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Australian Government
Australian Customs and
Border Protection Service

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF ZINC
COATED STEEL AND ALUMINIUM ZINC COATED STEEL**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF KOREA AND TAIWAN**

IMPORTER VISIT REPORT

CITIC AUSTRALIA COMMODITY TRADING PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION**

October 2012

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2 BACKGROUND AND PURPOSE

2.1 The application

On 3 August 2012, applications¹ were lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices.

On 17 August 2012² and 27 August 2012 additional information and data were received in respect of the applications. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications.

On 5 September 2012, following consideration of the applications, the Chief Executive Officer of Customs and Border Protection decided not to reject the applications and initiated investigations in the alleged dumping of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan. Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at www.customs.gov.au.

2.2 Anti-dumping investigations and measures

2.2.1 Investigations

There have been no recent dumping or countervailing investigations in respect of galvanised steel and aluminium zinc coated steel products.

2.2.2 Anti-dumping measures

There are no current anti-dumping or countervailing measures on galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

¹ *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea and Taiwan* (Aluminium Zinc Coated Steel Application) received on 3 August 2012.

² Additional information relating to minor issues was also provided on 20 and 21 August 2012.

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2.3 Background to meeting

Following the initiation of the investigations, a search of Customs and Border Protection's import database indicated that CITIC Australia Commodity Trading Pty Ltd (CITIC Australia) imported the goods under investigation from China and Taiwan from 1 July 2011 to 30 June 2012 (the investigation period). Customs and Border Protection also confirmed from Customs and Border Protection's import database that CITIC Australia was a major³ importer of aluminium zinc coated steel and was a major importer of galvanised steel.

Customs and Border Protection notified CITIC Australia of the initiation of the investigations and sought their cooperation with the investigations and provided an importer questionnaire in respect of aluminium zinc coated steel and galvanised steel for the company to complete. CITIC Australia was also provided with lists of its imports of aluminium zinc coated steel and galvanised steel during the investigation period, extracted from Customs and Border Protection's import database, with selected consignments for further verification to source documentation.

CITIC Australia completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and importation and selling expenses. A copy of Part A (company and supplier details) of CITIC Australia's importer questionnaire response is at **Confidential Attachment GEN 1**.

2.4 Purpose of meeting

The purpose of this visit was to:

- confirm that CITIC Australia was a major importer of aluminium zinc coated steel and was a major importer of galvanised steel and obtain information to assist in establishing the identities of the exporters of the goods;
- verify information on imports of aluminium zinc coated steel and galvanised steel to assist in the determination of export prices from China and Taiwan;
- establish whether the export purchases were arms-length transactions;
- establish post exportation costs incurred in importing the goods;
- identify CITIC Australia's sales and customers and determine sales volume, selling prices and costs;
- recommend how export price may be determined under section 269TAB of the *Customs Act 1901*⁴ (the Act); and
- provide CITIC Australia with an opportunity to discuss any issues relevant to the investigations.

Prior to the meeting we forwarded an agenda to CITIC Australia and advised that we would require supporting documentation for the selected consignments that had been

³ For the purpose of this report, a major importer is defined as an importer which imported more than 5% of the total volume of imports from the countries subject to the investigations. Importer questionnaires were only forwarded to major importers to complete.

⁴ Herein all references to legislation in this report refer to the *Customs Act 1901*, unless otherwise specified.

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previously identified. A copy of the visit agenda is at **Confidential Attachment GEN 2**.

2.5 Visit

Details of the visit were as follows:

Company:	CITIC Australia
Address:	Level 7, 99 King Street, Melbourne, Victoria
Telephone no:	(02) 9954 0911
Fax no:	(02) 9954 0919
Visit date:	Thursday 11 October 2012
Present at the visit	
CITIC Australia	Kelvin Chan, Vice-President and Chief Financial Officer Kit Cheng, Management Accountant
Wright Steel Sales Pty Ltd (Wright Steel)	Griff Wright, Director Mark Kay, Trading Manager
Customs and Border Protection	Christie Sawczuk, Manager, Operations 2 An Chew, Supervisor, Operations 2 Carl Halpin, Supervisor, Operations 2

At the meeting we provided a summary of the investigation process and timeframes as follows (highlighting that the following process and timeframes are for both the galvanised steel and aluminium zinc coated steel investigations):

- the investigation period for both investigations is 1 July 2011 to 30 June 2012;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;
- initial submissions from interested parties are due by 15 October 2012 (in response to the applications and initiation notice);
- a preliminary affirmative determinations (PADs) may be made no earlier than 5 November 2012 (after day 60 from the initiation date);
- provisional measures may be imposed at the time of the PADs or at any time after the PADs have been made, but Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of dumping duty notices;
- a statement of essential facts (SEF) for respective investigations will be placed on the public record by 24 December 2012 or such later date as the Minister allows;
- this SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister);
- Customs and Border Protection's report to the Minister is due by 7 February 2013, unless an extension to the SEF is approved by the Minister;
- the Minister will have 30 days from the date of receipt of the final report to make a final decision; and

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- certain interested parties have the right to seek a review to the Trade Measures Review Officer in relation to the Minister's final decision.

CITIC Australia was recently visited by Customs and Border Protection for the concurrent investigation into the alleged dumping of hot rolled coil (HRC) exported from Japan, Korea, Malaysia and Taiwan (Investigation No. 188 refers). Therefore, CITIC Australia was familiar with the anti-dumping investigation process.

CITIC Australia was co-operative and had the required documentation available for the visit. CITIC Australia confirmed that it has access to Customs and Border Protection's electronic Public Record and is able to access relevant information for the investigations.

2.6 Visit report

We advised CITIC Australia that:

- a '*For Official Use Only*⁵' report on the visit will be prepared;
- CITIC Australia would be given an opportunity to review the visit report for accuracy; and
- a public record version of this visit report would then be prepared in consultation with CITIC Australia and placed on the Public Record for the investigation.

At the outset of the meeting, we advised CITIC Australia that the applications in respect of galvanised steel and aluminium zinc coated steel are treated as two separate applications. Therefore two separate investigations are being conducted. Investigation No. 190A refers to galvanised steel and Investigation No. 190B refers to aluminium zinc coated steel.

We advised that this approach and treatment of the applications may vary during the course of the investigation process as further analysis is conducted of the goods and the markets in which they operate.

We advised CITIC Australia that as a major importer of both aluminium zinc coated steel and galvanised steel, the visit would focus on both products.

⁵ Which replaces the previously used security classification of 'In-Confidence'.

3 THE GOODS

3.1 The goods the subject of the applications

3.1.1 Description

(i) Galvanised steel

The imported goods the subject of the Galvanised Steel Application are:

“flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc”⁶.

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m²) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

(ii) Aluminium zinc coated steel

The imported goods the subject of the Aluminium Zinc Coated Steel Application are:

*“flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, **not painted** whether or not including resin coating”⁷.*

⁶ Galvanised Steel Application, page 10.

⁷ Aluminium Zinc Coated Steel Application, page 10.

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The goods the subject of this application are generically called aluminium zinc coated steel. The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluzinc, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that the amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m² with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

3.1.2 Product standards

The applications stated that:

“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”⁸.

(i) Australia

The applications state that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

(ii) International

The applications state that there are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

⁸ Galvanised Steel Application, page 12.

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International Standards	Product Grade Names
General and Commercial Grades	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
Forming, Pressing & Drawing Grades	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCDL, SGCDL
Structural Grades	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570, SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel⁹

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing & Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

Figure 2: International Standards for aluminium zinc steel¹⁰

3.1.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

⁹ Galvanised Steel Application, page 11.

¹⁰ Aluminium Zinc Coated Steel Application, page 11.

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The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 2 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm2 and NOT greater than 380 N/mm2; (b) tensile strength NOT less than 440 N/mm2; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m2 and NOT greater than 65 g/m2; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvanized, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 3: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers that the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

(ii) Aluminium zinc coated steel

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

3.2 'Like' goods

3.2.1 General – both products

CITIC Australia advised that galvanised steel and aluminium zinc coated steel products manufactured domestically by BlueScope are like goods to the galvanised steel and aluminium zinc coated steel imported from China, Korea and Taiwan in terms of commercial likeness, end use and functionality.

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3.2.2 CITIC Australia's imports – both products

(i) Standards and grades

CITIC Australia stated that during the investigation period, it imported structural grades of:

- galvanised steel coil (including [REDACTED]) manufactured to Australian standard (AS)1397 and Japanese International Standard (JIS); and
- aluminium zinc coated steel coil (including [REDACTED]) manufactured to AS1397.

CITIC Australia imported galvanised steel with a range of zinc coating masses including [REDACTED] and imported aluminium zinc coated steel predominantly with a coating mass of [REDACTED], which it stated was the most prevalent product supplied to the Australia market.

(ii) Products types and dimensions

CITIC Australia advised that during the investigation period, it imported various types of galvanised steel and hot dipped 55% aluminium zinc coated steel coil and hot dipped 5% aluminium zinc coated steel coil (a galfan product). CITIC Australia advised that the 5% aluminium zinc coated steel coil has recently been included in the Australian product standards, as set by the Australian Standards Committee, which historically has been dominated by BlueScope representation.

Based on the information provided, CITIC Australia imported galvanised steel and aluminium zinc coated steel with additional product specifications, including products that were spangled (rectangular and minimised), not oiled, oiled, skin passed, not skin-passed and with and without Australian Finger Print resin coating [REDACTED].

CITIC Australia imported both galvanised steel and aluminium zinc coated steel at varying widths and thickness as requested by the Australian customer. It advised that it does not generally import the predominantly traded products (i.e. products with dimensions of [REDACTED]), and that it focuses on trading in customised heavy gauge products. For the selected consignments for verification, the product dimensions for galvanised steel ranged from 0.65 x 1224mm to 2.40 x 1135mm and for aluminium zinc coated steel ranged from 0.32 x 995mm to 1.60 x 1080mm.

CITIC Australia advised that the galvanised steel that it imports (especially from Taiwan) is supplied in the building and construction market segment and is used as purlin (or purline), a horizontal structural member in a roof. CITIC Australia also imported and supplied galvanised steel to the automotive market segment. CITIC Australia advised that the aluminium zinc coated steel that it imports (especially from Taiwan) is supplied to the building and construction market segment and is used as guttering.

CITIC Australia advised that it works with overseas mills in China and Taiwan to develop customised products with specific dimensions and product after treatments,

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as requested by the domestic customer (usually when the Australian industry has advised that it will not supply the required product).

3.2.3 Like good considerations

(i) Quality

CITIC Australia advised that the quality of the imported product and the domestically produced product can vary. It stated that Australian importers of the goods (and its customers) have advised that for specific galvanised steel and aluminium zinc coated steel products, the domestically produced product is inferior to the imported product.

(ii) Commercial - product differentiation

CITIC Australia advised that there is a no commercial (product) differentiation for galvanised steel and aluminium zinc coated steel produced domestically and imported. CITIC Australia advised that galvanised steel and aluminium zinc coated steel is supplied into the building and construction market segment in Australia, which includes the residential, commercial and commercial parts sub-segments, although these products usually have different end use applications. CITIC Australia advised that aluminium zinc coated steel products are used in applications with increased longevity (i.e. roofing).

CITIC Australia advised that there is a price differential for product specifications, including dimensions, such as, width, length and thickness (i.e. the cost variance between a product with 0.42 and 3mm thickness is \$[REDACTED]) and other treatments, such as, skin pass, resin coating, spangles and others.

CITIC Australia advised that the galvanised steel and aluminium zinc coated steel products it supplies into the market are high quality products. It noted that it competes in the markets based on quality and its supply is not driven predominantly by price.

(iii) Exclusions – [REDACTED] steel and aluminium zinc coated steel

During the investigation period, CITIC Australia imported [REDACTED] [REDACTED] steel and aluminium zinc coated steel from China and Taiwan. CITIC Australia stated that [REDACTED] steel and aluminium zinc coated steel were not like goods to the goods subject to the investigations, as described in the applications.

(iv) Substitutability of galvanised steel and aluminium zinc coated steel

CITIC Australia's views were sought regarding the substitutability of aluminium zinc coated steel and galvanised steel. CITIC Australia noted that for certain applications, both steel products can be utilised, however for specific uses (i.e. applications that require steel with high corrosion resistance, such as building frames with surface areas located near soil, galvanised steel would not be used. CITIC Australia advised that the 5% aluminium zinc coated steel product was more comparable to the galvanised steel, due to lower percentage of aluminium zinc (although providing improved product longevity).

4 COMPANY BACKGROUND

4.1 Company background

4.1.1 General background

CITIC Australia is a privately owned proprietary company, limited by shares, registered in Australia from 21 January 1994 under the ABN 16 063 221 509. CITIC Australia is a wholly (100%) owned subsidiary of CITIC Australia Trading Pty Limited (CATL). CITIC Australia advised that CATL is a trading company. CATL is a wholly (100%) owned subsidiary of CITIC Resources Australia Pty Ltd (CRA). CRA is a wholly (100%) owned subsidiary of CITIC Resources Holdings Limited (CITIC Resources), which was incorporated in 1997 and is publicly listed company on the Hong Kong Stock Exchange. The major shareholder of CITIC Resources is CITIC Group Corporation (a Government of China owned entity).

An ASIC search has identified that CATL was successfully privatised and delisted from the Australian Securities Exchange in January 2009 and subsequently became an indirect wholly-owned subsidiary of CITIC Resources.

CITIC Australia advised that it has several subsidiaries, including CITIC AutoParts Pty Ltd, an importer of tyres and batteries.

CITIC provided a corporate organisational structure of the CITIC group of companies (**Confidential Attachment COM 1** refers).

4.1.2 Functions of company

The CITIC Resources website outlines that CITIC Australia's "*primary focus is on trade between Australia and China*". CITIC Australia is an importer and exporter of commodity/trading products. CITIC Australia imports steel, tyres and batteries from China and other Asian countries into Australia. CITIC Australia exports aluminium ingot, iron ore, alumina and coal sourced from Australia and other countries to China.

CITIC Australia estimates that in 2011, as a proportion of its total sales revenue, its sales of products within the steel commodity group represented approximately █%. CITIC Australia estimates that in 2011, as a proportion of total steel sales, galvanised steel and aluminium zinc coated steel represented approximately █% and █% respectively.

CITIC Australia advised that approximately 12 years ago, it engaged in █ arrangement with Wright Steel Sales Pty Ltd (Wright Steel) in relation to the import and sale of steel products. CITIC Australia stated that in respect of the steel business, Wright Steel is █ with CITIC Australia responsible for █. CITIC Australia is identified as the importer of the goods in Customs and Border Protection's import data base.

CITIC Australia also advised that it incurs a █

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[Redacted]
[Corporate overheads]

Currently, CITIC Australia's operations within Australia are located in Melbourne and employs approximately 50 employees.

4.2 Accounting

CITIC Australia explained that it uses SUN accounting software and its financial year is from January to December. CITIC Australia's financial reports are audited externally by Ernest & Young.

4.3 Relationship with Wright Steel

[Redacted]

[Redacted] [Agreement and profit sharing arrangement between Wright Steel and CITIC Australia]. This is discussed further at Section 6.5.

[Redacted]

[Redacted] [Separation of tasks between Wright Steel and CITIC Australia]

CITIC Australia advised that a [Redacted]

[Redacted] [Management fees]

4.4 Relationship with suppliers

During the investigation period, CITIC Australia sourced galvanised steel as follows:

- from China for goods manufactured and supplied by [Redacted];
- from China for goods manufactured by [Redacted]; and
- from Taiwan for goods manufactured by [Redacted].

During the investigation period, CITIC Australia sourced aluminium zinc coated steel as follows:

- from China for goods manufactured and supplied by [Redacted];

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- from China for goods manufactured by [REDACTED] and [REDACTED] and supplied by [REDACTED]; and
- from Taiwan for goods manufactured by [REDACTED] and supplied by [REDACTED].

CITIC Australia and Wright Steel advised that they have no commercial relationship other than buyer and seller, or equity relationships with the suppliers and manufacturers listed above and that all export sales transactions were arms-length.

[REDACTED]

[Rebates and commissions]

Further discussion in relation to the commercial relationships and nature of export sales transactions is detailed at Section 7.

4.5 Relationships with customers

CITIC Australia stated that it predominantly supplies galvanised steel and aluminium zinc coated steel to distributors. CITIC Australia also [REDACTED].

During the investigation period, CITIC Australia supplied:

- galvanised steel to [REDACTED] Australian customers ([REDACTED]% of these sales were to distributors); and
- aluminium zinc coated steel to [REDACTED] Australian customers ([REDACTED]% of these sales were to distributors).

A complete list of CITIC Australia's domestic customers was provided in Part C of its importer questionnaire response (**Confidential Attachment COM 2** refers). During the investigation period, as a proportion of total sales volume, CITIC's major domestic customers were as follows:

(i) Galvanised steel

- [REDACTED] - representing [REDACTED]% of total galvanised steel sales;
- [REDACTED] - representing [REDACTED]% of total galvanised steel sales;
- [REDACTED] - representing [REDACTED]% of total galvanised steel sales;

(ii) Aluminium zinc coated steel

- [REDACTED] - representing [REDACTED]% of total aluminium zinc coated steel sales;
- [REDACTED] - representing [REDACTED]% of total aluminium zinc coated steel sales; and
- [REDACTED] - representing [REDACTED]% of total aluminium zinc coated steel sales.

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CITIC Australia and Wright Steel stated that they are not related to any of their domestic customers. CITIC Australia and Wright Steel stated that the relationship between their companies and the domestic customers reflected normal commercial arrangements (of buyer and seller) and domestic sales were arms-length transactions. [REDACTED]

[Rebates and discounts]

5 IMPORTS

5.1 Introduction – both products

The following section discusses the importation of galvanised steel and aluminium zinc coated steel by CITIC Australia from suppliers and manufacturers during the investigation period. As part of the importer questionnaire, Customs and Border Protection provided CITIC Australia with a list of imports of galvanised steel and aluminium zinc coated steel for the investigation period that were extracted from Customs and Border Protection's import database.

CITIC Australia identified a few issues with the import data, including the inclusion of a low volume of [REDACTED], which it stated were not covered by the applications. CITIC Australia advised that it could not easily identify the [REDACTED] without undertaking an extensive manual process. As CITIC Australia provided domestic sales data that did not include the [REDACTED] (identified by a separate product code in its accounting system) and the sales volume is representative of its import volume, we consider that it is reasonable, at this stage only, to not extract the small volume of [REDACTED] imports.

CITIC Australia's list of imports of galvanised steel and aluminium zinc coated steel are at **Confidential Attachments 1** and **2** respectively.

5.1.1 Galvanised Steel

CITIC Australia stated that during the investigation period, it had exclusive rights to import and sell galvanised steel from [REDACTED], the Chinese manufacturers of the goods.

Wright Steel explained that [REDACTED] has manufacturing plants in China and Taiwan and that the products manufactured in Taiwan are invoiced [REDACTED] a related company to [REDACTED].

Wright Steel stated that it did not import galvanised steel from Korea during the investigation period.

Customs and Border Protection's import database indicated that CITIC Australia imported the following quantity of galvanised steel in metric tonnes during the investigation period:

Country	MT
China	[REDACTED]
Taiwan	[REDACTED]
Total	[REDACTED]

5.1.2 Aluminium Zinc Coated Steel

Wright Steel advised that it has the same [REDACTED] arrangements for its imports of aluminium zinc coated steel as galvanised steel detailed in Section 5.1.1 above. It stated that it also did not import aluminium zinc coated steel from Korea during the investigation period.

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Customs and Border Protection's import database indicated that CITIC Australia imported the following quantity of aluminium zinc coated steel in metric tonnes during the investigation period as detailed below:

Country	MT
China	[REDACTED]
Taiwan	[REDACTED]
Total	[REDACTED]

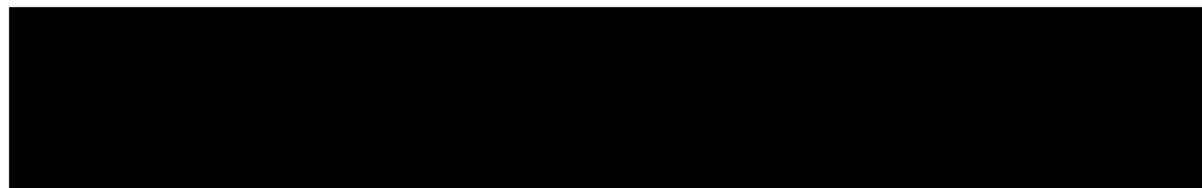
5.2 Ordering process and price

5.2.1 Galvanised Steel

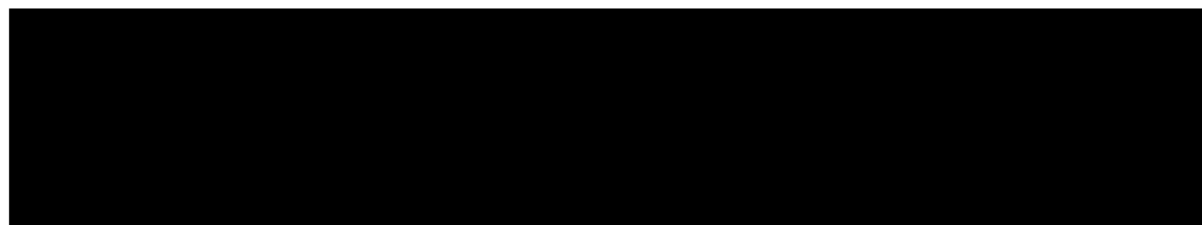
Wright Steel outlined the ordering and price negotiation process in respect of galvanised steel imported from China and Taiwan.



[REDACTED] (Confidential Attachment IMP 3 refers). [Ordering and price negotiating process]



[Currency, terms of trade and prices]



Confidential Attachment IMP 4. [Delivery and purchase orders]

[REDACTED] arranges for the ocean freight and insurance and in-land transportation of the goods once they have arrived at the designated Australian port.

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5.2.2 Aluminium zinc coated steel

Wright Steel advised that its ordering and price negotiation process for aluminium zinc coated steel is identical to the process described above for galvanised steel (Section 5.2.1 above). [REDACTED]

[Export volumes]

5.3 Verification – both products

Prior to the verification visit, we selected twelve galvanised steel consignments and eight aluminium zinc coated steel consignments imported by CITIC Australia to complete Part B (*Sales route spreadsheet*) of the importer questionnaire. CITIC Australia completed Part B of the importer questionnaire for the selected consignments.

During the verification visit, CITIC Australia provided copies of the following documents for each of the selected consignments:

- sales contract;
- commercial invoices;
- packing lists;
- foreign exchange transaction documents;
- payment advices (as evidence of payment for the imported goods);
- Bills of Lading;
- ocean freight invoices;
- Customs broker invoices;
- copies of Full Importation Declarations;
- port charge invoices; and
- domestic freight invoices.

These documents are at **Confidential Attachment IMP 5**.

We sought to verify the data contained in sales route spreadsheet by reconciling it to the source documents.

5.3.1 Purchase value and volume

For all 20 selected consignments, we were able to verify the USD prices between the commercial invoices and the sales contract. We were also able to match the net weight purchase volume from the commercial invoices to the packing lists and the gross weight from the packing lists to the bills of lading. We were then able to match the invoice volume and values to the sales route spreadsheets.

5.3.2 Payment terms and evidence of payment to the supplier

CITIC Australia stated that the payment terms from its suppliers are [REDACTED]. It explained that payment to its suppliers [REDACTED].

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[REDACTED]

In the package of importation documents, CITIC Australia provided a spreadsheet listing all the invoices relating to a particular payment and bank documents proving payment from CITIC Australia to its suppliers. We were able to identify the invoices of the selected consignments listed on the spreadsheet and then matched the total USD value of all invoices on the spreadsheet to the evidence of payment. We are satisfied that CITIC Australia pays the suppliers of galvanised steel and aluminium zinc coated steel.

We also compared the date of the evidence of payment to the arrival date shown on the FID and were able to verify that for all of the selected consignments, payment occurred on or before the date of importation.

5.3.3 Ocean Freight

For each of the selected consignments that were purchased [REDACTED], CITIC Australia provided an ocean freight invoice showing the total USD ocean freight cost. We were then able cross reference the Bills of Lading numbers and the volumes shown on the invoices to the selected consignments. We note that the ocean freight cost per tonne as shown on the invoice was applied to calculate the ocean freight costs on the sales route spreadsheet.

In addition, CITIC Australia provided evidence of payment for each of these consignments showing payment of the invoices to its ocean freight agent.

We are satisfied that the overseas freight cost has been accurately recorded in the sales route spreadsheets.

5.3.4 Foreign exchange

As the payment for the goods and the ocean freight were in USD, CITIC Australia provided documentation showing the foreign exchange rates relevant to each payment. We note that most payments (to either its supplier or ocean freight agent) comprised more than one foreign exchange contract. CITIC Australia explained that it purchases foreign exchange contracts separately for each [REDACTED] (a CITIC Australia internal [REDACTED] number) and a consignment may contain goods from more than one [REDACTED]. For these consignments with more than [REDACTED], and therefore multiple foreign exchange contracts, CITIC Australia applied a weighted average foreign exchange rate. We consider that this approach is reasonable.

On cross referencing the foreign exchange documents to the evidence of payment, we noted that the foreign exchange contracts were executed on or before the payment to its supplier, [REDACTED]

[REDACTED] [foreign exchange contract arrangements for one of the selected shipments]. We consider this

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explanation reasonable and requested, which CITIC Australia provided, a copy of its bank statement showing sufficient funds in its USD bank account and the payment being debited (**Confidential Attachment IMP 6** refers).

We are satisfied that the foreign exchange rate has been accurately recorded in the sales route spreadsheets.

5.3.5 Marine Insurance

In the sales route spreadsheet, CITIC Australia calculated marine insurance at [REDACTED]% of the invoiced (FOB) price of the goods for consignments invoiced prior to 30 September 2011 and at [REDACTED]% for consignments invoiced after 30 September 2011. At the visit, CITIC Australia provided invoices and the rates supporting the marine insurance calculation (**Confidential Attachment IMP 7** refers). We also requested evidence of payment for its latest invoice and CITIC Australia provided a copy of the electronic funds transfer to its insurance broker which matches the amount payable on the invoice (**Confidential Attachment IMP 8** refers).

We are satisfied that the marine insurance cost has been accurately recorded in the sales route spreadsheets.

5.3.6 Importation costs

Under the heading of '*Australian Importation Costs*' in the sales route spreadsheet, CITIC Australia entered amounts for Customs broker fees, Customs entry fees, Customs duty, port service charges, delivery and bank charges.

For each of the selected consignments, we were able to match the import duty to the amount shown on the FID.

In relation to the broker's charges and Customs entry fee, CITIC Australia applied the full invoiced amount to each consignment. We consider that it is appropriate to pro-rata these charges by the invoice value and adjusted the sales route spreadsheet accordingly.

We were also able to reconcile the port charges calculated on the sales route spreadsheet to the invoice from CITIC Australia's port services provider.

We then selected a consignment of galvanised steel (consignment number 8) and requested evidence of payment for Customs brokers fees and port services charges, which were CITIC Australia provided (**Confidential Attachment IMP 9** refers). We were able to verify that evidence of payment to the invoiced amounts.

We are satisfied that the importation costs have been accurately recorded in the sales route spreadsheets.

5.3.7 Delivery - cartage

For each of the selected consignments, CITIC Australia provided an invoice from its domestic freight provider showing the charges for delivery of the goods from the wharf to the customer. CITIC Australia advised that it does not maintain its own warehouses for storage of the goods prior to delivery to the customer. The delivery

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invoices lists the cost of the delivery separately for each sale (cross referenced to the 'CW' order number) and we were able to reconcile the delivery cost calculated in the sales route spreadsheet to the amount shown on the delivery invoice.

We identified that for one of the selected consignments of aluminium zinc coated steel (consignment number 2) that part of the consignment was sent to its freight provider's warehouse for storage instead of being delivered directly to the customer. CITIC Australia provided invoices for the relevant storage costs and delivery costs from the wharf to the warehouse and from the warehouse to its customer.

We then selected a consignment of galvanised steel (consignment number 3) and requested evidence of payment to its domestic freight provider, which CITIC Australia provided (**Confidential Attachment IMP 10** refers).

We are satisfied that the delivery costs have been accurately recorded in the sales route spreadsheets.

5.3.8 Bank charges

CITIC Australia calculated the bank charges for the selected shipments by allocating the bank charges expensed in its profit and loss statement (**Confidential Attachment IMP 11** refers) and proportioning it by the sales value of each shipment. We consider that this allocation method is reasonable.

We are satisfied that the bank charges have been accurately recorded in the sales route spreadsheets.

5.4 Summary of importation costs

5.4.1 Galvanised steel

Based on verification of all data for the selected consignments, we calculated the weighted average FOB export price (in AUD) for galvanised steel over the investigation period as detailed below:

China	Taiwan
██████	██████

Based on verification of all data for the selected consignments, we calculated the weighted average post FOB expenses (importation costs) incurred in respect of galvanised steel imported by CITIC Australia, as verified and summarised in the following table (expressed in Australian dollars per tonne).

Importation cost	China	Taiwan
Ocean Freight	██████	██████
Marine Insurance	██████	██████
Customs duty	██████	██████
Customs entry fee	██████	██████
Customs Brokers fees	██████	██████
Port Service charges	██████	██████

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Delivery				
Bank charges				
Total				

The revised sales route spreadsheet for galvanised steel, reflecting the costs above is at **Confidential Attachment IMP 12**.

5.4.2 Aluminium zinc coated steel

Based on verification of all data for the selected consignments, we calculated the weighted average FOB export price (in AUD) for aluminium zinc coated steel over the investigation period as detailed below:

China	Taiwan

Based on verification of all data for the selected consignments, we calculated the weighted average post FOB expenses (importation costs) incurred in respect of aluminium zinc coated steel imported by CITIC Australia, as verified and summarised in the following table (expressed in Australian dollars per tonne).

Importation cost	China	Taiwan
Ocean Freight		
Marine Insurance		
Customs duty		
Customs entry fee		
Customs Brokers fees		
Port Service charges		
Delivery		
Bank charges		
Total		

The revised sales route spreadsheet for aluminium zinc coated steel, reflecting the costs above is at **Confidential Attachment IMP 13**.

5.5 Forward orders

5.5.1 Galvanised Steel

In its importer questionnaire response, CITIC Australia provided a spreadsheet detailing forward orders of galvanised steel from respective suppliers in China and Taiwan of [REDACTED] tonnes, for the period July to October 2012 (**Confidential Attachment IMP 14** refers).

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5.5.2 Aluminium Zinc Coated Steel

In its importer questionnaire response, CITIC Australia provided a spreadsheet detailing forward orders of aluminium zinc coated steel from respective suppliers in China and Taiwan of [REDACTED] tonnes, for the period July to October 2012 (**Confidential Attachment IMP 15** refers).

5.6 Who is the importer

We noted that CITIC Australia:

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

We consider that CITIC Australia was the beneficial owner of the goods at the time of importation and is therefore the importer.

5.7 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

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

5.7.1 Galvanised steel

Based on the commercial documentation provided by CITIC Australia, we found that in relation to galvanised steel invoiced by:

- [REDACTED]:
 - the commercial invoices identify [REDACTED] as the manufacturer;
 - the Bills of Lading identify [REDACTED] as the shipper;
- [REDACTED]:
 - the commercial invoiced identify [REDACTED] as the supplier;
 - the Bills of Lading identify [REDACTED] as the shipper;
- [REDACTED]:
 - the sales contract identify [REDACTED] as the manufacturer and
 - the Bills of Lading identify [REDACTED] as the shipper.

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Based on the verified information provided by CITIC Australia and pending further verification of data provided by the suppliers and exporters of galvanised steel, at this stage, we consider that:

- [REDACTED];
- [REDACTED]; and
- [REDACTED];

are the exporters of the galvanised steel.

5.7.2 Aluminium Zinc Coated Steel

Based on the commercial documentation provided by CITIC Australia, we found that in relation to aluminium zinc coated steel invoiced by:

- [REDACTED]:
 - the commercial invoices identify [REDACTED] as the manufacturer;
 - the Bills of Lading identify [REDACTED] as the shipper;
- [REDACTED]:
 - the commercial invoices identify [REDACTED] as the supplier;
 - the Bills of Lading identify [REDACTED] as the shipper;
- [REDACTED]:
 - the sales contract identify [REDACTED] as the manufacturer; and
 - the Bills of Lading identify [REDACTED] as the shipper.

Based on the verified information provided by CITIC Australia and pending further verification of data provided by the suppliers and exporters of aluminium zinc coated steel, at this stage, we consider that:

- [REDACTED];
- [REDACTED]; and
- [REDACTED];

are the exporters of the aluminium zinc coated steel.

6 AUSTRALIAN MARKET AND SALES

6.1 Introduction – both products

The following section discusses the domestic sales of the imported galvanised steel and aluminium zinc coated steel by CITIC Australia through Wright Steel into the Australian market during the investigation period.

Wright Steel advised that the Australian market for galvanised steel is competitive, especially in respect of the commodity products (the predominant galvanised steel product supplied to the building and construction market segment). Wright Steel advised that price is not the primary determinant of demand in the market and that product quality is also an important factor.

Wright Steel advised that the Australian market for galvanised steel is supplied by the Australian industry and imports from China, Taiwan (for the building and construction market segment, i.e. for roofing and structural applications), Japan and Korea (for the automotive market and pipe and tube market segments). CITIC Australia noted that although Japan was excluded from the current investigation, exporters from Japan did not compete in the same market as the Australian Industry. Exporters from Japan primarily deal in the automotive sector of which CITIC Australia claimed that Australian industry is unable to supply.

Wright Steel advised that the Australian market for aluminium zinc coated steel is supplied by the Australian industry and imports from China, Taiwan, Japan and Korea (for the building and construction market segment). Wright Steel noted that the major import competition in the aluminium zinc coated steel market consisted of [REDACTED] and [REDACTED] (both of which source products from [REDACTED]).

Wright Steel advised that over the last few years that the Australian markets for galvanised steel and aluminium zinc coated steel have been relatively stable.

Wright Steel advised that galvanised steel and aluminium zinc coated steel is supplied to distributors, traders, manufacturers and end users of the goods. It noted that distributors and manufacturers may import through overseas traders or directly with the mills.

During the visit, Wright Steel reiterated its claims made in a recent visit by Customs and Border Protection as part of the anti-dumping investigation into HRC that CITIC Australia does not consider the Australian industry (BlueScope) to be its main competitor, [REDACTED]

[REDACTED]. [Comparison between steel supplied by BlueScope and Wright Steel]

In general, Wright Steel stated that there is demand for the imported product as it fills the gap in the market for products no longer produced by the Australian industry, or for small to medium sized users who are unable to source directly from the Australian industry.

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Wright Steel stated that in some cases, the products they import are of superior quality to that which is sold by the Australian industry. Generally, these products have been developed for specific customers who have been unable to source the products directly from the Australian industry. For galvanised steel, these products include [REDACTED].

This product was developed for specific customers to meet occupational health and safety standards [REDACTED]. This product is sold exclusively to one customer, who was unable to source this product from BlueScope.

Additionally, Wright Steel advised that other customers have requested galvanised steel [REDACTED]

[REDACTED] [special customer requirements]. Wright Steel claimed that its domestic customers were unable to source these products directly from BlueScope (and that these products compete with BlueScope's TrueCore product). Wright Steel provided us with correspondence supporting claims of BlueScope's unwillingness to supply certain products at **Confidential Attachment SALES 1**.

6.2 Galvanised steel

6.2.1 Australian sales

Wright Steel advised that it sells to both distributors and manufacturers, with manufacturers predominately importing custom designed products that are unable to be source from the Australian industry. Wright Steel advised that this product is unattainable as either the Australian industry does not produce the goods or advises that it will not sell the product to the customer. As discussed above, Wright Steel stated that it is unable to compete with the Australian industry in terms of price of general steel products, and competes with value add and customised steel products.

Wright Steel described the sales process for its domestic customers as follows:

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

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6.2.2 Price and distribution arrangements

[REDACTED] [Price negotiation with customers]

[REDACTED] [Ordering, pricing, delivery, terms of trade]

Wright Steel advised that the galvanised steel is delivered to the closest port to its Australian customer. Wright Steel arranges for the freight from the port of export to an Australian port (including Brisbane, Sydney, Melbourne, Adelaide and Fremantle). [REDACTED] engages local transportation companies to facilitate delivery of the goods directly to the domestic customer.

6.2.3 Rebates and discounts

Wright Steel stated that it [REDACTED] [Rebates and discounts]. This is consistent with the findings in a recent visit to CITIC Australia during the HRC investigation.

6.3 Aluminium zinc coated steel

6.3.1 Australian sales

Wright Steel advised that the sales process for Australian sales of aluminium zinc coated steel reflects the sales process for galvanised steel (described at Section 6.2.1 above) and that there is no variation.

6.3.2 Price and distribution arrangements

Wright Steel advised that the pricing and distribution arrangements for Australian sales of aluminium zinc coated steel reflect the pricing and distribution arrangements for galvanised steel (described at Section 6.2.2 above) and that there is no variation.

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6.3.3 Rebates and discounts

Wright Steel stated that it

[REDACTED]

[Rebates and discounts]. This is consistent with the findings in a recent visit to CITIC Australia during the HRC investigation.

6.4 Sales verification (accuracy) – both products

As part of its importer questionnaire response, CITIC Australia provided a line by line sales list of its domestic sales of both galvanised steel and aluminium zinc coated steel products for the investigation period (**Confidential Attachment SALES 3** refers). CITIC Australia also provided the details of the sales and source documentation (including commercial invoices and evidence of payment) for the importations selected for verification (Confidential Attachment IMP 5 refers).

6.4.1 Domestic sales – source documentation

At the visit, we requested source documentation for 38 domestic sales transactions (for both products) which were each linked to the imports selected for verification. As several of the importations comprised multiple domestic sales, a breakdown of import shipment and related domestic sales by customer is detailed in the tables below.

(i) Galvanised steel

Import selection	Domestic customer	Value (rounded to nearest whole dollar)	Shipment profitability
Shipment 1	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
Shipment 2	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 3	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 4	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
Shipment 5	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 6	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 7	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 8	[REDACTED]	[REDACTED]	[REDACTED]
Shipment 9	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	

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Shipment 10			
Shipment 11			
Shipment 12			
Total of Sample (% of all galvanised steel sales)			

(ii) Aluminium zinc coated steel

Import selection	Domestic customer	Value (rounded to nearest whole dollar)	Shipment profitability
Shipment 2			
Shipment 3			
Shipment 4			
Shipment 5			
Shipment 6			
Shipment 7			
Shipment 9			
Shipment 10			
Total of Sample (% of all aluminium zinc coated steel sales)			

CITIC Australia provided the commercial invoices for the selected sales. As all sales were made at , the domestic freight component (for delivery to the customer) was verified as part of the importation verification (see Section 5.3.7 above). The invoice numbers, date, invoiced amount and customers reconciled with the selected sales information in the sales route spreadsheets, which was used to determine the profitability of each shipment.

(iii) Both products

Based on the source documentation provided, we are satisfied that the domestic sales lists (including sales values and volumes) for galvanised steel and aluminium zinc coated steel are accurate.

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6.4.2 Evidence of payment

CITIC provided evidence of payment for 66 domestic sales (covering the imported goods and other domestic sales which comprised of total payment amounts by the customer) which reconciled to banking statements through remittance advices at **Confidential Attachment SALES 4**. The source documentation confirmed that payment had been made to CITIC Australia by the domestic customer for the amounts identified on the CITIC Australia invoice.

We are satisfied that the price that appears on the sales invoices, and as listed in the domestic sales lists (Confidential Attachment SALES 3 refers) was the price paid to CITIC Australia.

6.5 Selling, general and administrative expenses

In its importer questionnaire response, CITIC Australia provided selling, general and administrative (SG&A) expenses incurred in respect of domestic sales of galvanised steel and aluminium zinc coated steel.

6.5.1 Galvanised steel

CITIC Australia provided a spreadsheet detailing SG&A calculations, showing for the investigation period (by month):

- total sales revenue (for all products);
- sales revenue for all steel products;
- sales revenue for galvanised steel; and
- relevant general ledger expense accounts, including [REDACTED]

The spreadsheet also identified interest expenses and interest income. We were able to reconcile the SG&A cost items in this spreadsheet to CITIC Australia's Profit and Loss Statements (**Confidential Attachment SALES 5** refers). See Section 6.6 below for details on reconciling the Profit and Loss Statement up to audited accounts.

As mentioned, CITIC Australia's SG&A expenses included [REDACTED], which covered [REDACTED]. During the investigation period, [REDACTED] represented [REDACTED] % of total SG&A expenses.

CITIC Australia had calculated SG&A expenses using a complex four stage formula that apportioned SG&A expenses to the selected galvanised steel imports in relation to total galvanised sales, steel sales (and expenses) and total company sales. We noted the calculation of SG&A as a proportion of total sales revenue for the steel division for the investigation period, which represented [REDACTED] %, derived the same result as the complex formula. CITIC Australia agreed that this simple proportioning method was appropriate.

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6.5.2 Aluminium zinc coated steel

We calculated SG&A expenses for aluminium zinc coated steel using the same methodology as galvanised steel above, that is, as a proportion of total sales revenue for the steel division for the investigation period, which represented █%.

6.6 Upwards verification (completeness)

We were provided with CITIC Australia's audited Financial Report for the year ended 31 December 2011 (**Confidential Attachment SALES 6** refers).

CITIC Australia's audited Financial Report covers the 2011 calendar year and did not correspond to the investigation period. Therefore, CITIC Australia also provided Profit and Loss Statements (**Confidential Attachment SALES 5** refers) and management accounting reports (**Confidential Attachment SALES 7** refers) for each six month period from January 2011 to June 2012, in order to facilitate verification of total sales for the investigation period. CITIC Australia also provided a management accounting report showing sales revenue by business unit/division (**Confidential Attachment SALES 8** refers). These documents confirmed the total steel sales reported by CITIC Australia in its audited financial report.

In order to ascertain total sales for galvanised steel and aluminium zinc coated steel for the investigation period, CITIC Australia provided a line by line sales report for the period from their accounting system (**Confidential Attachment SALES 9** refers). The total of these reports reconciled with the management reports provided, which in turn reconciled with the audited financial reports.

We are satisfied that the domestic sales lists for galvanised steel and aluminium zinc coated steel provided are complete, relevant and accurate.

6.7 Profitability of sales and selling price

In order to calculate the sales revenue for each consignment, we used the selling prices for galvanised steel and aluminium zinc coated steel as shown in CITIC Australia's domestic sales listing (which we verified to source documentation). We then calculated the net revenue for each consignment (the tables at Section 6.4.1 above refer).

6.7.1 Galvanised steel

Of the twelve selected consignments of galvanised steel, all consignments were profitable. Overall, the weighted average profitability for the selected consignments was █%.

As the selected consignments of galvanised steel were all profitable, at this stage, pending further verification at the suppliers'/manufacturers' premises, we do not consider that there is any indication that CITIC Australia will directly or indirectly be reimbursed, be compensated, or otherwise receive a benefit for, or in respect of, the

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whole or part of the price¹¹ nor does it warrant a variation from the conclusion on arms-length in Section 7.1 below.

6.7.2 Aluminium zinc coated steel

Of the eight selected consignments of aluminium zinc coated steel, seven were profitable and one was unprofitable (by [REDACTED]%). Overall, the weighted average profitability for the selected consignments was [REDACTED]%.

In relation to the one consignment found to be unprofitable, we consider that the magnitude of the loss to be insignificant. In addition, considering the overall profitability of the selected consignments of aluminium zinc coated steel, at this stage, pending further verification at the suppliers'/manufacturers' premises, we do not consider that there is any indication that CITIC Australia will directly or indirectly be reimbursed, be compensated, or otherwise receive a benefit for, or in respect of, the whole or part of the price¹² nor does it warrant a variation from the conclusion on arms-length in Section 7.1 below.

¹¹ s. 269TAA(2)

¹² s. 269TAA(2)

7 ARMS LENGTH

7.1 General

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

Section 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 in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Furthermore, where:

- goods are exported to Australia otherwise than by the importer and are purchased by the importer from the exporter (whether before or after exportation) for a particular price; and
- the Minister is satisfied that the importer, whether directly or through an associate or associates, sells those goods in Australia (whether in the condition in which they were imported or otherwise) at a loss;

the Minister may treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.

(i) Galvanised steel

For sales of galvanised steel between CITIC Australia and its overseas suppliers, as described below, we noted that overall the sales of the imported galvanised steel in the Australian market were profitable:

- for goods manufactured and supplied by [REDACTED];
- for goods manufactured by [REDACTED] and supplied by [REDACTED]; and
- for goods manufactured by [REDACTED] and supplied by [REDACTED].

We also noted that the purchase price of galvanised steel between CITIC Australia and the entities listed above, is determined based on the sales process and negotiations with customers and the manufacturer of the goods. We did not find any evidence that:

- there is any consideration payable other than price; or that

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- the price is influenced in CITIC Australia's favour by a commercial or other relationship between CITIC Australia and the entities listed above (the suppliers and exporters of the galvanised steel exported from China and Taiwan).

We confirmed during our verification that the price invoiced by the Chinese and Taiwanese suppliers was the price paid by CITIC Australia. CITIC Australia stated that it believed that transactions between it and its suppliers were arms-length transactions.

Therefore, at this stage we consider sales between CITIC Australia and its suppliers of galvanised steel were arms-length transactions, subject to further investigation and verification of data provided by these suppliers and manufacturers of galvanised steel.

(ii) Aluminium zinc coated steel

For sales of aluminium zinc coated steel between CITIC Australia and its overseas suppliers, as described below, we noted that overall the sales of the imported galvanised steel in the Australian market were profitable:

- for goods manufactured and supplied by [REDACTED];
- for goods manufactured by [REDACTED] and [REDACTED] and supplied by [REDACTED]; and
- for goods manufactured by [REDACTED] and supplied by [REDACTED].

We also noted that the purchase price of galvanised steel between CITIC Australia and the entities listed above, is determined based on the sales process and negotiations with customers and the manufacturer of the goods. We did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced in CITIC Australia's favour by a commercial or other relationship between CITIC Australia and the entities listed above (the suppliers and exporters of the aluminium zinc coated steel exported from China and Taiwan).

We confirmed during our verification that the price invoiced by the Chinese and Taiwanese suppliers was the price paid by CITIC Australia. CITIC Australia stated that it believed that transactions between it and its suppliers were arms-length transactions.

Therefore, at this stage we consider sales between CITIC Australia and its suppliers of aluminium zinc coated steel were arms-length transactions, subject to further investigation and verification of data provided by these suppliers and manufacturers of aluminium zinc coated steel.

8 DUMPING, MATERIAL INJURY AND CAUSATION

8.1 General

CITIC Australia stated that it does not consider that the Australian industry has suffered injury as a result of dumped imports of galvanised steel and aluminium zinc coated steel from China, Korea and Taiwan. CITIC Australia stated that the applications contained inaccuracies and misleading information.

CITIC Australia attributes any injury experienced by the Australian industry to the following factors:

- *Economic conditions impacting the global market* – CITIC Australia advised that the global steel markets (including for steel related products) are depressed (following from the global financial crisis) and this has resulted in downwards pressure on global steel prices and reduced competitiveness of global markets. CITIC Australia advised that to a certain extent the conditions of the global steel market directly impact the prices for steel products in the Australian markets. CITIC Australia advised that as international markets contract that import volumes into Australia increase.
- *Economic conditions impacting the domestic market* – CITIC Australia advised that the Australian market for galvanised steel and aluminium zinc coated steel experienced significant growth in 2008-09 (due to increased demand) as a result of the Federal Government housing and new home owner stimulus policies and programs (which directly impacted on the building and construction market segments). CITIC Australia advised that the cessation of these policies has not resulted in a significant decrease in demand, and in fact it has been able to maintain its sales volumes.
- *Appreciation of the Australian dollar* – CITIC Australia stated that the appreciation of the Australian dollar has impacted on the Australian market for galvanised steel and aluminium zinc coated steel, resulting in increased competitiveness of imports.
- *Variance between imports from countries nominated in the application* – CITIC Australia noted that imports from Korea and Taiwan of galvanised steel and aluminium zinc coated steel have not caused injury to the Australian industry. CITIC Australia noted that imports from China may have impacted the Australian market through increased volumes during the investigation period (as supported by data provided in the applications).
- *Inefficiencies and ineffectiveness of the Australian industry* – CITIC Australia noted that BlueScope's ability to effectively compete with imports of galvanised steel and aluminium zinc coated steel is impacted by its inefficient production facilities (including out dated machinery and technology) compared to overseas producers and insufficient investment in these facilities. CITIC Australia stated that further inefficiencies resulted from BlueScope's higher organisation costs, higher labour costs and higher transportation costs. It stated that the cessation of BlueScope's export business would be contributing

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to excess domestic supply of its products. CITIC Australia also advised that a large number of rebates applied to BlueScope's domestic selling prices and that any price undercutting analysis should be complete using BlueScope's net price (exclusive of rebates).

- *Quality of the domestically produced products* – as discussed at Section 3.2.3 above, CITIC Australia advised that Australian distributors and manufactures have advised that they source imported galvanised steel and aluminium zinc coated steel due to the inferior quality of these products produced by BlueScope.
- *Production process variances* – CITIC Australia noted that producers in Taiwan are re-rollers of HRC, rather than manufacturers using blast furnaces to manufacture HRC. It advised that production costs incurred by [REDACTED] producers may be \$[REDACTED] to \$[REDACTED] higher compared to costs for [REDACTED] producers.

8.2 Other comments

In addition to the comments summarised at Section 8.1 above, CITIC Australia noted that:

- the Australian market for galvanised steel and aluminium zinc coated steel needed to retain a source of imported products as an alternative to domestic supply, especially to accommodate periods where domestic supply is not available;
- due to BlueScope's loyalty agreement with domestic customers (specifying that 98-99% of total volume of the goods must be supplied by BlueScope), the import competition (of less than 2%) for these customers is limited and cannot be causing injury to the Australian industry;
- the closure of BlueScope's metal coating line has not had a significant impact to CITIC's sales volume and customer base.

9 UNSUPPRESSED SELLING PRICE

9.1 General

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

Customs and Border Protection generally derives the NIP 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 USP.

Customs and Border Protection's preferred approach to establishing USPs 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 USP, Customs and Border Protection 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.

At the time of the visit CITIC Australia did not have any comments on the calculation of an USP or NIP.

10 RECOMMENDATIONS

10.1 Recommendations – galvanised steel

As a result of the importer questionnaire submitted by CITIC Australia and the verification conducted on site, we are of the opinion that the galvanised steel imported by CITIC Australia are:

- goods that have been exported to Australia otherwise than by the importer;
- goods that have been purchased by the importer from the exporter in respect of galvanised steel supplied by [REDACTED];
- goods that have not been purchased by the importer from the exporter in respect of galvanised steel supplied by [REDACTED] and [REDACTED];
- purchases of the goods by the importer and its supplier were arms-length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporter and supplier of the galvanised steel, at this stage we are satisfied that the export prices can be established:

- under s. 269TAB(1)(a) of the Act for goods exported by [REDACTED], using the invoices export price;
- under s. 269TAB(1)(c) of the Act for goods manufactured by [REDACTED] and supplied by [REDACTED], having regard to all the circumstances of the exportation; and
- under s. 269TAB(1)(c) of the Act for goods manufactured by [REDACTED] and [REDACTED] having regard to all the circumstances of the exportation.

10.2 Recommendations – aluminium zinc coated steel

As a result of the importer questionnaire submitted by CITIC Australia and the verification conducted on site, we are of the opinion that the aluminium zinc coated steel imported by CITIC Australia are:

- goods that have been exported to Australia otherwise than by the importer;
- goods that have been purchased by the importer from the exporter in respect of aluminium zinc coated steel supplied by [REDACTED];
- goods that have not been purchased by the importer from the exporter in respect of aluminium zinc coated steel supplied by [REDACTED] and [REDACTED];
- purchases of the goods by the importer and its supplier were arms-length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporter and supplier of the galvanised steel, at this stage we are satisfied that the export prices can be established:

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- under s. 269TAB(1)(a) of the Act for goods exported by [REDACTED], using the invoices export price;
- under s. 269TAB(1)(c) of the Act for goods manufactured by [REDACTED] and supplied by [REDACTED], having regard to all the circumstances of the exportation;
- under s. 269TAB(1)(c) of the Act for goods manufactured by [REDACTED] and supplied by [REDACTED] having regard to all the circumstances of the exportation; and
- under s. 269TAB(1)(c) of the Act for goods manufactured by [REDACTED] and supplied by [REDACTED] having regard to all the circumstances of the exportation

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11 ATTACHMENTS

Confidential Attachment No.	Title
Confidential Attachment GEN 1	Part A of CITIC Australia's importer questionnaire response (confidential version)
Confidential Attachment GEN 2	Verification visit agenda
Confidential Attachment COM 1	Corporate structure diagram for the CITIC Group
Confidential Attachment COM 2	Customer listing
Confidential Attachment IMP 1	CITIC Australia's galvanised steel import list
Confidential Attachment IMP 2	CITIC Australia's aluminium zinc coated steel import list
Confidential Attachment IMP 3	Copies of offers from its suppliers.
Confidential Attachment IMP 4	Copies of purchase orders
Confidential Attachment IMP 5	Source documents of the selected consignments
Confidential Attachment IMP 6	USD bank account statement
Confidential Attachment IMP 7	Marine insurance invoices
Confidential Attachment IMP 8	Marine insurance evidence of payment
Confidential Attachment IMP 9	Evidence of payment to the Customs broker and port service provider
Confidential Attachment IMP 10	Evidence of payment to the domestic freight provider
Confidential Attachment IMP 11	Profit and Loss Statement
Confidential Attachment IMP 12	Revised sales route spreadsheet for galvanised steel
Confidential Attachment IMP 13	Revised sales route spreadsheet for aluminium zinc coated steel
Confidential Attachment IMP 14	Forward orders of galvanised steel
Confidential Attachment IMP 15	Forward orders of aluminium zinc coated steel
Confidential Attachment SALES 1	Copies of correspondence regarding BlueScope's unwillingness to supply certain products
Confidential Attachment SALES 2	A copy of CITIC's costing spreadsheet
Confidential Attachment SALES 3	Part C of CITIC Australia's importer questionnaire response
Confidential Attachment SALES 4	Evidence of payment for domestic sales
Confidential Attachment SALES 5	Profit and Loss Statement
Confidential Attachment SALES 6	CITIC Australia's audited Financial Report for the year ended 31 December 2011
Confidential Attachment SALES 7	Management accounting reports for each six month period from January 2011 to June 2012
Confidential Attachment SALES 8	Management accounting report showing sales revenue by business unit/division
Confidential Attachment SALES 9	Sales listing from CITIC Australia's accounting system