



**INVESTIGATION 240**

**ALLEGED DUMPING OF  
ROD IN COILS**

**EXPORTED FROM**

**THE REPUBLIC OF INDONESIA, TAIWAN AND  
THE REPUBLIC OF TURKEY**

**VISIT REPORT - IMPORTER**

**Stemcor Australia Pty Ltd  
(including Stemcor AG and  
Stemcor (SEA) Pte Ltd)**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

**30 July 2014**

# PUBLIC RECORD

## 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.....	6
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 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 RELATIONSHIP WITH SUPPLIERS.....	10
3.3 RELATIONSHIPS WITH CUSTOMERS.....	10
<b>4 IMPORTS</b> .....	<b>11</b>
4.1 INTRODUCTION.....	11
4.2 ORDERING PROCESS AND PRICE.....	11
4.3 VERIFICATION.....	12
4.4 EXPORT PRICES FOR SHIPMENTS .....	15
4.5 FORWARD ORDERS .....	15
4.6 WHO IS THE IMPORTER .....	15
4.7 WHO IS THE EXPORTER? .....	16
<b>5 SALES</b> .....	<b>17</b>
5.1 GENERAL.....	17
5.2 SALES .....	17
5.3 PRICE AND DISTRIBUTION ARRANGEMENTS.....	18
5.4 REBATES AND DISCOUNTS .....	18
5.5 SALES VERIFICATION (ACCURACY) .....	18
5.6 UPWARDS VERIFICATION (RELEVANCE AND COMPLETENESS) .....	18
5.7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A).....	19
5.8 PROFITABILITY OF SALES AND SELLING PRICE .....	19
<b>6 ARMS LENGTH</b> .....	<b>20</b>
<b>7 GENERAL COMMENTS</b> .....	<b>21</b>
7.1 AUSTRALIAN MARKET.....	21
7.2 UNSUPPRESSED SELLING PRICE AND NON-INJURIOUS PRICE .....	25
<b>8 RECOMMENDATIONS</b> .....	<b>26</b>
<b>9 APPENDICES AND ATTACHMENTS</b> .....	<b>27</b>

## PUBLIC RECORD

### ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
AUD	Australian Dollar
CFR	Cost and Freight
Commission	Anti-Dumping Commission
Commissioner	The Commissioner of the Anti-Dumping Commission
EUR	Euro
FAS	Free Along Side
FIS	Free in Store
FOB	Free On Board
GUC	Goods Under Consideration
OneSteel	OneSteel Manufacturing Pty Ltd
OMM	OneSteel Market Mill
PAD	Preliminary Affirmative Determination
Stemcor Australia	Stemcor Australia Pty Ltd
Stemcor Zug	Stemcor AG
Stemcor Singapore	Stemcor (SEA) Pte 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 Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
USD	United States of America Dollar

## 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 (ADN) No. 2014/27.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that Stemcor Australia Pty Ltd (Stemcor Australia), Stemcor AG (Stemcor Zug) and Stemcor (SEA) Pte Ltd (Stemcor Singapore) had imported rod in coils from Indonesia and Turkey during the investigation period.

The Commission contacted Stemcor Australia advising the company of the initiation of the investigation and requesting co-operation with the investigation. The Commission provided the company with a copy of the importer questionnaire to complete. Stemcor Australia 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.

Stemcor Australia 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. Stemcor Australia also

## PUBLIC RECORD

advised that for the purposes of the verification it would represent Stemcor Zug and Stemcor Singapore.

### 1.2 Purpose of visit

The purpose of the Commission's visit to Stemcor Australia was to:

- confirm that Stemcor Group entities are the importers 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>	Stemcor Australia Pty Ltd, also representing: Stemcor AG and Stemcor (SEA) Pte Ltd
<b>ABN</b>	33 000 345 308
<b>ADDRESS</b>	Level 13, 15 Blue Street North Sydney, NSW 2060
<b>TEL NO</b>	02 9959 3088
<b>FAX NO</b>	02 9925 9844
<b>DATE</b>	30 July 2014

The following were present at various stages of the meetings.

<b>Stemcor Australia Pty Ltd</b>	Selvam Balu - Director Philip Modica – Accountant
<b>The Commission</b>	Rod Jones - Operations Team 3 Reuben McGovern – Operations Team 3

## PUBLIC RECORD

### 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.

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 was 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 Commissioner requested an extension to the SEF, which the Parliamentary Secretary approved, the due date for the SEF is 17 October 2014; interested parties were notified of the extension and ADN 2014/64 was published advising of the extension and reasons why the extension was sought.

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 1 December 2014, unless an extension is approved by the Parliamentary Secretary.

### 1.5 Anti-dumping in general

Stemcor Australia 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 the cause of the material injury.

---

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

## PUBLIC RECORD

Dumping is assessed on exporter's 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.
- 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). IDDs 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 coils 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 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

Stemcor Australia 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 and is considered a commodity product. Stemcor Australia did not consider any alternative products as a suitable substitute for rod in coils for its business.

---

<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

Stemcor Australia Pty Ltd is part of the international Stemcor Group of steel trading companies. Stemcor Australia Pty Ltd is 100% owned [redacted] [ownership structure]

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

Stemcor Holding's most recent interim results available on the company website stated that the Stemcor Group turnover was estimated at over 5.1 billion pounds sterling in 2012. Stemcor Holdings website also specified that '...With turnover exceeding £5 billion in 2012, Stemcor trades around 20 million tonnes of steel and steel-making raw materials and employs 2,000 people in a network of offices in 45 countries across the globe.'<sup>1</sup>

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

In May 2013 Stemcor Australia's financial arrangements changed from having a bank revolving credit facility to having backing from the Stemcor Group. While this change has had minimal impact on day to day operational matters, with customer relationships still managed from Australia, Stemcor Zug or Stemcor Singapore are the purchasing and selling entities and [redacted] [Stemcor entity relationship]. Profit [redacted] arrangements have been established to reflect this change. These arrangements are further detailed in section 4.10.

##### 3.1.1 General background

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

Stemcor Australia advised that it provided an alternative supply option to Australian processors of GUC who were for, various reasons, unable to source any or unwilling to commit 100% of their GUC requirement to OneSteel Market Mill (OMM). Stemcor Australia advised that these processors (clients) also compete with OneSteel's own

---

<sup>3</sup>Stemcor Webpage (www.stemcor.com)

## PUBLIC RECORD

processing units for their contracts and with this background, they want alternate options other than one local supplier whose group companies are their biggest competitors.

### Accounting

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

### 3.2 Relationship with suppliers

During the investigation period, Stemcor Group entities purchased the largest proportion of its rod in coils from [REDACTED]

[REDACTED] . [supplier details]

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

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

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

### 3.3 Relationships with customers

In part C of the importer questionnaire, we were able to identify Stemcor Group entity customers. Stemcor Australia advised that none of the Stemcor Group entities are related to any of its customers purchasing rod in coils.

No further information has been identified by the Commission to indicate that any of the Stemcor Group entities is related to any of its other customers purchasing rod in coils.

# PUBLIC RECORD

## 4 IMPORTS

### 4.1 Introduction

ACBPS's import database indicated that Stemcor Group entities imported rod in coils from a [REDACTED] [supplying countries] as shown in tables 1 to 3 below.

Country	Supplier	Total Quantity (MT) (Customs Database)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>		[REDACTED]

Table 1- Stemcor Australia

Country	Supplier	Total Quantity (MT) (Customs Database)
[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>		[REDACTED]

Table 2- Stemcor Zug

Country	Supplier	Total Quantity (MT) (Customs Database)
[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>		[REDACTED]

Table 3- Stemcor Singapore

### 4.2 Ordering process and price

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

When orders are placed by its customers, Stemcor Australia confirms the contract with the mill and then issue sales contracts to the customer. Once all customer orders are made, Stemcor Australia consolidates the orders for mill, and arranges for shipping and delivery to Australia.

Stemcor Group entity purchases from overseas mills are made in USD with the price set at the date of the order (Date of Sale for the purposes of the Commission). A forward currency contract will be purchased to hedge against any currency fluctuation. 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.

## PUBLIC RECORD

As previously mentioned, Stemcor Australia predominantly orders from overseas mills on the back of confirmed orders from Australian customers and it rarely holds any stock as it does not own any warehousing facilities.

Stemcor Group orders are sold to them by [REDACTED]  
[REDACTED] [shipping terms]

Despite the change in funding arrangements detailed above, the ordering process has remained consistent.

### 4.3 Verification

Prior to the visit, we selected eight shipments and asked Stemcor Australia to provide the Commission with the following source documents:

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

Stemcor Australia provided us with the source documents for all eight shipments. These documents are contained in **confidential attachment IMP 1**.

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

#### 4.3.1 Commercial Invoices

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

#### 4.3.2 Freight Costs

Stemcor Australia provided freight documentation for each of the sampled transactions which were used to verify the freight amounts provided in the import route spreadsheet. The documentation provided included proof of payment, and as such we were satisfied that the amounts shown were correct. We calculated a weighted average ocean freight for each entity across the sampled transactions.

#### 4.3.3 Freight Insurance

Freight insurance costs were allocated to each of the Stemcor Australia transactions based on the premium rate specified under an annual insurance policy taken out by

## PUBLIC RECORD

Stemcor Australia. **Confidential attachment IMP 1** contains a copy of the policy provided by Stemcor Australia for the 2013 calendar year. We examined the methodology that Stemcor Australia applied and the documents provided to verify the costs allocated. We considered the costs allocated in relation to freight insurance to be reasonable.

Stemcor Zug and Stemcor Singapore similarly allocated freight insurance costs according to annual insurance policies. The Commission was not provided a copy of these policies, however was satisfied that the costs allocated were reasonable based on the verified Stemcor Australia costs

### 4.3.4 Bank Charges

Stemcor Australia identified its bank charges in the sales route spread sheet which relate to the costs associated with establishing the letters of credit and drawing on them. For Stemcor Australia these are calculated at [REDACTED]

[REDACTED] [apportionment method] The Commission considered that the rate applied was reasonable in the context of the bank charge costs detailed in the 2013 divisional profit and loss statement provided by Stemcor Australia.

For Stemcor AG and Stemcor SEA the bank charges [REDACTED] [apportionment method]

### 4.3.5 Interest Costs

Stemcor Australia identified its interest costs in the sales route spread sheet which relate to the costs associated with providing payment terms to the Australian customers [REDACTED]

[REDACTED] [apportionment method]

[REDACTED] [interest cost calculation]

### 4.3.6 Credit Insurance

Stemcor Australia takes out credit insurance for its sales to cover the event of non-payment. Credit insurance was identified as a separate cost item in the sales route spread sheet. **Confidential attachment IMP 2** contains copies of the current credit insurance premiums that covered the investigation period. We examined the methodology that Stemcor Australia applied and the documents provided to verify the costs allocated. We considered the costs allocated in relation to credit insurance to be reasonable.

### 4.3.7 Australian Importation Costs

Stemcor Australia provided evidence of the importation costs incurred on each of the selected shipments, providing broker and service provider invoices that outlined all



## PUBLIC RECORD

- [redacted] [commission and profit sharing details]

### 4.4 Export prices for shipments

Based on sales data provided by Stemcor Australia, the Commission calculated the weighted average export price (in USD) for rod in coils over the investigation period for each of the Stemcor Group entities. These calculations are summarised in Tables 6 to 8, below:

Country	Supplier	Terms	USD/(MT) (Customs Database)
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Table 6 – Stemcor Australia

Country	Supplier	Terms	USD/(MT) (Customs Database)
[redacted]	[redacted]	[redacted]	[redacted]

Table 7 – Stemcor Zug

Country	Supplier	Terms	USD/(MT) (Customs Database)
[redacted]	[redacted]	[redacted]	[redacted]

Table 8 – Stemcor Singapore

### 4.5 Forward Orders

Stemcor Australia advised that at the time of the visit, they had no forward orders [redacted]

### 4.6 Who is the importer

The Commission noted that for importations of goods with a purchase order confirmation date of 1 May 2013 or earlier, Stemcor Australia:

[redacted]  
[redacted]  
[redacted]

The Commission considers that Stemcor Australia was the beneficial owner of these goods at the time of importation and is therefore the importer.

For importations of goods with a purchase order confirmation date after 1 May 2013, either Stemcor Zug or Stemcor Singapore:

[redacted]

## PUBLIC RECORD

[REDACTED]

while Stemcor Australia:

[REDACTED]

The Commission considers that where Stemcor Zug is named as the customer on supplier invoices, Stemcor Zug was the beneficial owner of the goods at the time of importation and is therefore the importer. Similarly, where Stemcor Singapore is named as the customer on supplier invoices, Stemcor Singapore 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.

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

Based on information to date, we are satisfied that the following entities are exporters of rod in coils:



## PUBLIC RECORD

### 5 SALES

#### 5.1 General

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

Based on sales data provided by Stemcor Australia, the gross aggregate value of invoices issued for the goods under consideration (GUC) during the investigation period (1 January 2013 to 31 December 2013) for the Stemcor Group entities was approximately [REDACTED].

#### 5.2 Sales

Stemcor Australia identified that it sold predominantly to Australian end users of steel products. The sales data provided by Stemcor Australia verified that this was the case.

The Stemcor Group entities' major customers, by value of sales, during the investigation period were:

- [REDACTED] noted by Stemcor Australia as being a [REDACTED] not a customer of OneSteel
- [REDACTED] noted by Stemcor Australia as being geographically remote ([REDACTED]) away from nearest OneSteel mill;
- [REDACTED];
- [REDACTED], noted by Stemcor Australia as having been refused supply by Onesteel; and

[REDACTED]  
[Stemcor customers

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

Entity	Volume (MT)	Value	WA Unit Price AUD per tonne
Stemcor Australia	[REDACTED]	[REDACTED]	[REDACTED]
Stemcor Zug	[REDACTED]	[REDACTED]	[REDACTED]
Stemcor Singapore	[REDACTED]	[REDACTED]	[REDACTED]
<b>Combined Total</b>	[REDACTED]	[REDACTED]	[REDACTED]

## PUBLIC RECORD

### 5.3 Price and distribution arrangements

All sales are made on a [REDACTED] [delivery terms]

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

All sales to its customers are in Australian dollars with varying credit [REDACTED] [credit terms] All sales sold on credit terms are done so with credit insurance.

### 5.4 Rebates and discounts

Stemcor Australia stated that none of the Stemcor Group entities offer rebates, settlement discounts or volume discounts to their customers and that the invoiced price is the price paid. During the visit the Commission selected a sample of shipments and was provided with proof of payment that confirmed that the invoiced prices were the price paid.

### 5.5 Sales verification (accuracy)

Stemcor Australia provided us with a line by line sales list of the Stemcor Group entities sales of rod in coils for the investigation period.

At the visit Stemcor Australia provided copies of commercial invoices for sales related to the eight shipments selected from their total imports. Copies of these documents are at **confidential attachment IMP 3**. The commercial documents provided for the invoice numbers, quantity, amount and customer's names reconciled with the information in the sales list.

We were also able to reconcile these selected shipments and respective sales to the sales spread sheet at Part C of the importer questionnaire.

We received proof of payment for the goods for the invoices examined. We were provided with evidence of payment for all transactions that confirmed that the relevant Stemcor Group entity had been paid the invoiced amounts. These documents are included in **confidential attachment IMP 3**.

We are satisfied that the sales data provided in the importer questionnaire response was accurate.

### 5.6 Upwards verification (relevance and completeness)

We were provided with Stemcor Australia's financial statements for the year ending 31 December 2013 which were further broken down into profit centres (departments). These documents are included in **confidential attachment IMP 4**.

Stemcor Australia provided a spread sheet containing line by line transaction data for sales of rod in coils. We were able trace the value of the rod in coils sales figures to the

## PUBLIC RECORD

complete set of sales for the Stemcor Australia profit centre responsible for the trading of rod in coils and then trace the sales of this profit centre to the completed financial statements to verify relevance and completeness of the sales data provided.

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

Each Stemcor Group entity included selling, general and administrative expenses (SG&A) in its cost to import and sell spreadsheet. SG&A expenses were calculated [REDACTED] [SG&A calculation]

Following an examination of the financial statements (see **confidential attachment IMP 4**) and the departmental report the Commission established that actual SG&A expenses for the 2013 calendar year [REDACTED] [SG&A expenses] The Commission noted that the 2013 calendar year involved several one off items including asset revaluation, legal and advisory fees and redundancy payments which were not included in the allocation.

On this basis the Commission considered the costs allocated by Stemcor Australia for each Stemcor Group entity in relation to SG&A expenses to be reasonable.

### 5.8 Profitability of sales and selling price

We 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.

We found the sales were sold at a profit for all except the Stemcor Zug shipment. Stemcor Australia explained that the loss resulted from it not purchasing a forward currency contract to hedge against currency fluctuation at the time of the order, as standard practice would normally require. Stemcor Australia provided theoretical costing for this shipment assuming the forward currency contract had been taken. In this event the shipment would have been profitable.

## PUBLIC RECORD

### 6 ARMS LENGTH

S.269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as arm's 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.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of rod in coils, 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 the relevant Stemcor Group entity, or associate of that entity, and its suppliers or an associate of the supplier; and/or
- the relevant Stemcor group entity or associate of that entity was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

We are satisfied that import transactions between each Stemcor Group entity and its suppliers are at arm's length in terms of s. 269TAA.

## 7 GENERAL COMMENTS

### 7.1 Australian market

Stemcor Australia confirmed that they understand that OneSteel is the only manufacturer of rod in coils in Australia.

Stemcor Australia advised that rod in coils is regarded as a commodity product, which means that the grades/sizes used in market are commonly available and when produced to similar grade and dimension it is interchangeable regardless of its origin. As such imported rod in coils are directly substitutable for rod in coils produced by OneSteel (only local producer) and hence OneSteel list & net pricing should be reflective of international pricing for GUC. Stemcor Australia submitted that OneSteel exports rod in coils at international market prices which are much lower than the prices they seek in the Australian market and that Customs database has these records.

Stemcor Australia advised that it sold rod in coils predominantly to processors in the Australian market. These processors are in direct competition with OneSteel's own processing network for steel reinforcement products, and, therefore, may wish to source rod in coils from an alternate supplier. Stemcor Australia noted that customers prefer to have two or three supply options to ensure competitive pricing, certainty of supply and for supply chain management noting Onesteel mills have over time dropped off many product lines as part of their restructuring (refer to Arrium Financial statements)

In relation to the market, Stemcor Australia believes that the total market demand decreased after the global financial crisis in 2008. Prior to the GFC, OneSteel may not have been able to produce sufficient quantities of GUC to meet the total demands of the Australian market, necessitating a role for importers to supply the shortfall of product demanded by the market.

Stemcor Australia advised that demand is currently stable, based on infrastructure projects in New South Wales and regular requirements in other states. The mining sector is slowing, however that sector does not historically source from importers.

Stemcor Australia advised that they do not want to bring dumped goods into Australia by discussing with exporters on domestic and export price models. Stemcor Australia enjoy good market intelligence due to their global network of offices and through the contact they maintain with their customers, and this is advantageous in setting their prices.

Stemcor Australia noted that importers provide an important role within the economy, employing many people in the import supply chain management.

# PUBLIC RECORD

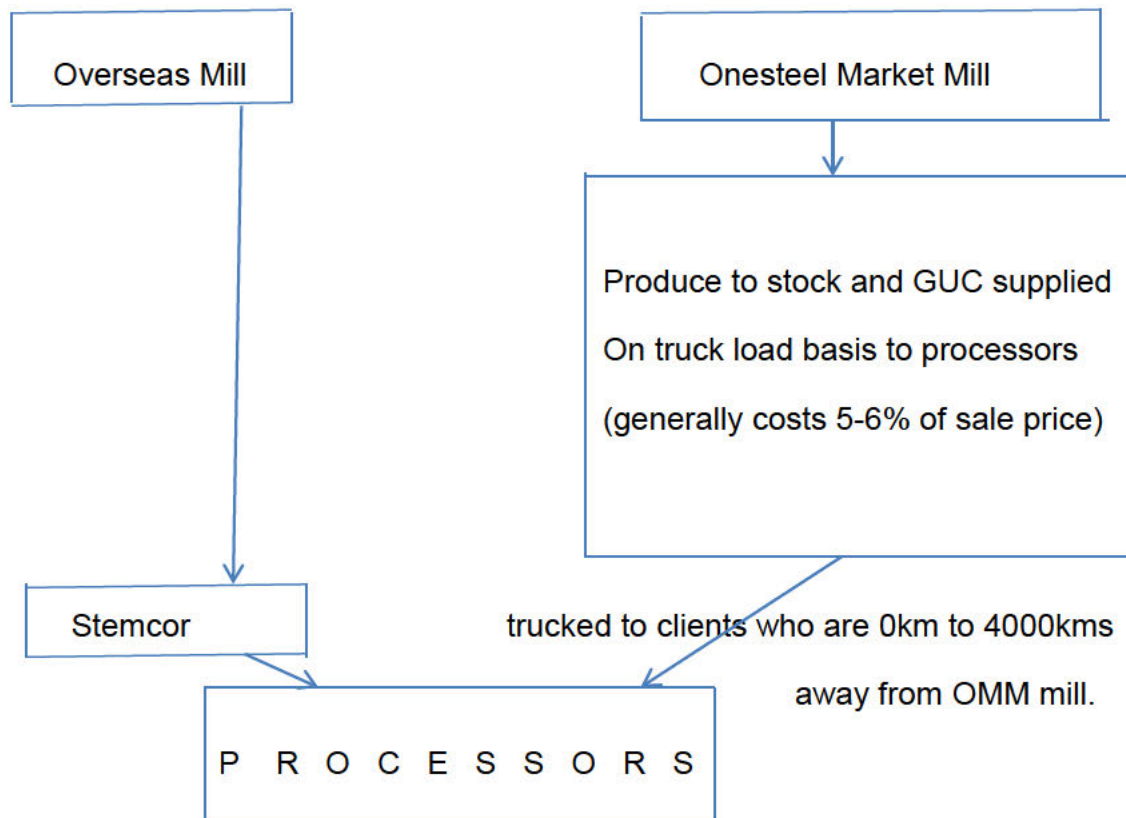
## Injury

Stemcor Australia submitted that the Commission should further examine and consider the following issues in order to properly assess Onesteel's injury claims and undertake a meaningful comparative analysis between Onesteel's and importers market prices

### Distribution Channels

OneSteel Market Mills (OMM) supply to market and Stemcor import models are completely different and can be summarised as below

- Overseas mill produces to order and ships without inventory and stock management and generally Stemcor delivers all ordered quantity in one go. Adequate min. order quantities are available for each size per contract on overseas mill to produce at competitive price and these quantities are shipped without any stocking/ inventory function & cost. (Stemcor Sale data submitted to the Commission will confirm above regarding quantity per size ordered)
- Onesteel produces to stock and supply on truck load basis to clients and the Commission application review also mention OMM stock levels and OMM's sale data will also identify truck load delivery basis for each contract spread over time.



## PUBLIC RECORD

### Proximity to Customer Base

- geographical spread of clients viz. mill locations ( OMM's Newcastle mill has no independent processor in its vicinity and the nearest client is 200kms away and OMM's Laverton mill is close to only 4-5 independent processors and in general OMM mills are closer to only 15% of processors while rest of the processors are spread around the country and their distance range from 200kms to 4000 kms away from OMM mills ),
- Additional incurred expenses

Item	Extra Cost effect in Aud per mt	Stemcor Comments
Billet supplies to OMM from Onesteel Steel mills	Aud 50 per mt	<p>Trucking of billets from Whyalla(South Australia ), Sydney and Laverton (Melbourne) to Newcastle and Melbourne OMM. These are between 0kms to 2000 kms apart</p> <p>Each GUC coil will be identified by a heat number and this heat number will identify the billet supply mill. Also OMM or One Steel Mill (OSM ) trucking contract will provide trucking cost details and estimate that it will cost on weighted average of aud 50 per mt extra for interstate trucking of billets</p> <p>even if a single price contract exists on OSM for billet supplies to OMM, it is obvious that this supply price will be inclusive of extra trucking costs from 3 OSM mills 2000 kms apart.</p> <p>Has OMM considered importing billet directly to OMM mills than truck interstate to benefit OMM cost / profit centre</p>
Stockholding	5-6% of sale price ( aud 40 per mt appx )	<p>OMM produces to stock and supply on truck load basis to clients. OMM agrees to deliver contracted cargo on truck load basis over time. OMM application to ADC and ADC's acceptance to investigate mention stock.</p>
Delivery to clients	Aud 125-130 per mt appx	<p>East coast clients get a uniform price for GUC on Free into Store delivery basis and</p> <p>Even Perth and Darwin clients are offered a small extra over East coast prices which wouldn't cover actual trucking cost.</p> <p>OMM sale data provided will include a coil number and this coil number reference will identify the supply OMM mill. Say a Sydney client supplied with Laverton GUC would still pay the same price as supplies from Newcastle mill and vice versa for a Melbourne client.</p> <p>OMM trucking contract will provide trucking cost per mt or truck load.</p> <p>We estimate the average trucking cost for OMM to service clients geographically spread apart at aud 125-130 per mt</p>

## PUBLIC RECORD

		Since single price is offered to geographically far away clients from OMM mills, ADC to exclude this cost as indicated.
Volume and Loyalty Rebate	Appx. 10% of Sale price ( aud 80-100 per mt )	<p>OMM net sale price offered every month, include a volume and loyalty rebate and clients who agree to source between 70-80% of their requirement get this rebate from OMM. Rebates are accounted by OMM during monthly reconciliations.</p> <p>ADC to discuss with independent processors to affirm above.</p>
Aus. Currency fluctuation	Min 5% of sale price ( aud 40-50 per mt )	<p>OMM is the only manufacturer of GUC in Australia and their competition is from imports. Hence their list price will include a consideration for forex variations and during investigation period, Aus dollar has varied from a min. of 0.885959 usd to a max of 0.951809 usd (spot rates). This is 7.4% variation. ( reference : <a href="http://www.ozforex.com.au/forex-tools/historical-rate-tools/monthly-average-rates">http://www.ozforex.com.au/forex-tools/historical-rate-tools/monthly-average-rates</a>)</p> <p>If OMM didn't consider forex variations in their pricing, it shouldn't then seek remedy of loss of volume and loss of profit for above reason as imported GUC price considers forex rate as a variable.</p>
<p><b>Given the above factors</b>, Stemcor submits that OMM's published list prices are not an appropriate basis for assessing OneSteel's injury claims. Instead, we consider a reasonable approach is to rely on OneSteel's monthly nett prices and make necessary adjustments for factors identified in the table above</p>		

### Stemcor Australia contends that OneSteel's:

- loss of sales and market share is due to the geographical location of its customers and the high costs of sourcing billet and supplying GUC to processors.
- price undercutting and price depression – these are to derived from Nett monthly offer less consideration for above factors. Rebates offered as Import parity price shouldn't be considered as price undercutting / price depression.
- Reduced revenue, reduced profit, reduced profitability, reduced return on investment, reduced employment – steel prices and volume has fallen off 2008 peaks and this resulted in reduced revenue and extra costs as detailed above has resulted in reduced profit, profitability and also contributed to reduced rate of return and reduced employment.

In general, the commoditised GUC should reflect international price with consideration for the different route to market and high cost to service geographically spread clients.



## PUBLIC RECORD

### 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.

Stemcor Australia submitted that OneSteel's monthly net price offers less extra costs detailed above is to be considered for USP and NIP calculations.

Stemcor Australia also requests that any measures for mills found dumping shall be based on a percentage of the export price as this model is the simplest and easiest to maintain compared to other models (fixed price or a combination of percentage and fixed price).

## PUBLIC RECORD

### 8 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the goods imported by Stemcor Group entities from [REDACTED]

[REDACTED] [supplying mills]

- 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 arm's length transactions.

Subject to further inquiries with these exporters, we recommend that the export price for rod in coils imported by the Stemcor Group entities from:

- [REDACTED] be established under s.269TAB(1)(a) of the Act, using the invoiced price; and
- [REDACTED] be established under s.269TAB(3) of the Act using all relevant information.

## PUBLIC RECORD

### 9 APPENDICES AND ATTACHMENTS

<b>Title</b>	<b>Description</b>
<b>Confidential Appendix 1</b>	Import and sales calculation spread sheets completed by the Commission
<b>Confidential Attachment GEN 1</b>	Stemcor response to import questionnaire Part A
<b>Confidential Attachment GEN 2</b>	Spread sheets provided by Stemcor in response to import questionnaire
<b>Confidential Attachment IMP 1</b>	Insurance Policy – Freight
<b>Confidential Attachment IMP 2.</b>	Insurance Policy – Credit
<b>Confidential Attachment IMP 3</b>	Source documents for selected transactions provided by Stemcor
<b>Confidential Attachment IMP 4</b>	Profit & Loss statement for 2013 and associated documents relating to upwards verification