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Australian Government
Anti-Dumping Commission

INVESTIGATION 223

**ALLEGED DUMPING OF HOT ROLLED STRUCTURAL STEEL
SECTIONS**

**EXPORTED FROM JAPAN, THE REPUBLIC OF KOREA,
TAIWAN AND THAILAND**

VISIT REPORT - IMPORTER

Stemcor Australia Pty Ltd

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

December 2013

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ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
AUD	Australian Dollar
Commission	Anti-Dumping Commission
FAS	Free Along Side
FIS	Free in Store
FOB	Free On Board
GUC	Goods Under Consideration
OneSteel	OneSteel Manufacturing Pty Ltd
PAD	Preliminary Affirmative Determination
Stemcor	Stemcor Australia Pty Ltd
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative expenses
The Act	<i>Customs Act 1901</i>
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry
USD	United States of America Dollar

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1 BACKGROUND AND PURPOSE

1.1 Background

On 26 August 2013, OneSteel Manufacturing Pty Ltd (OneSteel) (the applicant) lodged an application requesting that the then-relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of hot rolled structural steel sections (HRS) exported from Japan, the Republic of Korea (Korea), Taiwan and Thailand.

OneSteel provided further information and data in support of its application, the last of which was received on 1 October 2013, restarting the 20 day period for consideration of the application.

The applicant alleges that the Australian industry has suffered material injury caused by HRS exported to Australia from Japan, Korea, Taiwan and Thailand at dumped prices. The applicant claims the industry has been injured through:

- price depression;
- price suppression;
- reduced profits and profitability;
- reduced domestic revenues;
- reduced production capacity utilisation;
- reduced employment; and
- reduced attractiveness for reinvestment.

Public notification of the initiation of the investigation was made on 24 October 2013 in *The Australian* newspaper and Anti-Dumping Notice No. 2013/75.

Following initiation of the investigation, a search of Customs and Border Protection's (ACBPS) import database indicated that Stemcor Australia Pty Ltd (Stemcor) had imported HRS from Korea, Japan and Taiwan during the investigation period (1 October 2012 to 30 September 2013). Stemcor was also identified as an importer of HRS in the application.

The Commission wrote to Stemcor advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire to complete. Stemcor 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 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. These documents are included in **Confidential Attachment GEN 1** and **Confidential Attachment GEN 2**.

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1.2 Purpose of visit

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

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

1.3 Meeting details

COMPANY	Stemcor Australia Pty Ltd
ABN	33 000 345 308
ADDRESS	Level 13, 15 Blue Street North Sydney, NSW 2060
TEL NO	02 9959 3088
FAX NO	02 9925 9844
DATE	18 December 2013

The following were present at various stages of the meetings.

Stemcor Pty Ltd	[REDACTED] [REDACTED] [REDACTED]
The Commission	Carl Halpin – A/g Manager Operations Team 3 Tim King – Supervisor Operations Team 3

1.4 Investigation process and timeframes

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

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- The investigation period is 1 October 2012 to 30 September 2013.
- The injury analysis period is from 1 July 2009 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 (23 December 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD unless it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

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 11 February 2014; however on 11 February 2014 the Parliamentary Secretary has, under s.269ZHI of *the Customs Act 1901* (the Act), extended the time for the Commission to place the SEF on the public record. The SEF will now be placed on the public record on 12 May 2014.

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

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report is due no later than 26 June 2014, unless an extension is approved by the Minister.

1.5 Visit report

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

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

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2 THE GOODS

2.1 Description

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

Hot rolled structural steel sections in the following shapes and sizes, whether or not containing alloys:

- *universal beams (I sections), of a height greater than 130mm and less than 650mm;*
- *universal columns and universal bearing piles (H sections), of a height greater than 130mm and less than 650mm;*
- *channels (U sections and C sections) of a height greater than 130mm and less than 400mm; and*
- *equal and unequal angles (L sections), with a combined leg length of greater than 200mm.*

Sections and/or shapes in the dimensions described above, that have minimal processing, such as cutting, drilling or painting do not exclude the goods from coverage of the application.

Goods excluded from this application are:

- *hot rolled 'T' shaped sections, sheet pile sections and hot rolled merchant bar shaped sections, such as rounds, squares, flats, hexagons, sleepers and rails; and*
- *sections manufactured from welded plate (e.g. welded beams and welded columns).*

2.2 Tariff classification

Goods identified as hot rolled non-alloy steel sections as set out in section 2.1 are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7216.31.00 statistical code 30 (channels – U and C sections);
- 7216.32.00 statistical code 31 (universal beams – I sections);
- 7216.33.00 statistical code 32 (universal column and universal bearing piles – H sections); and
- 7216.40.00 statistical code 33 (equal and unequal angles – L sections).

For the tariff subheadings outlined above, the general rate of duty is 5% for goods imported from Japan and there is no duty applicable to imports from Korea, Taiwan and Thailand.

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The Commission received advice from the Tariff Policy section of the Australian Customs and Border Protection Service (ACBPS), indicating tariff subheading 7216.50.00 may be applicable to C sections, only in circumstances whereby these goods are differentiated by industry members and consumers from U sections. The Commission notes that OneSteel considers these products to be interchangeable and the Commission will seek further clarification on this matter during the course of the investigation.

Hot rolled other alloy steel sections

Goods identified as hot rolled other alloy steel sections, as per the specified shapes and sizes as set out above, are classified to tariff subheading 7228.70.00 in Schedule 3 of the *Customs Tariff Act 1995*. The applicable duty rate for imports from Japan, Korea and Taiwan is 5%, and there is no duty applicable to imports from Thailand.

2.3 'Like' goods

Stemcor advised that it imports goods which match the description of the goods that are the subject of this application. Stemcor further advised that it only imports these goods which comply with the requirements set out in *AS/NZS 3679.1:2010 Structural steel Part 1: Hot-rolled bars and sections*.

Stemcor stated that it believes that the Australian industry manufactured goods which match the goods description prescribed in the application.

Stemcor believes that imported and locally manufactured HRS are directly interchangeable and are like goods. Both the imported and locally produced HRS are manufactured to meet, as a minimum, the requirements of the Australian Standard. Also, locally and imported product are manufactured to standardised sizes and measurements.

Differences, if any, can occur in relation to the tensile strength of the product, possible surface finishes applied to the product, or any additions to the product. However, any such variations would be in addition to the minimum requirements of the applicable Australian Standard.

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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 by Dominant Holdings AG (Switzerland) which is fully owned by Stemcor Holding Ltd (United Kingdom).

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.'¹

Stemcor Holding's most recent interim results available on the company website stated that the Stemcor Group turnover was estimated at over 6.25 billion pounds sterling in 2011. 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.'¹

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

3.1.1 General background

In Australia, Stemcor predominantly trades in steel related products and sells product to its customers throughout Australia. Sales of structural steel are [REDACTED] within Australia. [REDACTED] [sales market]

Stemcor has [REDACTED] exported scrap metals overseas, however, this only forms a [REDACTED] of the company's operations.

Purchases of steel products from overseas mills are [REDACTED] sales made to customers in Australia. Stemcor advised that it [REDACTED] [inventory levels] in Australia and that any imported steel is distributed directly to the customer who placed the order for the steel products.

[REDACTED] [explanation of supply]

¹Stemcor Webpage (www.stemcor.com)

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3.2 Accounting

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

3.3 Relationship with suppliers

During the investigation period, Stemcor purchased the [redacted] proportion of its HRS from [redacted] and [redacted] in Korea. [redacted] amount of the goods from [redacted]. A [redacted] amount of the goods was also purchased from [redacted] and [redacted] in Taiwan. [supply sources and volumes]

Stemcor indicated that it had [redacted] [relationship with suppliers]. Furthermore, Stemcor indicated that its parent company had no ownership or other controlling relationship with these suppliers.

Stemcor also explained that it [redacted] or [redacted] from its suppliers. [rebates & discounts]

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

3.4 Relationships with customers

In part C of the importer questionnaire, we were able to identify Stemcor's customers. As previously mentioned, Stemcor advised that it is not related to any of its customers purchasing HRS.

No further information has been identified by the Commission to indicate that Stemcor is related to any of its other customers purchasing HRS.

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4 IMPORTS

4.1 Introduction

ACBPS's import database indicated that Stemcor imported HRS from a number of suppliers in Japan, Korea and Taiwan as shown in table 1 below. The volumes in the import database include a wide range of product, some of which is outside the goods description for the investigation.

The Commission provided the import listing to Stemcor, who then identified which imports were the goods under consideration ('GUC').

Country	Supplier	Total Quantity (MT) (Customs Database)	GUC Quantity (MT) (Stemcor's listing)
Japan	[REDACTED]	[REDACTED]	[REDACTED]
Korea	[REDACTED]	[REDACTED]	[REDACTED]
Korea	[REDACTED]	[REDACTED]	[REDACTED]
Taiwan	[REDACTED]	[REDACTED]	[REDACTED]
Taiwan	[REDACTED]	[REDACTED]	[REDACTED]

Table 1

4.2 Ordering process and price

Stemcor explained that [REDACTED]

[REDACTED]. [ordering process]

When orders were placed by Stemcor's Customers, [REDACTED]

[REDACTED]. Once all customer orders were made, [REDACTED], and arranged for shipping and delivery to Australia.

Stemcor purchases from overseas mills are made in [REDACTED] [currency] which is set at the date of the order. [REDACTED]

[REDACTED]. 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.

As previously mentioned, Stemcor predominantly orders from overseas mills on the back of confirmed orders from Australian customers and it [REDACTED]

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Stemcor's orders are sold to them by the mill on either 'Free Alongside Ship' (FAS) or Free on Board' (FOB) terms.

4.3 Verification

Prior to the visit, we selected 10 shipments and asked Stemcor 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 provided us with the source documents for all 10 shipments. These documents are contained in **confidential attachment IMP 1**.

For each shipment we used the source documents provided to check the 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, including 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 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 of \$[REDACTED]/MT across the sampled transactions.

4.3.3 Freight Insurance

Freight Insurance costs were allocated to each of the sampled transactions based on the premium rate specified under an annual insurance policy taken out by Stemcor. A copy of this policy was provided by Stemcor for the 2013 calendar year which established that premium was [REDACTED]% of the insured value for 2013. We noted that the premium outlined in the sales route spreadsheet provided by Stemcor for 2013 was [REDACTED]%. The premium charged for shipments during 2013 was adjusted to reflect the verified rate specified on the 2013 policy documents provided.

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4.3.4 Bank Charges

Stemcor 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. These are calculated at █% of the exporter's invoice value. Stemcor advised that this cost apportionment had been established based on data collected over an extended period of time. The Commission considered that the rate applied was reasonable in the context of the costs allocated in the 2012 divisional profit and loss statement provided by Stemcor.

4.3.5 Interest Costs

Stemcor identified its interest costs in the sales route spread sheet which relate to the costs associated with providing payment terms to the Australian customers, which at times involves Stemcor taking lines of credit to finance the purchase of the goods from the overseas mill. █

█ [discussion of interest charges]. The basis for these calculations is included in **confidential appendix 1**.

4.3.6 Credit Insurance

Stemcor 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 up-dated credit insurance premiums that covered the investigation period. We examined the methodology that Stemcor 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 provided evidence of the importation costs incurred on each of the selected shipments, providing broker and service provider invoices that outlined all relevant charges. We obtained proof of payment for a selection of invoices and were satisfied that the values transferred to the sales route spreadsheet were accurate. We calculated a weighted average of importation costs across the sample of \$█/MT.

4.3.8 Delivery Charges

Stemcor sold to its customers at a delivered price and, as such provided the delivery charges for each selected shipment. Documentation provided during the visit reconciled the costs to the sales route spreadsheet and we were satisfied that the delivery charges shown were accurate. We calculated a weighted average delivery charge of \$█/MT across the selected shipments.

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4.3.9 Importation costs

We calculated the average post free on board (FOB) expenses for the selected shipments, which are summarised in Table 2 (expressed in Australian dollars per tonne), below:

Cost	Weighted average cost per unit (MT)
Ocean freight	[REDACTED]
Marine Insurance	[REDACTED]
Australian importation costs (excluding GST)	[REDACTED]
Australian Delivery Charges	[REDACTED]
Bank Charges	[REDACTED]
Credit Insurance	[REDACTED]
Interest	[REDACTED]
Selling, general and administrative expenses (based on average selling price)	[REDACTED]

Table 2

The basis for these calculations is included in **confidential appendix 1**.

4.3.10 Commissions and Profit Sharing

During the course of the verification visit, Stemcor advised that the company had agreements with overseas Stemcor offices [REDACTED] [commission arrangements] in relation to HRS exported from Japan, Korea or Taiwan. These agreements are summarised in Table 3, below:

Export Country	Agreement
Korea	[REDACTED]
Japan	[REDACTED]
Taiwan	[REDACTED]

Table 3

These profit share and commission arrangements were not included in the cost data provided to the Commission. Accordingly, adjustments have been made to the costs data provided by Stemcor to include these additional costs.

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4.4 Export prices for shipments

We used the ACBPS import data, and based on the verified data provided by Stemcor, we calculated the weighted average FOB export price (in AUD) for HRS over the investigation period. These calculations are included in Table 4, below:

Goods Description	Principal Original Country	Supplier Full Name	AUD FOB (Per Tonne)
Angles	Japan	[REDACTED]	[REDACTED]
	Taiwan	[REDACTED]	[REDACTED]
Beams	Korea	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]
Columns	Korea	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]
Parallel Flange Channel	Japan	[REDACTED]	[REDACTED]
	Korea	[REDACTED]	[REDACTED]
		[REDACTED]	[REDACTED]
Tapered Flange Channels	Taiwan	[REDACTED]	[REDACTED]
Unequal Angles	Japan	[REDACTED]	[REDACTED]
	Taiwan	[REDACTED]	[REDACTED]

Table 4

4.5 Forward Orders

Stemcor provided the volume and value of forward orders. The volume of these forward orders and the average unit prices are contained in Table 5, below:

Supplier	Jan-14 (MT)	Feb-14 (MT)	Mar-14 (MT)	Feb-14/Mar-14 (MT)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average Unit Prices	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table 5

Stemcor advised that at the time of the visit, their orders from the Australian market had significantly reduced in response to the investigation and the possibility of measures being imposed.

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4.6 Who is the importer

We noted that Stemcor:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- arranges all post FOB transport arrangements to Australia and,
- pays for delivery of the goods to the customer.

We consider Stemcor 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 HRS:

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

Further enquiries are required to determine whether [REDACTED] may be considered to be the exporter of the HRS from [REDACTED] is a [REDACTED]

[REDACTED]. It is understood that [REDACTED].

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5 SALES

5.1 General

Stemcor had sales of approximately \$ [REDACTED] million during the 2012 calendar year. This is based on the internal accounts provided by Stemcor to the Commission across all its departments for this period. For the same period the Stemcor division responsible for trading in HRS reported total sales of approximately \$ [REDACTED] million. However, this figure also includes goods other than the goods under consideration.

Based on sales data provided by Stemcor, the gross aggregate value of invoices issued for the goods under consideration (GUC) during the investigation period (1 October 2012 to 30 September 2013) was approximately \$ [REDACTED] million.

5.2 Sales

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

In the context of the volume of the goods under consideration sold, the [REDACTED] of sales were to [REDACTED]. Sales to other distributors were at [REDACTED] volumes.

The following table includes a summary of Stemcor's sales volume and selling value during the investigation period for each type of product sold.

Product	Volume (MT)	Value (\$AUD)	WA Unit Price
Angles	[REDACTED]	[REDACTED]	[REDACTED]
Beams	[REDACTED]	[REDACTED]	[REDACTED]
Columns	[REDACTED]	[REDACTED]	[REDACTED]
Flat Bar	[REDACTED]	[REDACTED]	[REDACTED]
Parallel Flange Channel	[REDACTED]	[REDACTED]	[REDACTED]
Round Bar	[REDACTED]	[REDACTED]	[REDACTED]
Squares	[REDACTED]	[REDACTED]	[REDACTED]
Unequal Angles	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

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5.3 Price and distribution arrangements

All sales are made on a Free into Store (FIS) basis.

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

All sales to their customers are in Australian dollars with [REDACTED] credit terms [REDACTED] days from delivery date to [REDACTED] days from the Bill of Lading date. All sales sold on credit terms are done so with credit insurance.

5.4 Rebates and discounts

Stemcor stated that it [REDACTED] to their customers and that the [REDACTED]. 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 provided us with a line by line sales list of its sales of steel products for the investigation period.

At the visit Stemcor provided copies of commercial invoices for sales related to the 10 shipments selected from their total imports. Copies of these documents are at **confidential attachment IMP 1**. However, five of the shipments related to HRS products which fell outside the scope of the investigation. The commercial documents provided for the invoice numbers, quantity, amount and customer's names reconciled with the information in the sales list. Apart from the five identified shipments the remainder were the goods under investigation.

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 confirm that Stemcor has been paid the invoiced amounts. These documents are included in **confidential attachment IMP 1**.

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's financial statements for the year ending 31 December 2012 which were further broken down into profit centres (departments). These documents are included in **confidential attachment IMP 4**.

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Stemcor provided a spread sheet containing line by line transaction data for sales of HRS. We were able trace the value of the HRS sales figures to the complete set of sales for the Stemcor profit centre responsible for the trading of HRS 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)

Stemcor included selling, general and administrative expenses (SG&A) in its cost to import and sell spreadsheet. SG&A expenses were calculated at [REDACTED] % of selling [REDACTED].

Following an examination of the financial statements (see **confidential attachment IMP 4**) and the departmental report we were able to verify this as being an accurate reflection of the actual SG&A costs for the 2012 financial year. We also examined previous visit reports and consider that the SG&A expenses were similar to those found for Stemcor in previous investigations.

However it was noted that these figures did not include the profit sharing and commission arrangements with overseas Stemcor offices and agents in relation to HRS purchased from Japan, Korea or Taiwan. Further discussion in relation to this issue is contained in section 4.3.10 of this report.

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 each of the selected shipments.

6 ARMS LENGTH

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

S.269TAA 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 HRS, that:

- there is any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between Stemcor or an associate of Stemcor, and its suppliers or an associate of the supplier; and/or
- Stemcor or an associate of Stemcor 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 Stemcor and its suppliers are at arm's length in terms of s. 269TAA.

7 AUSTRALIAN MARKET

Stemcor confirmed that they understand that OneSteel is the only manufacturer of HRS in Australia. Stemcor believes that OneSteel are the price setters in the Australian market. Stemcor has formed this view on the basis that OneSteel is the dominant supplier of the product within Australia.

Stemcor advised that it sold HRS predominantly to steel distributors in the Australian market. These steel distributors may compete directly with OneSteel's own distribution network and, therefore, may wish to source HRS from an alternate supplier.

In relation to the market, Stemcor believes that the total market demand decreased after the global financial crisis in 2008. Immediately prior to the GFC, OneSteel may have been unable to supply sufficient HRS from local production to satisfy the total demands for the product within Australia. At this time, importers of HRS played a role in ensuring that sufficient HRS was available in the Australian market to meet demand.

8 RECOMMENDATIONS

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

- 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 HRS imported by Stemcor from [REDACTED], [REDACTED], [REDACTED] and [REDACTED] can be established under s.269TAB(1)(a) of the Act, using the invoiced price.

Subject to further inquiries in relation to these shipments, we recommend that the export price for HRS imported by Stemcor from [REDACTED] can be established under s.269TAB(1)(c) or s.269 TAB(3) of the Customs Act 1901.

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9 APPENDICES AND ATTACHMENTS

Title	Description
Confidential Appendix 1	Import and sales calculation spread sheets completed by the Commission
Confidential Attachment GEN 1	Stemcor response to import questionnaire Part A
Confidential Attachment GEN 2	Spread sheets provided by Stemcor in response to import questionnaire
Confidential Attachment IMP 1	Source documents for selected transactions provided by Stemcor
Confidential Attachment IMP 2.	Insurance Policy - Credit
Confidential Attachment IMP 3	Insurance Policy - Marine
Confidential Attachment IMP 4	Profit & Loss statement for 2012 and associated documents relating to upwards verification

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