

[CONFIDENTIAL TEXT DELETED – identification of customer] said that the price of rod in coils from OneSteel was higher than the price of the finished wire product and it felt it was being pushed to buy the finished wire product from OneSteel.

[CONFIDENTIAL TEXT DELETED – identification of customer] questioned why the rod in coils price offered by OneSteel was not much cheaper than the finished wire product when the conversion costs were approximately \$[CONFIDENTIAL TEXT DELETED – number] a tonne.

[CONFIDENTIAL TEXT DELETED – identification of customer] said it had been told by OneSteel that there was high demand for rod in coils from [CONFIDENTIAL TEXT DELETED – overseas market] and that this restricted its ability to supply the Australian market.

### **7.2 Unsuppressed selling price and non-injurious price**

Under Australia's legislation, the Parliamentary Secretary must (except in certain instances as provided for in the legislation) have regard to the desirability of fixing a lesser amount of duty such that the sum of the export price and the lesser amount of duty does not exceed the non-injurious price. The non-injurious price is defined as the minimum price necessary to remove the injury (or hindrance) caused by dumping and/or subsidy.

The Commission generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

The Commission's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, the Commission then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

## **PUBLIC RECORD VERSION**

Sanwa did not have any submissions to make on the non-injurious price at the time of the meeting; however it indicated that a submission may be made on this matter as the investigation progresses.

## 8 RECOMMENDATIONS

From our investigations, the Commission is of the opinion that, for the goods imported by Sanwa:

- 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.

Subject to further inquiries with exporters, the Commission recommend that the export price for rod in coil imported by Sanwa be established under s.269TAB(3) of the Act, using all relevant information.

**9 APPENDICES AND ATTACHMENTS**

Title	Description
<b>Confidential Appendix 1</b>	Import data
<b>Confidential Appendix 2</b>	Sales route spreadsheet and import cost calculations
<b>Confidential Attachment IMP 1</b>	Source documents for selected transactions provided by Sanwa
<b>Confidential Attachment IMP 2.</b>	Insurance Policy - Marine
<b>Confidential Attachment IMP 3</b>	Insurance Policy - Credit
<b>Confidential Attachment IMP 4</b>	Profit & Loss statement for 2013