PUBLIC RECORD

Australian Government
Australian Customs and Border Protection Service

INVESTIGATION 177

ALLEGED DUMPING OF CERTAIN HOLLOW STRUCTURAL SECTIONS (HSS) EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA), THE REPUBLIC OF KOREA (KOREA), MALAYSIA, TAIWAN AND THE KINGDOM OF THAILAND (THAILAND)

AND

ALLEGED SUBSIDISATION OF HSS EXPORTED FROM CHINA

VISIT REPORT - AUSTRALIAN INDUSTRY

ONESTEEL AUSTRALIAN TUBE MILLS 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 2011

CONTENTS

ABBREVIATIONS

$	Australian dollars
ACDN	Australian Customs Dumping Notice
The Act	*Customs Act 1901*
The applicant	ATM
BPCS	the Business Planning and Control System
BSD	Bluescope Distribution
CCPT	Conversion cost per tonne
CFR	Cost and freight
CHS	Circular hollow sections
COGS	Cost of goods sold
CON177	Customs and Border Protection's Consideration report for the investigation
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
Customs and Border Protection	Australian Customs and Border Protection Service
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
FOB	Free On Board
GAAP	Generally accepted accounting principles
HDG	hot-dipped galvanised
HRC	Hot-rolled coil
HSS	Certain hollow structural sections (as defined in Section 2.1 of this report)
Hyperion	Hyperion Financial Management System
ITM	Independent Tube Mills Pty Ltd
ILG	In-line galvanised
[redacted]	[redacted]
NIP	Non-injurious Price
ATM	OneSteel Australian Tube Mills Pty Ltd (the applicant)
OS Trading	OneSteel Trading Pty ltd
Orrcon	Orrcon Operations Pty Ltd
OS Oil & Gas	OneSteel Oil & Gas Pipe
PAD	Preliminary Affirmative Determination
RHS	Rectangular hollow sections
SAP	SAP accounting software
SCS	Stock Control System

SEF	Statement of Essential Facts
SHS	Square hollow sections
[redacted]	[redacted]
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
USP	Unsuppressed Selling Price

1 BACKGROUND

1.1 Background

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd (ATM, the applicant) on behalf of the Australian industry manufacturing HSS, lodged an application with the Australian Customs and Border Protection Service (Customs and Border Protection) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of certain HSS exported to Australia from China, Korea, Malaysia, Taiwan and Thailand, and a countervailing duty notice in respect of HSS exported to Australia from China.

On 26 August 2011, the applicant provided further information in support of its application. As a result, Customs and Border Protection restarted the 20 day period for considering the application.

After consideration of the application, an investigation was initiated on 19 September 2011, and public notification of the initiation of the investigation was published in *The Australian* on that day.

Australian Customs Dumping Notice (ACDN) No. 2011/43 refers to the initiation of the investigation, and is available at www.customs.gov.au

Customs and Border Protection has previously conducted several investigations, (including reinvestigations, reviews and continuation inquiries)[1] into HSS and specific sub-categories of the HSS from various countries. These include:

- Report No. 116 (investigation);
- Report No. 143 (review);
- Report No. 144 (investigation);
- Report No. 147 (continuation inquiry); and
- Report No. 153 (review).

ATM has been involved as an applicant in each of the above investigations subsequent to 116.

Following the above-mentioned investigations, there are no current measures on any HSS exported to Australia.

1.2 Purpose of visit

The purpose of the visit to ATM was to:

- obtain general information about the Australian market for HSS;

[1] These investigations have involved various allegations of dumping involving multiple countries, as well as allegations of subsidisation and the existence of a particular market situation in the Chinese HSS market.

- gain a greater understanding of the company's manufacturing, marketing and distribution processes;
- verify information provided in the application;
- obtain additional financial data about claimed injury to the Australian industry; and
- gather information relevant to assessing whether the allegedly dumped imports had caused material injury to ATM.

During its previous involvement in Customs and Border Protection's investigations into HSS, ATM has been visited and undergone verification of data submitted to Customs and Border Protection (most recently in January 2009).

1.3 Meeting details

Company	OneSteel Australian Tube Mills Pty Ltd Industrial Drive Mayfield NSW 2304
Dates of visit	11 – 14 October and 28 October 2011 (follow-up)

The following were present at various stages of the meetings.

ATM	Mr Stephen Porter, General Manager Sales – Rod & Bar Mr Josh Harslett, Steel in Concrete Value Chain Manager Mr Richard Clement, A/g General Manager Australian Tube Mills Mr Nick Fithall, General Manager Sales – Distribution Segment Mr Adam Lawrence, Product Manager Tubular Mr Justin Ryan, Commercial Manager Tube Mills Mr Gavin Dodson, Business Analyst Mr Pat Riley, Systems Analyst
John O'Connor and Associates	Mr John O'Connor, Consultant
Customs and Border Protection	Mr Geoff Gleeson, Director Operations 3 Ms Andrea Stone, Manager Operations 3 Mr Sanjay Sharma, Manager Operations 2 Ms Kim Farrant, National Manager International Trade Remedies Branch - Implementation

1.4 Investigation process and timeframes

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

- The investigation period is 1 July 2010 to 30 June 2011.

- The injury analysis period is from 1 July 2007 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 (18 November 2011) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

  Customs and Border Protection will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

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

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 7 January 2011, or such later date as the Minister allows under s.269ZHI of the *Customs Act 1901* (the Act).

  The 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 therein.

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

  This final report is due no later than 21 February 2012, unless an extension to the SEF is approved by the Minister.

1.5 Visit report

Aware of ATM's familiarity with the verification and visit report process, we briefly 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 noted that, in consultation with ATM, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

1.6 Introductory presentation

At the commencement of the verification meetings, ATM presented a prepared presentation, which discussed providing company history and structure, market information, key customer details, challenges faced by ATM, and various other topics.

A copy of this presentation forms **Confidential Attachment GEN 1**.

2 THE GOODS

2.1 Description

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

> *certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.*
>
> *Sizes of the goods are, for circular products, those exceeding 21mm up to and including 165.1mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.*

The application includes the following information to clarify the nature of the goods.

Finishing

All HSS regardless of finish is included in the application.

Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

Standards

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS).

HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

Excluded goods

The following categories are excluded from the goods subject of the application:

- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm

on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);

- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS 2556.

2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

The goods exported to Australia:

- from Korea and Taiwan are subject to a 5% rate of duty;
- from China and Malaysia are subject to a 4% rate of duty; and
- from Thailand using Thailand Free Trade Agreement rates are free from duty as of 1 January 2010.

There are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

3 BACKGROUND - ATM AND THE AUSTRALIAN INDUSTRY

3.1 Corporate, organisational and ownership structure

ATM is a wholly-owned subsidiary of OneSteel Limited (listed on the Australian Stock Exchange).

ATM was formed in December 2006 when the two separate pipe and tube businesses operated by OneSteel Trading Pty Ltd (OS Trading) and Smorgon Steel Group (Smorgon) formed a joint venture company. From 20 August 2007, this company became a wholly owned subsidiary of OneSteel Limited and was renamed Australian Tube Mills Pty Ltd (ATM).

Within its application, ATM provided a chart displaying its organisational structure, as well as a chart displaying the structure of OneSteel Limited (attached to this report as **Confidential Attachment GEN 2**).

During the verification meetings, ATM provided a chart showing its structure, including the identities of all legal entities within the business. This forms **Confidential Attachment GEN 3**. ATM advised that OneSteel Limited has seen a very recent restructure, which would not be reflected in the provided organisational chart (as soon as two weeks ago at the time of the first verification visit). This did not directly affect ATM.

3.2 Accounting structure and details of accounting systems

The accounting period of ATM is financial year 1 July to 30 June.

ATM's financial statements are consolidated into the annual statements of OneSteel Limited, which are audited annually.

During the first verification visit (11 – 14 October 2011)[2] ATM advised it uses four accounting systems:

1. the Business Planning and Control System, (BPCS) for production and stock recording, despatching, hot-rolled coil (HRC) purchasing, and invoicing and debtor management;
2. the Coil Tracking System (a sub-set of BPCS) – for recording individual HRC coils consumed;
3. SAP - for purchasing, maintenance, accounts payable, the fixed assets register, and inventory valuation – this is interfaced with BPCS on a monthly basis); and
4. Hyperion (the financial reporting and consolidation system).

During the follow-up day of verification (28 October 2011), ATM further explained that one of its mills (Acacia Ridge) also uses an additional system known as 'SCS' (Stock Control

[2] Supplemented by a follow-up visit on 28 October 2011.

System) for stock management. ATM advised that this was a system previously used by Smorgon (which operated the Acacia Ridge plant prior to the formation of ATM).

Early in the verification, ATM provided a presentation outlining the business' accounting systems and structure – this did not include SCS (**Confidential Attachment GEN 4**).

Within this presentation, ATM noted that it is separated into three manufacturing divisions:

- 'Structurals' (HSS, other non-HSS pipe and tube, and 'Profiles'[3]);
- 'Precision'; and
- LST (light steel tube) Australia.

ATM explained that each of these divisions are individual profit centres. ATM further advised that Structurals and Precision combined is a distinct profit centre as well.

The upwards verification of costs and sales data was undertaken to this Structurals and Precision combined profit centre (see Chapters 5 and 6).

ATM advised that it maintains the following cost centres amongst its manufacturing facilities:

- Structurals – Acacia Ridge;
- Structurals – Newcastle;
- Structurals – Somerton;
- Precision – Sunshine;
- Precision – Kwinana; and
- LST Australia – Acacia Ridge.

3.3 Relationship with suppliers and customers

Suppliers

ATM advised that its HRC (the main raw material for HSS) is purchased from:

1) BlueScope Steel Limited (domestic) – which supplies approximately [redacted]% of ATM's HRC; and
2) [redacted] (imported from Japan).

ATM explained that it is not legally related to either of these entities.

[3] 'Long' products made from a combination of steel products including combining HSS with other flat steel to form beams, angles, channels, flats, etc.

ATM further advised that it is not related to any of its other suppliers other than purchases from its related Oil & Gas business (i.e. Kembla Grange). We noted that ATM supplies (though [redacted] sale basis) its customers with some large sized HSS that is produced by another OneSteel Limited business, OneSteel Oil & Gas Pipe (OS Oil & Gas), a division within OneSteel Distribution (a division of OS Trading).

This [redacted] arrangement is discussed further within Chapter 5 of this report.

Customers

ATM is legally related to various distribution businesses that it supplies HSS to.

These are:

- OneSteel Steel and Tube (OSST);
- OneSteel Metaland;
- OneSteel Piping Systems; and
- Midalia Steel.

OneSteel Limited organisation's chart (Confidential Attachment GEN 1) displays that these entities all fall under the 'OneSteel Distribution' arm of OneSteel Limited (under the legal entity of OS Trading).

The nature of this relationship and sales between these parties is discussed further in Chapter 5 of this report.

3.4 ATM's facilities and product range

3.4.1 Manufacturing facilities

ATM operates 5 pipe and tube manufacturing facilities in Australia:

- Mayfield (Newcastle, NSW);
- Acacia Ridge (Brisbane, Qld);
- Somerton (Melbourne, Vic);
- Sunshine (Melbourne, Vic); and
- Kwinana (Perth, WA).

ATM also operates multiple customer service centres and sales offices across Australia, as well as a large dispatch centre at Brimbank (Melbourne, Vic).

Of the above locations, ATM produces pipe and tube within the description of the goods (i.e. HSS) at:

- Mayfield ([redacted] mills in operation);

- Acacia Ridge ([redacted] mills in operation); and
- Somerton ([redacted] mills in operation).

ATM does not produce HSS at Kwinana or Sunshine.

In addition to its own HSS manufactured at the above plants, ATM also:

- purchases and on-sells HSS that it has imported from either [redacted] or [redacted]; and
- supplies (on a [redacted] sale basis) some large size HSS that is manufactured by OS Oil & Gas at its Kembla Grange facility (as mentioned above).

3.4.2 Range

At non-confidential attachment A-3.3.1 of its application, ATM provided a Pipe & Tube Structural Products Product Availability Guide (dated 27 November 2009)[4] which displays the range of structural pipe and tube products offered by ATM (not Profiles, Precision tube or LST).

This is attached as **Attachment GEN 5**.

This guide indicates that ATM is capable of supplying HSS described as CHS, square hollow sections (SHS)[5] and RHS[6] in various:

- sizes - outside diameters/perimeters
- finishes;
- end types (e.g. screwed one end, screwed and socketed);
- grades (e.g. C250L0, C350L0, C450LO)
- lengths (standard and non-standard); and
- wall thicknesses.[7]

We observed that the Product Availability Guide indicates that ATM is able to supply HSS in the below finishes:[8]

- clear - unfinished/'black' HSS coated with a clear protective varnish;
- LiteOil – unfinished/'black' HSS covered with a protective oil coating;

[4] We are aware of a more recent version of this guide dated 1 February 2011, which is available from ATM's internet page (http://www.austubemills.com/documents/general/ATM_StructProductAvailabilityGuide-1Feb11_DRAFT.pdf)

[5] Often referred to collectively with RHS.

[6] Which collectively refers to rectangular, square, oval and other non-circular HSS

[7] ATM's updated Product Availability Guide indicates ATM still has the ability to supply such various HSS.

[8] ATM's updated Product Availability Guide indicates ATM still has the ability to supply these finishes.

- red painted (fire system pipe);
- painted (generally blue);
- HDG – where unfinished HSS is passed through a molten galvanising bath;
- Supagal® - pre-galvanised HSS (using galvanised HRC);
- Duragal® - a 'world-leading' process where the HSS is galvanised in-line (in the mill) after welding (though this does not allow for an internal galvanised coating);
- GAL140® - HDG with a minimum zinc coating of 140g/m2 on internal and external surfaces; and
- Si-Tek™ - a clear coating applied to galvanised HSS.

Of the three HSS sites, ATM advised that Mayfield and Somerton produce Duragal® product, while Acacia Ridge manufactures Supagal® (Supagal® was previously a Smorgon Steel product, and it was kept when the amalgamation and formation of ATM occurred) with some recent production at Somerton.

ATM also advised that it can supply black (unfinished) HSS without a protective coating.

We understand that ATM did manufacture, or had the ability to manufacture, the entire range of HSS within the Product Availability Guide during the investigation period, excluding some larger diameter RHS and SHS, which is sourced from OS Pipe and Tube and imports.

ATM confirmed that in August 2011, it mothballed its Acacia Ridge zinc galvanising bath, and has subsequently sub-contracted the zinc coating of the black/bare HSS it manufactures at its Acacia Ridge plant.

ATM advised that the key drivers for this decision included:

- ongoing lost sales to imports at dumped prices resulting in significantly underutilised galvanising facilities at Acacia Ridge; and
- OneSteel Distribution needing to purchase imported galvanised CHS in order to compete in the market.

ATM advised this will be the subject of a separate submission to the investigation. However, during the verification visit, ATM submitted that its Duragal™ CHS can and has been used as a substituted for HDG CHS.

ATM provided a copy of an internal email chain regarding a contract for supply (to [redacted]) where HDG pipe was originally sought but Duragal™ pipe purchased instead. ATM has submitted this is evidence of Duragal™ pipe being used as a substitute for HDG pipe.

This correspondence (and the subsequent [redacted] once the order was placed) is at **Confidential Attachment GEN 6**.

3.5 Other industry members' facilities and range

Within its application, ATM advised that Orrcon Operations Pty Ltd (Orrcon) and Independent Tube Mills Pty Ltd (ITM) are the only other known members of the Australian industry.

ATM has advised that:

- Orrcon does not manufacture HSS in HDG finish; and
- ITM manufactures black, painted and pre-gal HSS.

As OS Oil & Gas manufactures larger sections of HSS at its Kembla Grange facility, we consider that it is also a member of the Australian industry.

3.6 ATM's HSS production process

During the verification meetings, we conducted an inspection of ATM's production facilities at its Mayfield plant. We observed the production process as follows.

- Raw material feed of HRC (generally black/unfished but in some cases purchased pre-galvanised or galvanised by ATM itself[9]) is delivered to ATM by its suppliers.
- The HRC is loaded into a slitter and uncoiled then slit to various widths, edges trimmed, then re-rolled into smaller slit coils ready for use in the pipe and tube mills.
- The slit coil is then loaded into an accumulator where it is unrolled and fed into a mill for formation into pipe and tube (as the loaded coil ends, the following coil is butt welded to the preceding coil, and the accumulator allows a continuous flow of coil into the production process).
- The slit coil is then cold formed through a series of rolls into a circular pipe. The pipe is welded along the seam, using an electric resistance welding process, into a continuous hollow round tubular shape.
- The round tubular pipe is then further formed through rolls into square, rectangular and other shapes/cross sections as required (or left circular)[10].
- The product is surface-finished by applying various protective coatings such as paint, varnish, oil or galvanising (inline or hot dipped). HSS, made from pre-galvanised HRC is repair-galvanised along the weld line.
- The HSS is date and time stamped, cut to length, bundled and placed in racks ready for storage or despatch to customers.
- The ends of the bundled HSS is painted with a colour coded to identify its gauge (wall thickness).

[9] By uncoiling the HRC and passing it through a galvanising bath.

[10] Though [redacted]s not manufactured at the [redacted]plant, only RHS and SHS.

During our viewing of the premises, we observed the Duragal® galvanising plant in operation. We also observed the operation of ATM's dispatch facility.

A diagrammatic summary of OneSteel Newcastle production process was provided as Confidential Attachment A-3.6 of the application – this is attached to this report as **Confidential Attachment GEN 7**.

ATM advised that downgrade product is also an output of the production process, which is essentially less-than-perfect HSS. ATM advised that downgrade is distinguished from 'prime' or perfect HSS (which is the aim of the production process).

ATM explained that downgrade can be of multiple kinds and created at different stages of the production process, but most commonly product is regarded as downgrade if the length contains a cross weld (as a result of the butt welding process), the longitudinal weld has failed or there are other visual signs of imperfections (e.g. issues with the finish).

We note that ATM identified downgrade product as a separate grouping of HSS within its cost to make and sell (CTMS) data submitted in its application (see Section 6.1).

As a result of the information provided by ATM and our inspection of the production facilities, we are satisfied that ATM undertakes at least one substantial process of manufacture in producing HSS in Australia.

3.7 Like goods

Within its application, ATM submitted that the Australian industry manufactures goods that are 'equivalent' to, and possesses essential characteristics similar to imported HSS.

ATM referred to the previous decisions of Customs and Border Protection in relation to whether the Australian industry produces goods that are like to imported HSS.

In particular, ATM highlighted:

> *This matter has previously been considered in earlier Trade Measures Reports[11]. In particular, the matter was referred to in Trade Measures Report No. 116 (an earlier investigation involving the five countries the subject of this current application). Customs and Border Protection's comments in that earlier report were reinforced in a recent review investigation involving HSS exported from China (i.e Trade Measures Report No. 153).*
>
> *In that report, Customs and Border Protection reiterated that whilst it considered that 'there are certain differences in the physical characteristics of the imported and the locally manufactured product' it was satisfied that the HSS produced by the Australian industry had physical characteristics closely resembling imported HSS. Customs and Border Protection further considered that that the imported and locally produced HSS have similar manufacturing processes, and distribution and marketing channels. It also determined that domestically produced HSS was commercially and functionally substitutable and competes directly with imported HSS.*

[11] Trade Measures Reports No. 116, 144, 144A, and 153.

In its application, ATM reiterated its agreement with these previous findings, and further stated:

> *ATM is of the view that HSS manufactured in Australia possesses similar physical characteristics to imported HSS from each of the five nominated countries (i.e. China, Korea, Malaysia, Taiwan and Thailand). ATM also considers that locally produced HSS and the subject imports have similar manufacturing processes, and marketing and distribution channels. The Australian industry's HSS 'is commercially and functionally substitutable and competes directly with imported HSS from the five nominated countries.*

We have again considered this matter, based on the information contained within the application, information gathered and assessments made during previous investigations, and information collected during this visit.

We continue to consider that goods produced by the Australian industry are like goods to imported HSS.

3.8 Employment numbers

In Confidential Appendix A7 of its application, ATM provided details of its employment numbers, total wages and average wages merged for all 3 HSS production facilities (Newcastle, Somerton and Acacia Ridge) for the period FY2001 to FY2011.

This displays a total of [redacted] staff at the end of the investigation period.

Further analysis and verification of employment numbers is contained within Section 7.8.1.

3.9 Annual turnover

ATM's annual net revenue for domestic and export revenue for all Structurals products (i.e. structural pipe and tube and Profiles – see Section 3.2), in FY2011 was approximately [redacted] million dollars (approximately [redacted]% of which was domestic revenue and [redacted]% export).

Of this total revenue, HSS manufactured by ATM (i.e. not imported by ATM or manufactured by Kembla Grange and commission-sold – See Section 3.2) accounted for approximately [redacted] million dollars during the investigation period ([redacted]%), with exports accounting for [redacted]% of this.

HSS revenue by manufacturing site was submitted within ATM's Appendix A6 and an accompanying supplementary Appendix A6 for Smorgon for FY2001 – FY2008 (covering when Smorgon (the Acacia Ridge plant) was a separate business), and is summarised in the following table.

	FY2008 ($'000)	FY2009 ($'000)	FY2010 ($'000)	FY2011 ($'000)
Acacia Ridge (domestic)	[redacted]	[redacted]	[redacted]	[redacted]
Acacia Ridge (export)	[redacted]	[redacted]	[redacted]	[redacted]

Newcastle (domestic)	[redacted]	[redacted]	[redacted]	[redacted]
Newcastle (export)	[redacted]	[redacted]	[redacted]	[redacted]
Somerton (domestic)	[redacted]	[redacted]	[redacted]	[redacted]
Somerton (export)	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]

3.10 Capacity

In Confidential Appendix A7 of the application, ATM provided combined (all 3 plants) capacity figures from FY2001 to FY2011.

This indicates that the combined capacity of ATM for the period FY2008 – FY2011 was [redacted] tonnes per annum.

Within A7, ATM also included data of its combined production volumes, which indicated its capacity utilisation to be as follows:

	FY2009	FY2010	FY2011
ATM Capacity Utilisation	[redacted]	[redacted]	[redacted]

ATM's capacity utilisation is further discussed at Section 7.8 of this report.

4 AUSTRALIAN MARKET

4.1 Background

In its application, ATM submitted that the Australian HSS market is supplied by the Australian industry and imports from a number of countries. ATM Identified China, Korea, Malaysia, Taiwan and Thailand as major sources of import supply.

In the Customs and Border Protection commercial database, we found (after reasonable data cleansing was performed – see Section 4.6) that other significant sources of supply include Japan, South Africa and Vietnam.

In Confidential Appendix A2 to the application, ATM estimated the total Australian market in FY2011 to be [redacted] tonnes. During verification, it was discovered that this figure included ATM's imported large pipe and tube from [redacted] that is not the goods (which ATM demonstrated was [redacted] tonnes).

This was corrected in a revised Appendix A2 (**Confidential Attachment GEN 8**), which estimates the total HSS Australian market size for FY2011 to be [redacted] tonnes.

We note that ATM's capacity calculations (see Section 3.10) show that ATM considers that its capacity alone is large enough to supply the entire Australian HSS market.

During the verification, ATM explained that it understands the total Australian market to be roughly:

- [redacted] RHS (including square, rectangular and other no-circular shapes); and
- [redacted] CHS.

[*Market break-down estimates*]

ATM estimated that, within the RHS market, approximately [redacted] is painted and black RHS.

ATM estimated that the remaining [redacted] volume of RHS is galvanised HSS, which is either:

- pre-galvanised (made from already galvanised steel feedstock and then the weld is repair-galvanised after welding, equivalent to ATM's Supagal® HSS);
- HDG (galvanised by passing formed HSS through a molten galvanising bath); or
- in-line galvanised (where the HSS is passed through a galvanising path on the production line – equivalent to ATM's Duragal® HSS).

ATM stated that most imported galvanised RHS would be of the pre-galvanised kind, and that RHS imports are rarely of the HDG type.

ATM explained that the CHS market is also made up of painted, black and galvanised HSS.

ATM advised that the majority of the CHS market in Australia is galvanised, and that the majority of this galvanised CHS is HDG finished.

In its application, ATM submitted its understanding of what finishes of HSS were supplied from each of the 5 origins. This indicated the following:

- China - 20% painted/black and 80% galvanised HSS (some is pre-galvanised and some is ILG);
- Korea – 100% painted/black;
- Malaysia – 75% painted/black and 25% galvanised HSS (some is pre-galvanised and some is ILG);
- Taiwan – 75% painted/black and 25% galvanised HSS (some is pre-galvanised and some is ILG); and
- Thailand – 50% painted/black and 50% galvanised HSS (some is pre-galvanised and some is ILG).

4.2 Market segmentation

ATM explained its understanding that the Australian HSS market is divided into the following segments, and approximated their size:

- manufacturing/production (general manufacturing) – [redacted]%;
- non-residential construction – [redacted]%;
- engineering construction – [redacted]%;
- residential construction – [redacted]%;
- mining – [redacted]%;
- transport – [redacted]%; and
- agricultural investment (e.g. capital works building cattle yards) – [redacted]%.

[*Market break-down estimates*]

In previous investigations, ATM had described the market as segmented into 'specified' (where the product is specified for use in applications such as building and bridge construction and was required to meet certain standards such as Australian Standard AS1163) and 'unspecified' HSS.

We queried whether it was correct to segment the market into specified/unspecified HSS. ATM stated that this was not really the case, noting that specified and unspecified HSS compete in the same markets, but that the vast majority of HSS in the market is specified regardless.

ATM noted that its competition with imports is more on a size, shape and finish basis, than on whether product is specified or unspecified.

ATM advised that imports are regularly offered/sold:

- meeting the Australia Standard AS1163 or British Standard BS1387,
- meeting various 'grades' (based on their tensile strength).

We observed within ATM's Product Availability Guide that it is able to supply HSS to AS1163 and AS1074. We understand that AS1163 relates to structural steel hollow sections, and AS1074 to steel tubes and tubulars for 'ordinary service' (i.e. non-structural applications).

ATM stated that it invests in promoting the benefits of HSS manufactured to AS1163.

ATM observed that there have been some recent changes to the standards but it considered this has not been a great issue within the Australian HSS market.

Following the verification visit, ATM has submitted that compliance with relevant standards has not impeded the growth of imports. ATM has submitted this is evidenced by:

- the number of exporters offering HSS compliant with AS1163;
- ATM's understanding that imports have achieved increasing market share since 2005; and
- ATM's contention that Australian Standards bear similarity with other international standards (i.e. Europe, Japan and USA).

We also note that ATM's Product Availability Guide displays the highest grade specification of HSS offered by ATM to be 450Mpa, which ATM supplies in Dualgrade® 350/450Mpa grade.

ATM stated that imports generally have the option of meeting AS1163, and provided evidence of import offers from various importers (supplying HSS from various exporters) that meet AS1163, and 350 or 450Mpa specifications (**Confidential Attachment GEN 9**).

ATM observed that the apparent ease of which the market switches between imported and domestically-produced HSS is evidence of the fact that the Australian industry's production directly competes with imported HSS and the significant market share held by imports (which ATM contends have enjoyed substantial growth since 2005).

4.3 Marketing and distribution

4.3.1 General

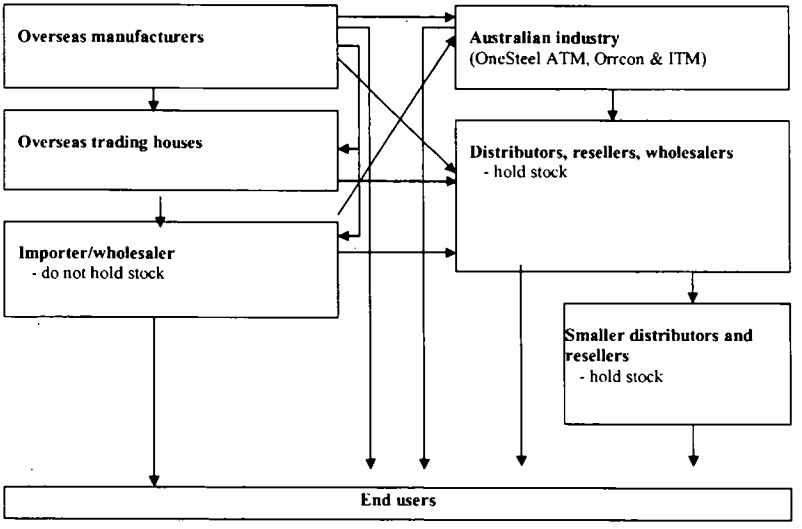
ATM submitted that the Australian HSS market is predominantly supplied by large distributors (such as OneSteel Distribution, BlueScope Distribution (BSD) and the Southern Steel Group), who then on-sell HSS to resellers or directly to end users.

ATM identified that distributors are themselves supplied by the Australian industry, or through large steel trading houses (such as Stemcor, CMC, GP Marketing, Croft Steel and ThyssenKrupp Mannex) who import HSS.

ATM explained that the vast majority of its customers are considered to be large/medium-sized distributors.

ATM explained that distributors generally purchase a combination of imported and locally-produced HSS, but noted that in the case of its related OneSteel Distribution customers, there is the expectation that these support OneSteel Limited's manufacturing businesses, and thus the majority of their HSS is supplied by ATM (of either ATM's own production, products sourced from Kembla Grange or ATM-imported HSS).

In the application, ATM included the following chart to demonstrate the supply arrangements in the Australian market. This chart has been adopted (with some minor differences) by ATM and Customs and Border Protection in previous HSS cases to demonstrate the Australian market (including within Report No. 116).



This chart displays that some larger resellers and wholesalers are able to purchase directly from the Australian manufacturers or trading houses sourcing imported material.

During our meetings with ATM, we queried what point on the above chart showed the main competition point it faces with imported HSS.

ATM stated that sales by 'overseas trading houses' (which refers to trading houses in Australia that supply foreign HSS such as CMC and Stemcor) to distributors, and sales direct from overseas manufacturers to large distributors, are the main points of competition it faces.

ATM advised its key customers are:

- [redacted] (incorporating [redacted] and [redacted]);
- [redacted]; and
- the [redacted]

4.3.2 ATM distributorships

As discussed above, ATM identified that it predominantly sells to large and medium-sized steel distributors (with a small percentage of sales going to end users). These distributors tend to hold 'distributorships' with ATM for supply.

ATM explained that, in the past, these distributorships have been informal arrangements, but more recently, it has made efforts to formalise these distributorship relationships into more 'structured' arrangements.

ATM provided an example of a formal contract-based distributorship agreement (with [redacted], an entity related to [redacted]). This forms **Confidential Attachment GEN 10**.

We observed within this agreement that the distributor is required to:

- purchase set volumes of ATM products annually;
- [redacted] of its total steel requirements from ATM (referred to OneSteel Market Mills or OSMM);
- hold appropriate levels of stock in ATM products;
- purchase products in accordance with ATM's current market offer.

[redacted]. [*Commercially sensitive details re distribution arrangement*]

Following the verification, ATM has advised that, in the last four years ATM has authorised distributorships to [redacted] [*companies*]. It is not clear whether these distributorships include HSS or other ATM products.

ATM mentioned that it expected Customs and Border Protection would hear arguments during the investigation that some entities are unable to access ATM's products as they do not hold distributorships.

ATM noted that, when it is approached by entities that do not hold ATM distributorships, it tends to direct them to its distribution network, and that its products can be accessed in this way.

We queried whether ATM had received any recent 'high profile' approaches to access its products through distributorships that had been refused. ATM advised that, in 2009, it had been approached by [redacted], an HSS importer) to gain a distributorship, which was denied as it was considered a distributorship with this entity did not fit within ATM's plans.

ATM supplied the letter written to [redacted] (from OneSteel Manufacturing Pty Ltd) to advise of this decision. This forms **Confidential Attachment GEN 11**.

ATM has since highlighted that this requested distributorship was for structural product (not HSS).

4.4 Imports by ATM and HSS from Kembla Grange

In addition to its own production of HSS, ATM supplies:

- HDG HSS from [redacted] in [redacted];
- some larger sections from [redacted]; and
- larger sections of HSS from OS Oil & Gas' Kembla Grange manufacturing facility (which are either manufactured at that facility or sourced elsewhere).

We understand that, during the investigation period, ATM had the capability to produce the HSS purchased from [redacted] and some of the product sourced from [redacted], but elected to source the larger sizes of HSS from Kembla Grange or [redacted].

Since the mothballing of ATM's Acacia Ridge Galvanising plant, ATM now sub contracts the zinc galvanising of the black/bare HSS manufactured at its Acacia ridge plant. See Section 3.4.2 for further discussion of this mothballing activity, which ATM has advised will be the subject of a separate submission to the investigation.

In terms of imported HSS, ATM stated that it has made a deliberate choice to purchase from countries that it considers do not dump HSS into Australia. ATM advised that its purchase price of this HSS is set in negotiations with [redacted] (no standard price lists exist) and is [redacted] imports from the nominated sources.

During the verification, ATM provided 3 invoices for purchases made from [redacted] and 4 invoices for purchases made from [redacted]. These form **Confidential Attachment GEN 11**.

ATM advised that all HSS from [redacted] is within the description of the goods, but not all product sourced from [redacted] or Kembla Grange are the goods (some sections are larger than the specifications of the goods).

Based on the information contained within ATM's detailed sales listing (verified with OneSteel – see Chapter 5 of this report) during FY2011:

- ATM's sales of imported product ([redacted] combined) accounted for [redacted]% of total sales revenue;

- ATM's sales of product supplied by Kembla Grange represents [redacted]% of total sales revenue.

4.5 Demand variability in the HSS market

In its application, ATM outlined the following factors that influence the HSS market.

- The construction cycle – the applicant claimed that there is widespread opinion in the industry that the months of December and January each year effectively aggregate to one normal month of sales given that the traditional construction industry holiday period falls at this time.

- A take up of sales to the rural sector in May and June each year – the applicant claimed that this is believed to be driven by the desire of the farming community to resolve any outstanding repairs and maintenance issues prior to the end of the financial year.

- Industry behaviour driven by attainment of balance sheet targets for half-year and full-year financial ratios – the applicant claimed that this invariably sees distributors, resellers and wholesalers attempt to leverage down stock holdings for the 31 December and 30 June each year, although they stated that this normally has the corresponding impact of a restocking program in January/February and July each year.

- Quarterly pricing of the key feedstock for pipe and tube HRC – the applicant stated that suppliers of HRC typically negotiate new pricing commencing 1 July, 1 October, 1 January and 1 April each year and that distributors and resellers may consciously attempt to stock-up, or de-stock, ahead of anticipated price rises or falls in the price of HSS products.

Within the application, ATM also stated that:

> *...local production have declined since 2008 (the last period of investigation analysed by Customs and Border Protection). The 2008/09 year was impacted by the global financial crisis ('GFC') and is considered to be non-representative of normal market conditions.*

ATM made the following observations about the Australian HSS market since 2000:

- from 2000 to 2008 the market experienced relatively steady growth;

- 2008 saw the onset of the GFC, and this caused a dip in demand;

- the market has since somewhat recovered from the GFC with imports growing levels of market share.

4.6 Market size

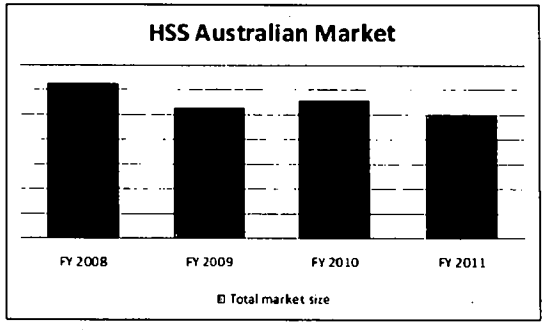
ATM provided Australian HSS market size estimates from FY2006 to FY2011 within its Confidential Appendix A2.

In its Consideration Report (CON 177), Customs and Border Protection assessed the reasonableness of the Australian industry's estimate of the size of the Australian market by combining sales data provided by the industry with import data obtained from Customs and Border Protection' commercial database.

In undertaking this analysis, Customs and Border Protection was aware that the relevant tariff classifications included a number of categories of goods that do not fall within the description of HSS and, to the extent possible, Customs and Border Protection removed data that appeared to not be relevant.

Customs and Border Protection also identified importations that may have been incorrectly classified to other tariff subheadings, and other imports that appeared to have had their volume (quantity) incorrectly entered. These issues were cleansed within the commercial database data in undertaking the consideration analysis.

The Australian market size based on ATM's estimates in the application are charted in the below graph.



Customs and Border Protection will review its estimates of the Australian market size after collecting further information throughout the investigation.

5 SALES

5.1 General

Within its application, ATM provided a detailed, line-by-line sales listing for the investigation period (broken into months) as its Appendix A4. ATM also provided a 'summary' sales listings for each month of the investigation period alongside these detailed listings, which combined the detailed listing into fewer lines.

For ease of verification and analysis, we combined these detailed sales listings into one detailed listing for the investigation period, and the summary data into one summary data spreadsheet for the investigation period.

To assist with the upwards verification of data, ATM provided a revised detailed sales listing broken down into two 6-monthly periods (see Section 5.4 for further discussion).

We further combined these listings into a consolidated detailed sales listing.

The provided data identified for each line (among other information):

- whether the sale was of 'buy-in' or 'manufactured' product (i.e. whether the product was manufactured by ATM or the Kembla Grange facility, or imported);
- whether the product was sourced from Kembla Grange;
- the product code;
- the 'level of trade' (export, third party or related party);
- the coating (finish);
- shape (CHS, SHS, RHS);
- theoretical mass (in tonnes);
- gross invoice value;
- rebates, discounts, settlement discounts, credits/invoice adjustments; and
- net invoice value.

We were able to verify the data within these listings, as is discussed in Section 5.6 and 5.7.

5.2 Ordering, invoicing and delivery arrangements

ATM described its sales process generally, and outlined that there are effectively two ways an order can be placed:

1. electronically through an 'EDI' system for customers who have access to the EDI facility (this automatically enters the order into the BPCS system); or

2. through fax, email or telephone (after which the order is manually entered into BPCS).

Once an order is placed, ATM advised it is checked by BPCS and an order confirmation is sent to the customer. If an error is found with the order, this is flagged by BPCS for resolution by ATM's staff manually.

Once checked, ATM will assess whether the order can be filled from stock, or requires production (in which case the production is flagged, undertaken and the goods are then sent for dispatch).

At the dispatch facility, orders are filled and sent for delivery to customers.

ATM arranges delivery to its customers on contracted trucks (not ATM-owned).

Orders are invoiced on the same day as dispatch/delivery.

Customers then pay the invoice by telegraphic transfer.

5.3 Pricing

5.3.1 Previous pricing system

As part of the application, ATM included a copy of its Pricing and Availability Guide as at 5 July 2010 (similar to its Product Availability Guide (Attachment GEN 5) without price information). This forms **Confidential Attachment SALES 1.**

The Pricing and Availability Guide displays a complicated price structure, whereby different models of HSS are priced in $/m with reference to their:

- designation (outside diameter x thickness, or depth x breadth x thickness);
- nominal size (extra-light, light, medium, heavy or extra-heavy);
- finish (red painted, painted, clear (black), LiteOil, HDG, Supagal®, Duragal®)
- shape (CHS, RHS, SHS, post/building products, silo sections)
- end finishing (including swaged one end/both ends, screwed one end/both ends, and socketed);
- grade (250L0, 350L0, Dualgrade® C350L0/450L0).

ATM advised that this system incorporated discounts and rebates (see Section 5.3.3).

5.3.2 Current/'new' pricing system

During verification, ATM advised that the Pricing and Availability Guide is no longer in operation, being replaced by a different pricing methodology based on import parity pricing (centred on ATM's analysis/understanding of prevailing import prices - see below).

ATM advised that this revised pricing structure has been phased in from mid to late 2010 and is comprised of two parts:

1. [redacted]
2. [redacted]

These are each outlined below.

Furthermore, ATM advised there is scope in the new pricing system for case-by-case pricing negotiations (e.g. specific projects where a price is negotiated directly with the customer for the project).

ATM advised that the pricing structure also incorporates [redacted].

OZTUBE™ and OZRAIL™ market offers

ATM explained that, for a selected range of RHS, CHS and SHS (the OZTUBE™ range) and cattle rail (the OZRAIL™ range), it releases a monthly market offer that is open for orders to be placed under for a [redacted], and then the offer is closed.

This offer is for a [redacted] lead time for delivery [redacted] and is based on import parity pricing plus a local premium (which has ranged between [redacted]

The offer is based on a delivered (free-into store or FIS) price to East Coast Metropolitan customers (with customers from outside this region attracting extra freight charges).

The offer is made under [redacted] terms, including:

- [redacted];
- [redacted]; and
- [redacted].

OneSteel; ATM provided copies of its OZRAIL™ and OZTUBE™ offers for May 2011 (**Confidential Attachment SALES 2**).

Monthly standard price lists

In addition to the above market offers, ATM advised that it also disseminates [redacted], simplified one-page price lists for its entire range of HSS (and non-HSS 'profile' products), which includes the OZRAIL™ and OZTUBE™ product range.

ATM's customers are able to purchase HSS based on these standard price lists at any stage, and hence if the OZTUBE™ and OZRAIL™ offers have [redacted], these products can still be purchased based on the standard price lists.

ATM provides these price lists individualised to all customers.

ATM explained that several categories of HSS on these price lists are priced based on import parity pricing approach plus a local 'premium' of around [redacted] %. ATM explained that the size of the local premium is determined [redacted] basis.

ATM observed that not all product categories in these lists are based on import parity pricing. Specifically, ATM explained the following categories of HSS were not subject to [redacted]:

- HDG CHS – as ATM [redacted] on this category as import competition is too extensive and the pricing too low for ATM to be able to match;
- ILG CHS, Piping for Fire Systems, Silo Tube and OZTube Kleer (distinct from OZTUBE™ discussed above) – [redacted]; and
- some cattle rail – which forms part of the premium range manufactured by ATM.

However, the majority of ATM's HSS range within these monthly price lists is based on import parity pricing.

ATM explained that these price lists operate whereby the customer is charged the Invoice Price (in $ per tonne) from the price list, on FIS terms to east coast metropolitan areas, and then extra freight charges (in $ per tonne) are charged for delivery to other regions.

ATM explained these simplified price lists are to be read alongside its Product Availability Guide, which outlines the product range and specifications.

ATM provided copies of these monthly price lists for:

- [redacted] and [redacted] for June 2011; and
- [redacted] for August 2010 – June 2011.

These form **Confidential Attachment SALES 3**.

We observed within these price lists that:

- an extra charge applies to orders of HSS of non-standard lengths; and
- the listed price does not represent speciality or non-standard gauges, grades and sizes (which incur additional charges).

Determining import parity pricing

We asked ATM how it determines what the import parity pricing is in order to base its price lists on these import prices.

In the application, ATM provided a copy of its [redacted] import offers database (as a confidential attachment to the application), which records intelligence collected by ATM about importing competitor pricing.

ATM advised that it determines the import parity prices it bases its pricing on from this database, using the average of offers from the previous month (disregarding those extremely low offers considered to be for sub-standard product).

We sought to verify the information within the [redacted] and link this to the price lists provided.

For August 2011, ATM provided copies of:

- internal emails recording verbal offers; and
- formal price offers from importers

displaying price offers for imported HSS of various types, supplied by various importers, manufactured by various overseas mills. These price offers form **Confidential Attachment SALES 4**.

We were able to directly tie these offers back to the data contained within the [redacted] database, and were then able to reconcile offers from the [redacted] to a selection of corresponding month OZTUBE™, OZRAIL™, and standard price lists by incorporating a local premium (in accordance with the premium ATM had described above) to the offers recorded in the database.

We are therefore satisfied that the data contained within ATM's [redacted] database is reflective of actual import offers that is has gained through market intelligence, and that the import parity pricing used to formulate aspects of ATM's pricing is based upon this information.

Determining the local premium

We asked ATM how its local 'premium' is established.

ATM advised that a number of factors are included in its calculation of its applicable local premium (which varies across customers, and is a point of negotiation). These include:

- the shorter lead time that ATM is able to offer compared to imported HSS;
- product quality (including ability to resolve quality issues in a timely manner);
- its engagement in the market (including its role in developing and supporting the market);
- the research and development put into its HSS.

5.3.3 Discounts and rebates

As mentioned above, ATM's previous and new pricing structures incorporate a number of discount types, as well as rebates to certain customers. These are discussed separately below.

Regional discount

Prior to implementing the new pricing structure, ATM offered regional discounts to all customers, relative to their geographic location.

This discount was based on a system that broke Australia down into approximately [redacted] regions (e.g. [redacted]), where each

region would attract a different discount off the list price in the Pricing and Availability Guide (Confidential Attachment SALES 1). The invoiced price would incorporate this discount (i.e. it would not appear as a separate invoice line).

ATM advised that this effectively was an adjustment for the cost of freight (e.g. [redacted]).

ATM confirmed that, whilst this pricing structure was in place, it did not sell HSS at the list price within the Pricing and Availability Guide, but that all customers received a discount off this price.

ATM advised that, under the new pricing system ([redacted] OZTUBE™ and OZRAIL™ offers and [redacted] standard price lists) these regional discounts are still in place. However, the discount is already factored in to the listed prices within the price offers/lists, which are based on the [redacted] regional discount, and then a freight surcharge is incurred for sales to other regions.

ATM advised that this discount is reviewed monthly when the price offers/lists are generated.

ATM advised that this discount structure is in place with the new pricing system as it is easier to alter the listed price by adjusting the discount rate rather than change the underlying price itself.

Settlement discounts

Under both the previous and new pricing systems, ATM provides a [redacted] 'settlement discount' to three customers ([redacted]).

This discount offers a [redacted] reduction on the invoiced price if it is paid within a set timeframe, and operates to encourage early payment by these customers.

One-off discounts

ATM advised that, under the old and new systems, it also provides one-off or individual discounts.

Under the new system, this takes the form of one-off (or in some cases ongoing) discounts from its standard monthly price list amounts on a case-by-case basis.

ATM explained that in many cases, these discounts are made to compete with low imported HSS offers and are offered as a means of competing with other suppliers of HSS.

To demonstrate these discounts, ATM provided 12 'Pricing Agreement' forms that record these discounts off the list price. ATM submitted that these discounts reflect additional discounts required to compete against dumped imports. ATM also provided copies of supporting correspondence with customers demonstrating pricing negotiations for these discounts.

These discounts are discussed further in Chapter 8 of this report.

Rebates

In addition to its discount structure, ATM [redacted] [*commercially sensitive pricing details*]

ATM advised these there are [redacted] [*commercially sensitive pricing details*]

[redacted] [*commercially sensitive pricing details*]

We observed within some of the provided price lists (Confidential Attachment SALES 3) that the price lists of some customers with [*commercially sensitive pricing details*] [redacted]

We observed that the price lists of other customers that use [redacted] did not display the 'net' price within their price lists.

ATM explained that [redacted] are accrued in the BPCS system as rebate-eligible sales are made. Periodically (usually at the end of the [redacted] but [redacted] in some cases) these are consolidated and a physical repayment [redacted] is made to the customer.

ATM provided a listing of customers [redacted] [*commercially sensitive pricing details*], which forms **Confidential Attachment SALES 5**.

Our verification of rebates on selected sales is discussed further at Section 5.7.2.

5.4 Isolating relevant sales

During the verification, it was ascertained that the detailed Appendix A4 sales listings and the summary sales listings provided by ATM within its application was in fact for all sales of products that fall within the 'Structural' division of ATM (see Section 3.2).

This included:

- sales of Profiles (not HSS);
- sales of pipe and tube that is not HSS (i.e. too large to be covered by the investigation);
- sales of product manufactured by OS Oil & Gas at its Kembla Grange facility; and
- sales of imported product (sourced directly by ATM).

In conducting our analysis, we sought to isolate only those sales of HSS manufactured by ATM (i.e. not imported or manufactured at the Kembla Grange facility, which is a separate legal entity to ATM).

5.4.1 By origin (ATM, Kembla Grange production, or imported)

As mentioned above, in the detailed Appendix A4 sales listings and in the summary sales listings, ATM included data as to whether the sold product was 'manufactured' by ATM or Kembla Grange or was a 'buy in' (imported by ATM).

We observed that, within the A4 sales listing, some products identified as being sourced from Kembla Grange by ATM were showing as 'Buy-in' product (indicating they were not manufactured by Kembla Grange but sourced elsewhere). ATM has advised that this was caused by 'an incorrect material creation for a single product item – [redacted], and that all product sourced by ATM from Kembla Grange was in fact manufactured there by OS Oil & Gas.

The origin of product in the A4 sales listing is simplified in the below table.

Sales identified as 'Buy in' product	**Sales identified as 'Manufactured' product**	**Sales identified as being from Kembla Grange**	**Sales identified as not being from Kembla Grange**
Either: • imported by ATM; or • sourced from Kembla Grange's own production.	Either: • manufactured by ATM; or • manufactured by OS Oil & Gas at Kembla Grange.	Manufactured by OS Oil & Gas at Kembla Grange.	Either: • manufactured by ATM; or • bought in (imported) by ATM.

Consequently, we were able to easily isolate sales that were manufactured by ATM by filtering out sales of product:

- sourced from Kembla Grange; and
- identified as 'buy-ins'.

To test that the 'Kembla Grange' column was correct in identifying that the product was sourced from there, we selected 3 invoices of lines identified as Kembla Grange product. ATM provided these invoices, which clearly showed that these sales were of larger size HSS that we expected to be sourced from Kembla Grange.

These invoices form **Confidential Attachment SALES 6**.

5.4.2 By product type (HSS and non-HSS)

Once ATM-manufactured product was isolated, we sought to further only sales of HSS itself in the sales listings.

Initially, we focussed on the detailed sales listing, which did not include all necessary information to easily isolate HSS alone. We sought to do so by identifying which ATM product codes were HSS or not using a provided ATM Item Master (**Confidential Attachment SALES 7**) and several BPCS 'Code Inquiry' printouts (**Confidential Attachment SALES 8**). These included details of:

- product description;
- shape (e.g. CHS, RHS, SHS, FLT, ANG); and
- product dimensions

by product code.

We used this listing to apply a filter as to whether the sales were the goods or not to the detailed A4. However, we discovered that this did not result in very accurate results.

ATM then explained that the summary sales listing could be best be used to filter out non-HSS goods as it included a 'Shape' column that identified whether the sold product was:

- CHS, RHS, SHS or SILO[12] or FSO[13] - all of which are HSS; or
- ANG, FLT, CNL, or 'N/A' (miscellaneous) – all of which are not HSS.

ATM explained that, once the above process set out in 5.4.1 was undertaken, all large pipe (not HSS) and imports would have already been removed, and then filtering only on those HSS-related shapes would result in only sales of HSS.

We requested that ATM provide an updated detailed sales listing with the 'Shape' column inserted to allow filtering of the detailed line-by-line sales data. ATM provided revised monthly listings, which we have consolidated at **Confidential Attachment SALES 9**.

We performed the explained filtering process within ATM's summary sales listing and the revised detailed sales listing and found the results to be more accurate (see the below verification of sales data for relevance and completeness at Section 5.6).

5.5 Level of trade and related vs unrelated customers

ATM advised that the vast majority of its customers are large HSS distributors, and that all sales are essentially at the same level of trade (noting that approximately [redacted] of its total sales are direct to end users).

ATM stated that it does not differentiate customers and pricing based on level of trade as a result.

Within ATMs sales listings, ATM identified sales as being either to:

[12] A form of 4-sided HSS.

[13] Flat Sided Oval pipe.

- a related domestic customer;
- a third party domestic customer; or
- an export customer (also unrelated).

In testing whether these classifications were correct prior to undertaking analysis, we observed that multiple sales that were identified as being to 'related' customers did not appear to be related (by their name).

ATM explained that these were examples of cases where the sale was in fact via a related distributor (invoiced to the customer by a distributor and invoiced by ATM to the related distributor) but delivered directly to the customer by ATM.

ATM demonstrated that these sales were correctly to related parties by providing a customer code 'ship to' master which showed the customer codes recorded against these sales were in fact related distribution businesses. This ship to list forms **Confidential Attachment SALES 10.**

ATM explained that, in terms of domestic sales, it does not differentiate between related and unrelated customers (i.e. OneSteel Distribution businesses, which collectively account for the majority of ATM's sales, do not receive preferential pricing or terms).

We tested this assertion in relation to price, using ATM's sales listing, examining all sales of HSS (regardless of imported, bought from Kembla Grange or manufactured by ATM).

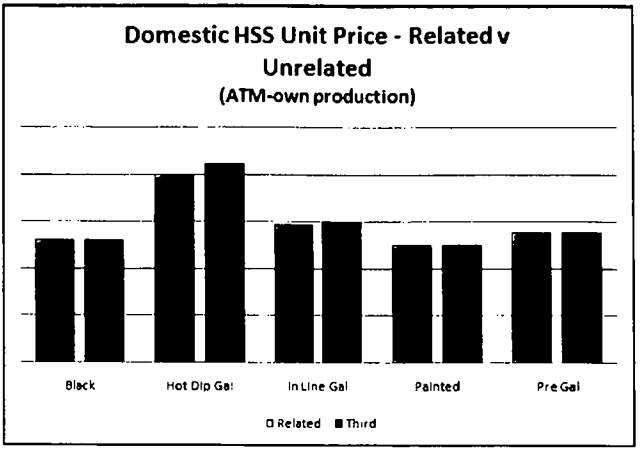
In doing so, we observed that sales to third parties were at roughly the same unit prices as related parties (one rebates were factored in) for all finished of HSS except HDG. ATM advised that the reason for this is linked to the fact that it faces fierce competition from imports on HDG finished HSS. It explained that there are two 'streams' of HDG HSS that it supplies:

1) local production (manufactured by ATM) that is sold to all customers; and
2) imported HDG HSS that is purchased on behalf of related OneSteel Distribution businesses specifically and sold almost exclusively to them.

ATM noted that, as it is not able to match imported HDG prices, OneSteel Distribution has requested that ATM import HDG HSS from its existing international suppliers on its behalf and supply it to them.

We confirmed that, within ATM's sales data, sales of imported HSS were at significantly lower prices than domestically-produced HSS (as imported product is easily distinguishable from local production – see below).

We re-compared unit sales prices between third and related parties examining only sales of HSS manufactured by ATM. This is shown in the below chart.



We consider this chart displays that selling prices of HSS manufactured by ATM are not affected by the legal relationship between ATM and its customers.

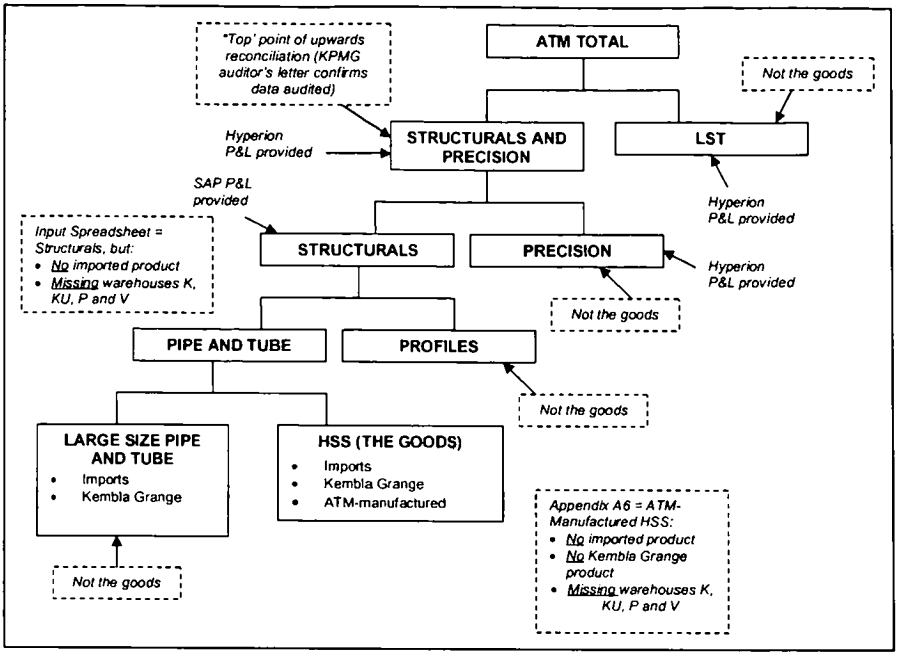
We therefore consider that all sales of ATM-manufactured HSS (to related or unrelated parties) can be relied upon in the assessment of the economic condition of the Australian industry.

5.6 Verification of sales data – completeness and relevance

Once all relevant sales of ATM-manufactured HSS were isolated within ATM's revised Appendix A4 detailed sales listing (see Section 5.4), we were able to reconcile this data to the sales data contained within ATM's submitted Appendix A6.1 and A6.2 (domestic and export cost to make and sell), with a reasonable variance.

We then sought to trace this Appendix A6 sales data to ATM's management accounts and to OneSteel Limited's consolidated audited accounts. ATM provided a reconciliation spreadsheet to assist with this reconciliation (**Confidential Attachment SALES 11**).

For clarity, the below chart demonstrates the data splits within the reconciliation.



5.6.1 Step one - Hyperion (audited) to SAP

ATM's reconciliation began with the total ATM revenue from ATM's combined Structurals and Precision divisions (excluding LST) profit and loss statement as recorded in the Hyperion system ($[redacted]).

As discussed below at Section 6.2 in relation to the verification of costs, ATM provided evidence (in the form of an auditor's letter) that this data contained within Hyperion has been audited for OneSteel Limited's audited consolidated accounts.

In its reconciliation spreadsheet, ATM then removed the total revenue for sales of Precision pipe and tube (not HSS), as recorded within that division's profit and loss within Hyperion ($[redacted]), to arrive at a figure for all Structurals revenue (including HSS and non-HSS products) of $[redacted].

ATM provided a screen shot of the Precision profit and loss statement within Hyperion to verify this figure. This forms **Confidential Attachment SALES 12**.

ATM then provided a FY2011 profit and loss for Structurals from SAP (**Confidential Attachment SALES 13**) displaying total revenue for Structurals for FY2011 as $[redacted]

We observed that this SAP profit and loss statement (which split sales into export and domestic) reconciled to the Hyperion profit and loss statement (minus the Precision sales), with a slight variance (0.09%).

5.6.2 Step two - SAP to 'Input' spreadsheet

ATM then sought to reconcile this SAP Structurals figure to an 'Input' spreadsheet that was used to populate its A6.1 and A6.2 (discussed further in Chapter 6 of this report).

ATM explained that the sales data within the SAP Structurals revenue is for all Structurals products, regardless of origin.

However, ATM advised that, when preparing the data within the Input spreadsheet, ATM intended to include all Structruals products sold by ATM that were either manufactured by ATM or sourced from Kembla Grange (i.e. no imported product) and that, to arrive at the figure within the Input spreadsheet, the revenue attributable to imported HSS would need to be deducted from the Structurals total.

Further, ATM advised that, in formulating the Input spreadsheet, it had inadvertently excluded sales of Structurals product sold from four warehouses (identified as warehouses K, KU, P and V). ATM identified these warehouses as:

- K = [redacted]
- KU = [redacted]
- P = [redacted]
- V = [redacted]

ATM explained these warehouses were not included in the data as it had sought to only include sales despatched from Newcastle, Acacia Ridge and Somerton (consistent with previous investigations).

ATM advised that sales from these warehouses would also need to be deducted from the Structurals total to arrive at the figures within the Input spreadsheet.

ATM provided a report for these warehouse sales (**Confidential Attachment SALES 14**). We observed that this report displayed that the total sales from these warehouses accounted for [redacted] tonnes.

Of this, [redacted] tonnes is identified as HSS, but only [redacted] tonnes of which ([redacted]% of the total) was HSS produced by ATM itself.

Considering the total value of sales from these warehouses (approximately [redacted]% of all Structurals revenue – see below) and the further proportion of this attributed to HSS ([redacted]% of the volume of these warehouses), we do not consider it necessary to include these sales within our analysis.

Deduction of imported products

Within the reconciliation spreadsheet, ATM reported sales of imported HSS to be $[redacted]. ATM explained these figures were based on its calculations within the Application's Appendix A5.

We observed that the reconciliation spreadsheet did not accurately match the Appendix A5 data, which recorded sales of imported products as $[redacted]. This was amended within the reconciliation spreadsheet.

We sought to verify this Appendix A5 data with ATM, which provided us copies of its quarterly reports from BPCS and ATM's related calculations to sum these imported product sales, as well as a data summary sheet (**Confidential Attachment SALES 15**). We observed that these reconciled to the Appendix A5.

Deducting K, KU, P and V warehouses

ATM provided a pivot table based on data within the BPCS system (**Confidential Attachment SALES 16**) that displayed the total revenue for these warehouses to be:

- domestic - $[redacted]; and
- export - $[redacted].

This totals $[redacted].

Within the reconciliation spreadsheet, ATM reported sales of these warehouses to be $[redacted].

We observed that ATM had incorrectly entered this data into its reconciliation spreadsheet (and in fact did not include export sales of these warehouses where applicable). We corrected this error.

Reconciliation

Within its reconciliation, ATM summed the total net sales revenue (minus discounts, rebates, etc) for all Structurals recorded within the Input sheet as:

- domestic sales - $[redacted]; and
- export sales - $[redacted].

This totalled $[redacted] for combined exported and domestic net Structurals (HSS, non-HSS pipe and tube, and Profiles, minus imports and the missing warehouses) within the Input sheet.

Within the reconciliation, ATM subtracted:

- the total for the four excluded warehouses;
- total sales of imported product (both export and domestic)

from the SAP Structurals profit and loss figure to arrive at $[redacted] (a variance of 2% from the Input spreadsheet figure).

5.6.3 Step three - 'Input' spreadsheet to A6

ATM then sought to reconcile the Input spreadsheet to the A6 appendices.

ATM summed the total export and domestic sales value within Appendix A6 to arrive at a consolidated figure of $[redacted].

ATM explained that, to arrive at sales data within the Appendix A6 (sales of ATM-manufactured HSS), it removed sales of:

- Profiles; and
- pipe and tube sourced from Kembla Grange.

ATM advised that the pipe and tube from Kembla Grange included:

- larger-sized HSS; and
- pipe and tube that is too large and therefore outside the parameters of the goods.[14]

ATM displayed that the sales data for Profiles and Kembla Grange products is identified separately within the 'Input' spreadsheet (broken down into domestic revenues, domestic rebates, and export revenue – noting rebates are not applicable to export customers). ATM displayed that by summing these amounts for profile and Kembla Grange HSS in the Input sheet to the A6 totals

We sought to verify this data with ATM.

ATM explained that this data could be observed within the quarterly BPCS reports and summary spreadsheet used to demonstrate import sales values (Confidential Attachment SALES 13).

We observed from these reports and the summary spreadsheet that the data contained within the Input spreadsheet, and reflected in the sales reconciliation was inaccurate. We amended the reconciliation spreadsheet to reflect the BPCS data.

These revised Profiles and Kembla Grange values were then summed with the total appendix A6 revenue figures to arrive at a value of $[redacted].

We compared this to the data within the Input spreadsheet and observed a 1.5% variance. However, we observed that when compared to the SAP figure (minus missing warehouses and import sales) of $[redacted] a variance of less than 0.5% was observed.

5.6.4 Conclusion

Having regard to the above, we consider that the revised Appendix A6 data and the Appendix A4 data submitted by ATM represents reasonably complete and relevant accounts of its sales of HSS during the period from July 2007 to June 2011.

[14] It is considered that some imported pipe and tube from [redacted] is also of this 'too large' category and should not be included in the A6 data, but that this is already removed as no imported product is contained within the Input spreadsheet and thus the A6 data.

5.7 Verification of sales data - accuracy

Prior to the visit, we provided ATM with a listing of 14 selected sales transactions (chosen from its submitted Appendix A4) for verification to source documents. The selected transactions covered various quarters, products, customers within the investigation period. We advised ATM that we required supporting documentation for each selected sale.

For each selected sale, ATM provided the applicable:

- commercial invoice (and/or adjustment note/credit note as applicable);
- purchase order (for orders not lodged electronically);
- BPCS system screen dump for the order (Line Pricing Detail Enquiry); and
- proof of payment documents (including bank statements and remittance advice where appropriate, or BPCS system records of telegraphic transfer).

Copies of the documentation supporting selected sales are at **Confidential Attachment SALES 17**.

We observed within the BPCS screen dumps that:

- regional discount rates were displayed and this operated to reduce the list price to the invoiced price (where this method was in operation under the old pricing system);
- the settlement discount was recorded where applicable;
- freight surcharges were displayed and were applied to the list price to increase the invoiced price (where this system was in operation under the new pricing system); and
- the applicable rebate rates were displayed.

5.7.1 Invoice details and proof of payment of invoiced amount

We noted that:

- the invoice details matched the transaction details reported in the detailed sales spreadsheets at Appendix A4 (including date and product mix);
- the settlement discounts were recorded correctly; and
- the proof of payment matched invoiced amounts (and settlement discounts were deducted from payment by customers where applicable).

5.7.2 Rebates and net transaction value

We observed that, where rebates were available, these were recorded separately within the A4 sales listing accurately (based on the % in the BPCS screen dump) and the final net transaction amount was reduced by this rebate.

Of 14 transactions, we selected 3 that attracted a rebate and requested evidence to display that these rebates were in fact returned to each customer. ATM provided:

- A BPCS screen dump of an 'Invoice Detail Enquiry' for each displaying the invoiced amount;
- the monthly rebate report for each customer showing total line by line rebates, highlighting the applicable transaction for the selected invoice; and
- a spreadsheet displaying the total rebate credited back to each customer per month.

We observed that the rebate amount recorded in the A4 correctly matched the percentage rebate applicable in the BPCS system, the amount listed in the monthly rebates listings and in turn the total of the monthly sales listings matched the spreadsheet recording the rebate amount returned.

5.7.3 Volume

In terms of sales volumes, we noted that the A4 recorded sales volume in theoretical mass (in tonnes) and in 'packs' (i.e. packaged bindles of lengths of HSS).

We were able to reconcile the number of packs sold to the provided documentation, but observed that the theoretical mass was not recorded on any of the documents provided as Confidential Attachment SALES 17.

To verify that the theoretical mass within the A4 was accurate, ATM provided a revised A4 that displayed, with reference to the product code, what the theoretical mass of one length of HSS was, multiplying this by lengths per pack then number of packs sold. This calculated to the correct weight displayed in the theoretical weight column, except in cases where we observed that the sale had later been adjusted by a credit note that affected the volume of HSS sold (e.g. returns).

In these cases, we ascertained that the 'pack' value in the Appendix A4 had not been corrected to account for this credit. However, we were able to observe that the theoretical weight in the sales listing had been corrected for such credits, and that the weight recorded accurately represented the final number of packs invoice multiplied by the weight per pack.

5.7.4 Freight

We asked ATM to demonstrate that the freight costs (all sales FIS) recorded in the A4 were accurate, noting that some seemed unusually high and other were showing zero values.

Throughout this process, it became evident that the freight values recorded in the A4 were not in fact representative of actual freight costs for that sale, but based on an allocation method that had seen various freight amounts recorded inaccurately against certain lines.

We did not pursue a more accurate re-allocation of these freight amounts.

5.7.5 Conclusion

We are satisfied that:

- the invoiced amounts and details in the A4 are accurate;
- the invoiced amounts were paid by ATM's customers;
- the net transaction amounts within the A4 are accurate.
- the rebate amounts were refunded accurately to ATM's customers and hence the net transaction value was the final amount paid by ATM's customers for each sale at FIS terms; and
- the theoretical weight is accurately recorded in the A4 sales listing.

On this basis, we considered the detailed sales data provided in the application was reasonably accurate.

5.8 Export sales

ATM makes exports of HSS to customers in New Zealand.

ATM's Appendix A3 data shows that, during FY2011, export sales of HSS account for approximately [redacted]% of ATM's total sales volume, and [redacted]% of total revenue.

We are able to readily identify export sales within the A4 sales listing by reference to the 'level of trade' of the sale (which refers to whether the sale was to a related, third or export party rather than a 'true' level of trade e.g. distributors/end users).

One export sales was selected amongst the 14 selected transactions (discussed above). The data within the A4 reconciled with the provided commercial documents.

6 COST TO MAKE AND SELL

6.1 General

In Appendix A6 to its application, ATM provided cost to make and sell (CTMS) data for the period from July 2000 to June 2011 (in Appendix A6.1 for domestic costs and Appendix A6.2 for export CTMS). It presented the data in the form of quarterly aggregate amounts, and amounts per tonne, for the period July 2005 to June 2011. Yearly totals for this period were also provided. Earlier periods were presented as yearly totals and unit values.

Our verification was concerned only with the period of 1 July 2007 to 30 June 2011.

As discussed throughout this report, HSS supplied from Kembla Grange facility is not manufactured by ATM (see Section 4.4), CTMS data for production and sales of this HSS was not included in ATM's cost calculations.

We sought to trace the CTMS data that was submitted up through management reports to audited financial statements to establish confidence in the completeness and relevance of the data. We also sought to trace the cost data to source documents to establish confidence in the accuracy of the data.

We noted that ATM's approach to calculating the unit cost to make (CTM) was to use total actual costs of goods manufactured, and divide this by the total production volume for the period. ATM has highlighted that this is consistent with ATM's approach in previous investigations.

In terms of calculating unit cost to sell (CTS), its approach was to use the aggregate selling, distribution, finance and other costs and divide by the sales volume.

Verification of the total sales volume is discussed in the domestic sales section of this report where domestic sales, when considered in aggregate with all other sales, were reconciled to the audited Hyperion system (see Section 5.6).

6.1.1 Categorisation of data

The ATM CTMS data was broadly categorised and presented as:

- raw materials (including hot rolled coil, zinc and paint);
- direct labour;
- variable manufacturing overheads;
- fixed manufacturing overheads;
- depreciation; and
- selling, administration, finance and other (including freight) expenses.

A6 appendices were presented separately for the following product groups of HSS:

- black;
- painted
- ILG (which includes Supagal and Duragal);
- HDG;
- downgrade;

and separately again within each of these product groups for each of the 3 ATM plants that produce HSS:

- Newcastle;
- Acacia Ridge; and
- Somerton.

6.1.2 Quarterly data and yearly totals

As mentioned above, in the Appendix A6, ATM presented its CTMS data in both quarterly and yearly formats.

In undertaking analysis of the A6 data, we observed that, in many cases, the sum of the quarterly costs category data for a particular financial year differed from the provided yearly totals, particularly in FY2009.

ATM has advised that these discrepancies have arisen due to the method by which the A6 data has been calculated, as the approach to calculating CTM was to divide the total costs of goods manufactured by production volumes, and then multiply this by sales volume (both for individual quarters and collectively for the full financial years).

In most cases, this does not present much variance between the quarterly and yearly data as sales and production volumes were relatively stable, except for in the March 2009 quarter, where production volumes were significantly lower than usual (ATM has submitted this was due to the GFC).

In this year, this has mathematically resulted in a noticeable variance between the yearly total and the quarterly CTM figures within the A6.

We have taken this into account when undertaking analysis of ATM's A6 data, and performed alternate analysis to test the reasonableness of ATM's calculation method.

We observe that, while the method of calculation does cause total CTMS and underlying profit and profitability to be affected, it does not alter the trends observed within the A6 data, as noted throughout this report (specifically within Chapter 7).

6.2 Verification of costs to audited financial statements

ATM showed how the Appendix A6 spreadsheets were linked to an 'Input' spreadsheet that ATM compiled for the purpose of aligning its cost reporting system to the Appendix A6 reporting format.

It then demonstrated how the cost data in the 'Input' spreadsheet (for the three sites) reconciled to the cost of sales for the combine Precision and Structurals profit centre[15] (excluding depreciation, amortisation and interest).

The link between the Appendix A6 cost data and the Structurals cost of sales was demonstrated within the general presentation delivered by ATM on its accounting structure and systems (Confidential Attachment GEN 4).

ATM then showed how the Structurals and Precision profit centre results were combined into a Hyperion (ATM's consolidation accounting system – see Section 3.2) profit and loss report at the ATM level (noting that an additional profit and loss is also generated for ATM as a whole incorporating the 'LST' profit centre).

We queried with ATM whether this profit and loss could then be shown to reconcile within OneSteel Limited's audited financial statements for FY2011.

ATM advised that it may be difficult to perform this reconciliation to OneSteel Limited's consolidated audited financial statements, however provided a letter from OneSteel Limited's auditors, KPMG, to provide evidence that provided data was audited.

Within this letter, KPMG attached an extract of the ATM profit and loss statement we had examined (showing, among other things, total sales, total revenue, cost of sales, EBITDA, EBITA, EBIT and operating profit) and confirmed that:

> *...the attached summary profit and loss for Australian Tube Mills and its controlled entities has been accurately extracted from underlying financial information which forms the basis for the OneSteel group financial statements for the year ended 30 June 2011.*

KPMG further declared that it had conducted an audit in respect of the OneSteel group's financial statements for then year ended 30 June 2011, and expressed an unmodified opinion on these statements within its report, which KPMG attached.

We noted the KPMG's opinion within its report that the audited financial reports of OneSteel Limited:

- gives a true and fair view of the group's financial position at 30 June 2011 and its performance for the year ended on that date; and
- complies with the Australian Accounting Standards and *Corporations Regulations 2001*.

[15] This cost of sales excludes depreciation, amortisation and interest, which were separately drawn from the 'Input' spreadsheet and assigned to Appendix A6, but were not part of our upwards reconciliation to management reports and audited statements.

We consider this letter and declaration from KPMG to be sufficient evidence that the ATM Structurals profit and loss statement, which we were able to reconcile the 'Input' spreadsheet (and A6 appendices to), has been audited and the data therein has not been amended in this audit process.

Copies of documents demonstrating the link between the Structurals cost of sales and the consolidated results of OneSteel Limited are contained at **Confidential Attachment CTMS 1**. A copy of the auditors' letter also is contained within this attachment.

6.2.1 Completeness and relevance of costs - conclusion

Having regard to the above, we consider that the ATM Appendix A6 CTMS data represents reasonably complete and relevant accounts of the fully absorbed costs to manufacture and sell HSS during the period from July 2007 to June 2011.

6.3 Verification of production costs to source documents

In terms of the production costs, we asked ATM to demonstrate the links between the CTMS data contained in the Appendix A6 data and source documents. We selected the following cost components for this verification:

- raw materials – hot rolled coil;
- direct labour;
- variable manufacturing overheads – electricity; and
- fixed manufacturing overheads – depreciation.

In addition, to be sure the unit production costs were reasonable and accurate, we sought to verify the production volumes that were used as the denominator for unit value calculations

6.3.1 Production volumes

ATM provided a copy of a site manager's monthly report (for Somerton) to the General Manager.

We noted that the '1st grade production tonnes' in this report for year-to-date matched the figure reported for Somerton 1st grade production in the 'Input' spreadsheet.

A copy of the Somerton site manager's report to the General Manager, which shows the Somerton production volumes, is at **Confidential Attachment CTMS 2**.

We observed that the production figures are not used to populate Appendix A6. Instead, ATM has used the sales volume at Appendix A6 as the production volume.

Within Appendix A6, ATM uses the production tonnes to calculate unit costs of production (by drawing from the 'Input' spreadsheet), and then multiplies those by the sales volume for that product/site to calculate an aggregate production cost for the volume of goods

sold. However, in these circumstances, we consider that any unit costs derived from Appendix A6 are clearly units costs of production, not unit costs of goods sold.

6.3.2 Raw materials – hot rolled coil

ATM explained that it uses the BPCS system to track the consumption of HRC in tonnes at Somerton and Newcastle, and the Stock Control System (SCS) at Acacia Ridge, and that these systems feed into the SAP system at month end.

ATM explained the process of recording HRC across the BPCS and SAP systems as follows.

1. Purchase orders for HRC are raised within the BPCS system.
2. When the HRC is received, they are receipted in BPCS (against a 'transaction type 3 for purchase receipts). This generates a tonnes entry in BPCS.
3. Payment is made out of the BPCS system.
4. The details of these purchases are entered by ATM into a summary Excel spreadsheet, which is then fed into SAP in the end of month accounting processes.
5. The receipted purchase price information is also manually entered into SAP in the end of month process.
6. SAP performs inventory valuation of HRC stocks using an actual costing approach, using the weighted average of recorded HRC.
7. SAP maintains a stock book recording material issued into the production process.

ATM advised that this process is essentially the same at the Acacia Ridge plant using SCS in place of BPCS for recording HRC.

We asked ATM to demonstrate the cost of HRC within the 'Input' spreadsheet for the March 2011 quarter.

ATM provided copies of extracts from its SAP financial statements (profit and loss) for January - February and March 2011. We observed that these statements recorded total value of steel (HRC aluminised coil and cold rolled coil[16]) consumed in that month, and noted that the total of the three months equalled the total for the March 2011 quarter for HRC costs recorded in the Input spreadsheet.

March 2011 was then chosen to trace these amounts to source documents.

ATM provided an SAP stock movements report for March 2011, which displayed the total tonnes of HRC consumed ("Issue amount") in March and the total gross value of this HRC. ATM also provided a general ledger [redacted] [*commercially sensitive pricing details*]. We observed that the total value of coil within the SAP financial statement for March correctly reconciled to the total of the stock movements report [redacted].

[16] Used to manufacture 'profile' products.

We noted the SAP stock movement report also contained summary details of the HRC purchases for the month. ATM provided a mother coil stocks report that provided greater detail on both the issues to production and the purchases for March 2011, including breakdowns by plant. In relation to Somerton and Acacia Ridge purchases, ATM provided stock movement summaries that showed purchase details that matched the mother coil stocks report. In addition, in relation to the Somerton purchases, ATM provided a detailed list of HRC purchases for March 2011, and copies of the purchase orders and invoices to support one of those purchase detail lines.

Copies of the documents that demonstrate the link between the 'Input' spreadsheet and the invoices for purchases of HRC are at **Confidential Attachment CTMS 3.**

6.3.3 Direct Labour

ATM explained that direct labour costs have been apportioned to the goods on the basis of production volume, which we considered a reasonable allocation basis.

ATM noted that a small volume of Profiles (not the goods subject of the application) are produced at Somerton. There has been no special consideration of these circumstances, which means the unit costs of labour as calculated by ATM for HSS are slightly overstated.

However, having regard to the proportion of ATM sales that are made up of Profiles (0.2% in FY2011), we consider the distortion to be immaterial and it does not therefore require adjustment.

6.3.4 Electricity

We sought to verify some variable manufacturing overheads, specifically the ATM costs of utilities.

Within the 'Input' spreadsheet we selected Newcastle 'Fuels' costs as an item to verify down to source documents.

Noting that electricity made up a significant proportion of this cost item, we asked ATM to trace this cost pool back to electricity invoices.

ATM provided a copy a 'Main Costing Report that identified the breakdown of 'Total utilities' (this figure matched the total figure within the Input spreadsheet as 'Fuels'). The total electricity cost could then be traced back to the ledger that itemised the invoices.

ATM provided a copy of an electricity invoice to support the ledger amount.

Copies of the documents supporting the cost of electricity are at **Confidential Attachment CTMS 4.**

6.3.5 Depreciation

We asked ATM to provide evidence to support its calculation of depreciation expenses. In particular, we picked the depreciation charges for Somerton for the full FY2011, and asked whether the expense could be traced back to an asset register.

ATM provided detailed electronic versions of its asset registers. We noted the total of depreciation expenses for buildings, plant and machinery, and amortisation was reasonably consistent with the amount entered into the input sheet for deprecation and amortisation.

Copies of the documents lining the 'Input' spreadsheet amounts for depreciation and the asset register are at **Confidential Attachment CTMS 5**.

6.3.6 Accuracy of production costs - conclusion

Having regard to all of the above we consider the cost to make figures provided by ATM are a reasonably accurate account of the actual costs to make HSS during the period from July 2007 to June 2011.

6.4 Verification of selling, administration, finance and other expenses

We chose to focus our verification on the administration expenses (which includes corporate overheads recharged), freight and finance charges.

ATM identified the amount in the Input spreadsheet that was the basis of the administration charges allocated to Appendix A6. It then showed how the majority of the expenses in this category pertained to head office chargeback's for shared services such as finance, human resource charges, and information systems. ATM demonstrated how these items rolled up into the EBITDA result. These expenses were allocated to the goods on the basis of sales volume.

Copies of the documents linking itemised administration expenses to the 'Input' spreadsheet are at **Confidential Attachment CTMS 6.**

In terms of freight charges, ATM provided a copy of an SAP ledger that showed the freight charges for Somerton for 2010-11, which reconciled with the relevant cell in the Input spreadsheet.

A copy of the SAP ledger for freight expenses is at **Confidential Attachment CTMS 7.**

In terms of finance charges, we noted that the amount in Appendix A6 was simply calculated as [redacted]% of gross sales revenue. ATM advised that this amount reflects two interest expenses – a charge for HRC funding and an interest expense from its parent, OneSteel Limited.

ATM explained that it incurs an interest expense on HRC funding arrangements, and it provided copies of ledgers to support the amounts (**Confidential Attachment CTMS 8**). ATM advised that this interest expense was calculated as [redacted]% of revenue and that the following interest charges were incurred on HRC purchases:

	Interest	Revenue	%
• FY2009 -	[redacted]	[redacted]	[redacted]
• FY2010 -			
• FY2011 -			

ATM further explained that the balance of the [redacted]% interest expense related to OneSteel Corporates' [redacted] interest expense on monies borrowed. ATM advised that OneSteel Corporate does not charge an expense to subsidiary companies for borrowed funds less than $[redacted], hence the "[redacted] expense". ATM confirmed the only actual interest expense incurred over the injury analysis period was that pertaining to the HRC funding discussed above. Therefore, we removed the additional "[redacted]" component from the CTMS data.

6.4.1 Extraordinary administration costs

In its previous verification visit report for ATM (January 2009), Customs and Border Protection noted:

> *Administration costs were described as unallocated corporate overheads in the input spreadsheet. However, significant costs were incurred in September quarter 2007 that were attributable to the corporate restructure. These costs were only allocated to Newcastle and Somerton costs and included:*
>
> - *redundancy provisions ($[redacted]million);*
> - *non-trading stock impairment ([redacted]million);*
> - *accelerated depreciation charges ($[redacted] million); and*
> - *other costs ($[redacted]million).*
>
> *We do not consider that these costs should be included when analysing injury to the Australian industry and we have amended ATM's Appendix A6 for both Newcastle and Somerton by excluding these costs.*

Customs and Border Protection again considers that this approach is appropriate, and has removed these extraordinary costs from ATM's administration costs in undertaking its analysis within this report (replacing the actual costs for the September 2007 quarter with an average of costs of the preceding 4 quarters).

6.5 Costs to make and sell – conclusion

We consider that ATM's costs to make and sell data in Appendix A6, is a reasonably complete, relevant and accurate reflection of the actual ATM costs to make and sell HSS over the period July 2007 to June 2011.

Accordingly, we consider the ATM costs to make and sell data in Appendix A6 are suitable for analysing the economic performance of its HSS operations from July 2007 to June 2011.

7 ECONOMIC CONDITION OF ATM

7.1 ATM's injury claims

In its application, ATM claimed that the allegedly dumped and subsidised imports of HSS have caused it material injury in the form of:

- lost sales volumes;
- lost market share;
- price undercutting;
- price suppression;
- price depression;
- lost profits and profitability;
- reduced return on investment;
- reduced attractiveness to reinvest;
- reduced employment;
- reduced plant utilisation rates; and
- reduced forward orders, cash flows and inventory levels.

7.2 Commencement of injury, and analysis period

In Customs and Border Protection's CON177, it was noted that:

- ATM did not explicitly state in the application when it considers the material injury from the dumped and subsidised imports commenced, though it appeared as though ATM claimed to have experienced material injury for the purpose of the application from FY2006.
- ATM stated that, although it does not agree with the 2008 findings of TER144A that exports of HSS at dumped and subsidised prices did not cause material injury to the Australian industry, it concedes that the profit of the Australian industry in the first three quarters of 2008 was consistent with the level of profit achieved in FY2005.
- ATM asserted that the data in the application shows a deterioration of profits following FY2008.

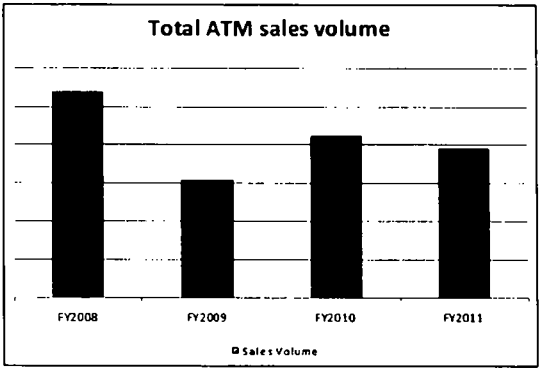
As noted in Section 1.4, Customs and Border Protection has set the period for assessing the condition of the Australian industry from July 2007.

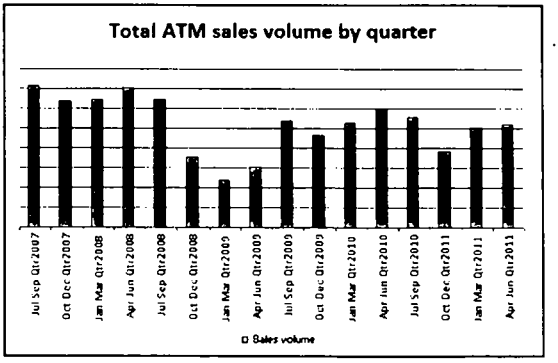
This Chapter charts and examines ATM's performance from this date, using data verified with ATM during the verification visit. In doing so, we have combined data for the Acacia Ridge plant for FY2008 (while still operated by Smorgon) with the data for the Newcastle and Somerton facilities for that year (operated by OneSteel Limited at that time) to arrive at consolidated figures of the plants now operated by ATM following the merger with Smorgon (noting that the provided data for FY2009, FY2010 and FY2011 is for all three plants).

The data used for the below analysis (sourced from the verified Appendix A6) only reflects ATM's domestic sales of self-produced HSS (i.e. not imported HSS or HSS sourced from OS Oil & Gas' Kembla Grange facility)

7.3 Volume trends

ATM's quarterly and annual sales volumes of its own production are illustrated in the following charts.

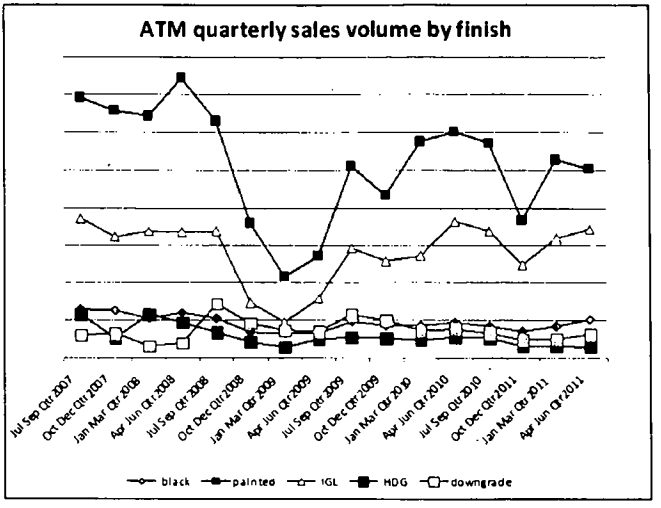




We note that the above analysis of the data shows there was a decline in sales volume from FY2008 (while Smorgon and OS Trading were separate entities) to FY2009 (global

financial crisis), followed by an upward trend in the sales volume of ATM from FY2008 to FY2010, then a by a decline in FY2011.

The following graph illustrates quarterly sale volumes of black, IGL, painted, HDG and downgrade HSS.



We note the above chart displays:

- there has been an overall fall in ATM's sales volume of HDG HSS from FY2008 to FY2011 (with some fluctuations between);
- sales volumes of black HSS remained somewhat steady throughout the period;
- there have been fluctuations in sales volume of ILG HSS from FY2008 to FY2011, but levels at the end of FY2011 are similar to those of FY2008.
- there have been fluctuations in the sales volume of painted HSS from FY2008 to FY2011, with levels of FY2011 being below those of FY2008; and
- the sales volume of downgrade HSS from FY2008 to FY2011 has been relatively steady, with some fluctuations.

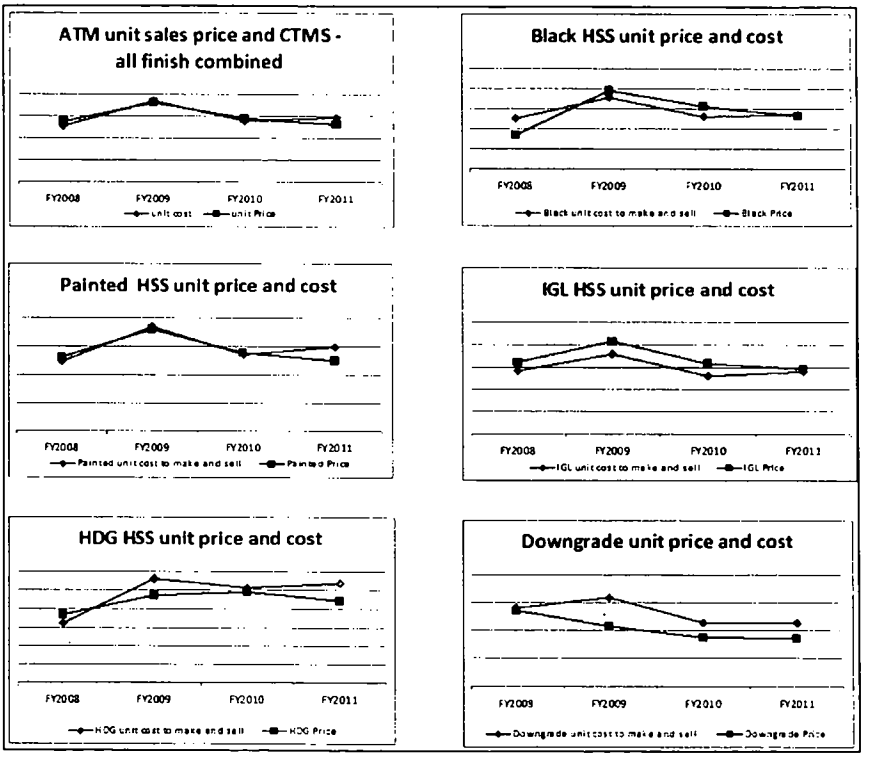
From this analysis, we conclude that the overall ATM's total sales volumes of HSS have decreased from FY2008 to FY2009, then increased in FY2010, then again decreasing in FY2011 (ATM has submitted that this decrease in FY 2011 has seen sales volumes to be at levels 30 per cent below FY 2008).

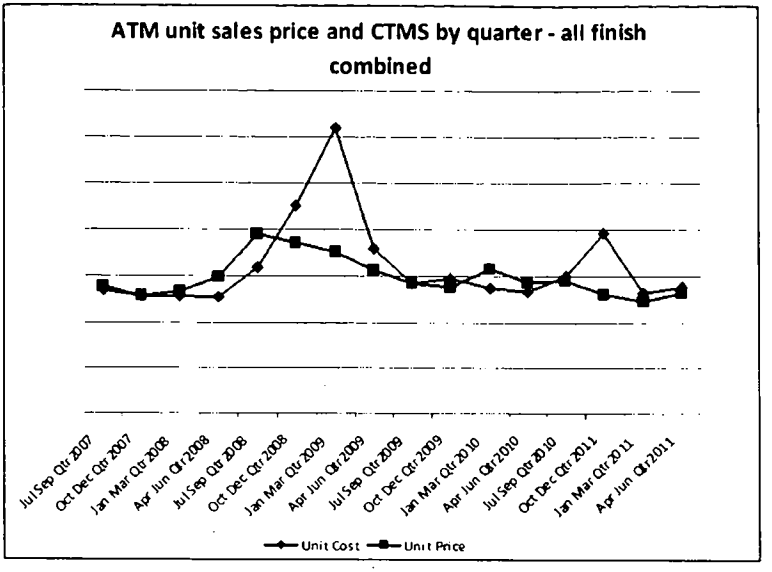
7.4 Price suppression and depression

Price depression occurs when a company, for some reason, lowers its prices.

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

Movements in ATM's weighted average quarterly and annual unit selling prices and CTMS are illustrated in the following charts.





Note: during screening of the application, we queried identifiable spikes in costs within ATM's data, which showed a spike in the September 2007, March 2009 and December 2011 quarters. In response, ATM explained:

- *the CTMS spike in the September 2007 quarter relates to the administration costs and redundancy provisions costs associated with the footprint change for the joint venture between OneSteel and Smorgon;*
- *the spike in the March 2009 quarter was due to 30 per cent increase in HRC prices; and*
- *the spike in the December 2011 quarter relates to the significant reduction in volumes of HSS produced (decline of approximately 30 per cent).*

As discussed in Section 6.4.1, we have moderated the September 2007 administration costs in line with an average of the preceding four quarters, hence this spike does not appear in the above and subsequent analysis of the economic condition of ATM.

The above graphs illustrate ATM's weighted average unit selling price and unit cost to make and sell.

From the above, we note that overall (combined finish) unit prices and CTMS increased from FY 2008 to FY2009 before declining in FY2010. Prices fell further in FY2011, while the CTMS started to increase.

We note that these price trends are reflected across all finish types, except for downgrade HSS, where the CTMS from FY2010 to FY2011 remained somewhat stable..

We note the above graphs suggest that the ATM's prices:

- were suppressed in FY2009 overall (though specifically for painted, HDG and downgrade HSS) and FY2011 overall (as well as separately for all finishes) as it was not able to increase its selling prices to recover increases in costs (though price increase did occur in FY2009, they did not occur to the point where the full CTMS was recovered); and
- were depressed in FY2010 and FY2011, being lowered from the previous year.

We conclude that it appears ATM has suffered price depression in FY2010 and FY2011, and price suppression in FY2009 and FY2011.

7.5 Price undercutting

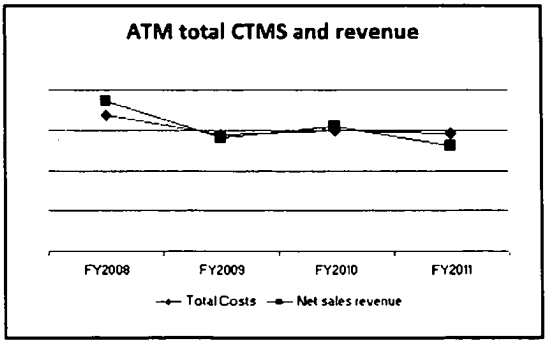
Price undercutting occurs when an imported product is sold at a price below that of the Australian manufactured product.

Within its application, ATM submitted that price depression and suppression (discussed above) was due to price undercutting by imported HSS. It supported this claim by reference to its [redacted] database (see Section 5.3). As discussed earlier in this report, the contents of this database were verified during the meetings with ATM.

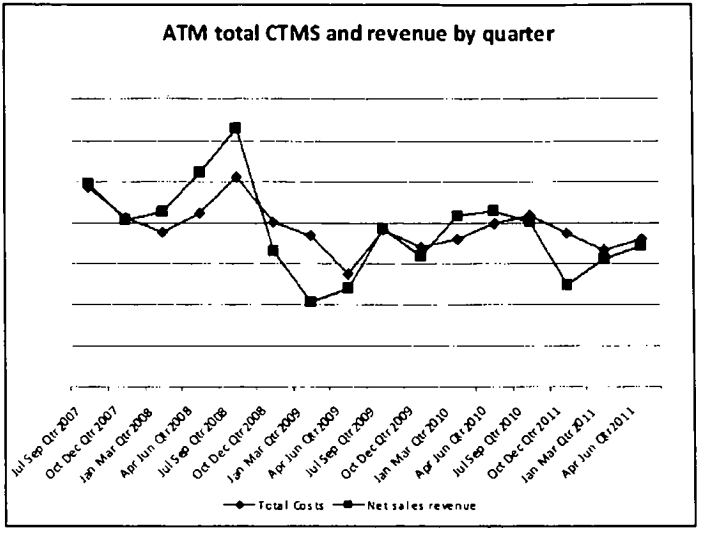
ATM provided further evidence of price undercutting during the verification meeting.

The issue of price undercutting is discussed further in Chapter 8 of its report.

7.6 Revenue



Movements in quarterly and annual total revenue and costs are illustrated in the following graphs.



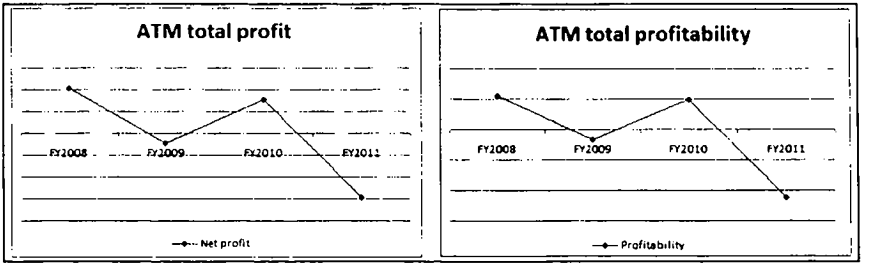
From the above, we note that net revenue and total CTMS fell from FY2008 to FY2009, with revenue falling below total CTMS in FY2009.

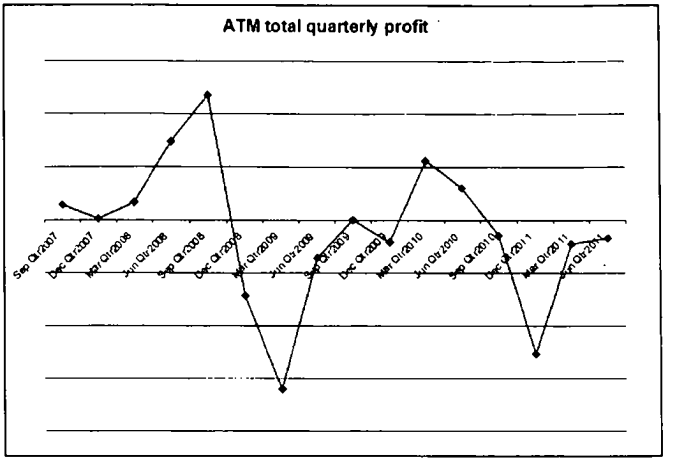
Both total net revenue and total costs increased slightly in FY2010 from FY2009 on an annual basis, with the total revenue increasing slightly higher than costs.

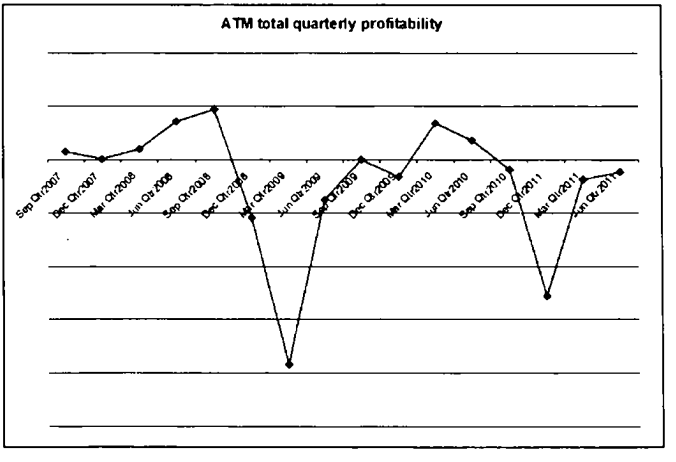
We observe that, while the total costs remained reasonably stable in FY2011, total net revenue fell below total costs.

7.7 Profits and profitability

Movements in ATM's quarterly and annual profits and profitability are illustrated in the following charts.







We note that ATM's profits and profitability decreased between FY2008 and FY2009 before rising in FY2010 then falling sharply in FY2011 to the levels below FY2009.

7.8 Other economic factors

In its application, ATM completed the Appendix A7 (other injury factors) spreadsheet.

We sought to test the accuracy of ATM's recorded return on investment figures and employment numbers.

7.8.1 Employment numbers

We requested that ATM provide evidence to support its calculation of employee numbers within its Appendix A7.

ATM provided spreadsheets showing full time equivalent employee numbers from FY2009 to FY2010 for OneSteel Limited. We observed within this that the figures recorded for:

- ATM Acacia Ridge;
- ATM Newcastle;
- ATM Somerton; and
- ATM Support Services

collectively reconciled to the figures reported within the Appendix A7. However, we consider that, as the production of these plants include non-HSS pipe and tube and Profiles, this does not accurately reflect the employee numbers attributable to ATM's production of HSS.

In any case, we consider the data suitable for assessing trends in ATM's employment numbers over time.

Having noted this, we observed that ATM's Appendix A7 data displays that over the period of FY2008 to FY2011, ATM's staffing numbers decreased by 23% ([redacted]).

7.8.2 Return on investment

We requested that ATM provide evidence to support its calculation of return on investment (ROI) within its Appendix A7.

ATM provided an extract for the audited Hyperion system, which included details on shareholder's equity. Within this, ATM highlighted 'ROE' (return on equity) figures from FY 2009, FY2010 and FY2011. These reconciled to the ROI figures within ATM's Appendix A7. We consider, therefore, that the "ROI' figures within ATM's Appendix A7 are in fact reflective of ROE.

Following the verification visit, ATM has advised:

ATM uses a Return on Funds Employed ("ROFE") methodology for determining investment returns. ROFE reflects net assets less borrowings and cash. ATM's ROFE for each of the years 2009 to 2011 has been as follows:

- FY2009 – [redacted] per cent;
- FY2010 – [redacted] per cent;
- FY2011 – [redacted] per cent.

We have not sought to verify these ROFE figures at this stage.

7.8.3 Conclusion

We are confident in the accuracy of the submitted Appendix A7 data.

We observed the following trends in the Appendix A7 data provided by ATM:

- return on equity increased in FY2009 from FY2008 then fell in FY2010 and declined sharply in FY2011;
- value of assets used in the production of HSS increased significantly in FY2008 from FY2007 but has declined from FY2009 to FY2011;
- capital investment for the production of HSS has been declining since FY2007 and continued to decline sharply in FY2010 and FY2011;
- there has been no expenditure on R&D of HSS after FY2006;
- capacity utilisation of HSS declined from FY2007 to FY2009, then increased in FY2010 and decreased again in FY2011;
- the number of workers associated with the production of HSS employed declined sharply in FY2009 compared to FY2008 and continued to decline in FY2010 and FY2011; and
- productivity significantly decreased in FY2009 from FY2008 then recovered in FY2010 and again decreased in FY2011.

7.9 Factors other than dumping

We discussed with ATM factors other than dumping that may be causing the injury to it and the Australian industry generally.

In particular, we queried the impact of appreciation of the Australian dollar in FY2010 and FY2011, which we understood has improved the competitiveness of imported HSS from China, Korea, Malaysia, Taiwan and Thailand.

In response, ATM explained that it does not believe that this appreciation has as much impact on HSS as other products. ATM explained that, since the US dollar has typically been used for HRC pricing (raw material for HSS) the weakening of US dollar in 2010 and 2011 made imported HRC used by HSS exporters cheaper, but when the finished HSS is then exported, the impact of the weaker US dollar reverses and the effect is 'evened out'.

ATM further explained that HRC and HSS are traded products with international pricing typically being referenced in $US. As outlined in the application ATM purchases HRC raw materials from BlueScope Steel and imports. ATM has advised that the price for HRC from BlueScope Steel is referenced in US$ to import parity prices or international prices for HRC.

ATM submitted that, all things being equal the impact of an appreciation in the $AU/$US exchange rate is a decrease in the $AU price for ATM's HRC raw material and a decrease in the $AU imported price for HSS. As such, the hedge for ATM with an

increasing exchange rate is the corresponding reduction in its raw material costs. ATM has submitted that this is relevant to both imported HRC purchases and HRC purchases from BlueScope that prices it HRC at [redacted].

We observe that within internal ATM email correspondence (included within **Confidential Attachment INJ 1** – discussed further in Section 8.2 below), [redacted] had noted in respect of the supply to a particular customer:

> *The FX-AUD is impairing our ability to act with more aggression. i.e. imports are artificially lower than where they would traditionally sit...*

and

> *...the AU$ keeps rising and he* (a specific customer) *sees an opportunity to do 'spot buys' with traders.*

These emails were dated April and May 2011.

The above comments indicate that the rise in the Australian dollar is one factor impacting the Australian HSS market in some way. Further analysis of this impact will be undertaken throughout the investigation.

Following the verification visit ATM has submitted:

> *... the biggest factor impacting the margin ATM is able to make in selling HSS is the decision by overseas manufacturers of HSS to sell into the Australian market at prices below those in their domestic market. The logic for these decisions is an endeavour by overseas manufacturers to make a contribution to covering business fixed costs. This is largely a decision over the price in US$ or local currency terms on which they are prepared to sell. The decision to sell product at dumped prices directly affects the margin or spread in price ATM is able to achieve in remaining competitive with imports.*

This is reflected in:

- *ATM requesting anti-dumping measures in 2006 with forex in the preceding financial year averaging 0.75, and again in 2008 with forex in the preceding financial year averaging at 0.90;*
- *ATM's contention it has suffered material injury from dumped imports since 2005 and therefore experienced material injury in a range of exchange rate environments (a number of which were identical to the average exchange rate in 2005).*
    - *FY05 average A$/US$ fx 0.75*
    - *FY06 average A$/US$ fx 0.75*
    - *FY07 average A$/US$ fx 0.79*
    - *FY08 average A$/US$ fx 0.90*
    - *FY09 average A$/US$ fx 0.75*
    - *FY10 average A$/US$ fx 0.88*
    - *FY11 average A$/US$ fx 0.99*

Further, ATM has submitted:

ATM contends the key question to be examined by Customs and Border Protection is what would be the impact on the industry if the dumping were removed.

Based on the evidence provided by ATM including:

- *Dumping margins on HSS exports from each of the five countries were significant in FY11;*
- *The ATM price has been, and is directly linked, to the price of import offers. The imposition of measures addressing the dumping margin would result in a material increase in import prices based on FY11 average FOB price of imports of A$910/t;*
- *ATM's raw material cost would be unchanged (assuming HRC price stability); and*
- *The impact on ATM's selling prices would be significant, materially impacting ATM's (EBITDA).*

The impacts of dumping from overseas manufacturers can be separately identified (in directly affecting ATM's margins) from the impact of an appreciating exchange rate that has an offsetting impact on ATM's raw material costs.

In relation to ATM's correspondence with references to exchange rates affecting prices this is entirely to be expected. In an environment where international prices are relatively unchanged and overseas manufacturers continue to supply at dumped prices it is logical short-term import price movements will be affected by movements in exchange rates. This is the reason why overseas offers are typically quoted/linked to a given US$ exchange rate with any variations (up/down) to be passed on to customers whilst the offers remain open. Please refer to copies of import offers provided by ATM where almost all will detail an exchange rate on which the offer is based.

7.10 Conclusion

Based on an analysis of the information contained in the application and obtained and verified during our visit, we consider that the company has experienced injury in the form of:

- price undercutting (discussed further in the following section of this report);
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced revenue;

- reduced return on investment and thus reduced attractiveness to reinvest;
- reduced employment numbers; and
- reduced plant utilisation rates.

A conclusion on market share will be made following analysis of data gathered at visits to the other Australian industry applicants and the importers of the goods.

8 CAUSAL LINK

We discussed with ATM whether the alleged dumping and subsidisation of imported HSS can be demonstrated to be causing material injury to the Australian industry (and ATM).

8.1 Price effects

ATM placed significant emphasis on the evidence contained and submitted within its [redacted] database (see Section 5.3, which discusses verification of the data within the [redacted]) as evidence that its prices have been undercut by imported HSS (or undercut by offers for imported HSS). ATM submits that price depression and suppression has resulted from this undercutting, particularly as ATM now prices with reference to import parity pricing.

ATM emphasised its understanding that, when purchasers of HSS chose between imported and Australian-made HSS, the most important factor in their decision is the price of those goods. ATM explained that, consequently, failure to reach parity with imported HSS price therefore results in lost sales volume, and leads to the overall injury it is has experienced (including reduced profits and profitability).

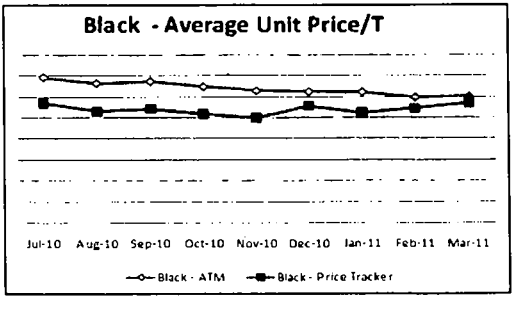
In the application, ATM submitted two charts (Figure A-9.2 (ii) and Figure A-9.2 (iii) of the application), based on its analysis of the [redacted] database, to demonstrate that its prices have been undercut by imported HSS.

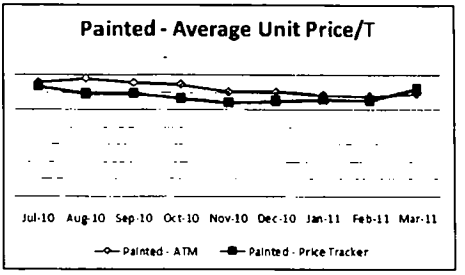
Within CON177, this analysis was considered, and it was determined that it indicated:

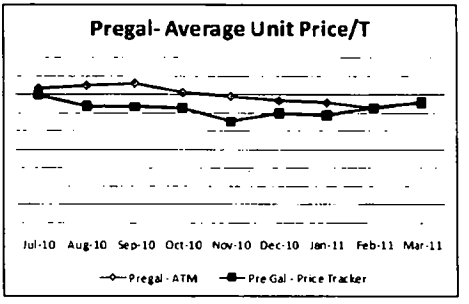
> *...the applicant's prices have been consistently undercut by offers of imported HSS during 2009 and 2010.*

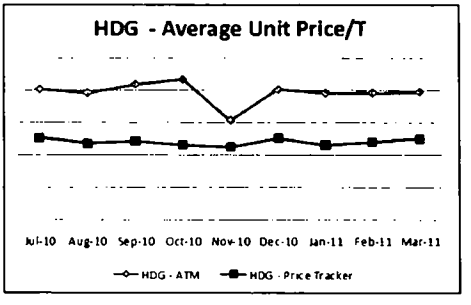
Using the sales data verified within ATM's Appendix A4 (see Chapter 5 of this report), we have undertaken our own comparison between the price tracker database and OneSteel ATM's sales prices.

We note that the [redacted] database price offers are predominantly at FIS Sydney, Brisbane or Melbourne, and ATM prices used are FIS throughout Australia (which includes freight surcharges (or different regional discount rebates) for delivery outside the major Eastern metropolitan centres).









Form the above analysis, taking into consideration the fact that the ATM prices include FIS prices to outside Eastern metropolitan centres, it appears as though ATM's prices have been consistently undercut by import offers across the examined finishes.[17]

During the course of this investigation, Customs and Border Protection will verify actual selling prices in Australia on a broader level, and compare these to Australian industry selling prices in order to conclude on price undercutting.

[17] Noting ATM's ILG HSS has not been included in this analysis, as import offer equivalents are not included in the [redacted] database, with galvanised HSS only listed as pre or hot-dipped galvanised finishes. The appropriate imported finish to compare with ATM's in-line galvanised (Duragal™) product will be considered further throughout the investigation.

In addition to the above evidence as to price undercutting, ATM provided evidence of examples where price negotiations with customers have resulted in the reduction of ATM's selling prices to compete directly with import offers (i.e. cases where ATM's prices have been reduced through individual customer negotiations further than the monthly list prices (already predominately based on import parity pricing – see Section 5.3)).

ATM provided this evidence in the form of multiple '[redacted]documenting one-off and ongoing discounts to specified customers. Within these forms, we observed that often these discount offers were referred to as 'Import Competing Offer' or 'Import Replacement' and in many cases made specific reference to importers and their offers that ATM was seeking to match or beat.

These forms were spread over the period May 2010 – November 2011. These forms are attached as **Confidential Attachment INJ 2**.

Further, ATM provided copies of email correspondence with customers that demonstrate requests to match import pricing. This forms **Confidential Attachment INJ 3**.

8.2 Volume effects

During the verification, ATM provided evidence of lost sales to imported HSS, where it had been unable to secure sales in direct competition with imported HSS.

This took the form of:

- an email chain between a OneSteel Market Mills representative and [redacted] (customer) providing feedback that ATM's offer was [redacted]/t above imported HSS, and there was 'too much of a premium on [redacted]mm' HSS;
- an email from a OneSteel Manufacturing representative noting that they have had 'no success' with seven monthly offers provided to a customer ([redacted]);
- an email from a customer ([redacted]) advising that they would not be placing an order under a specific offer deeming it too expensive as a [redacted] freight charge 'won't go away';
- an email from a customer ([redacted]) advising the ability to finalise a deal with their respective customer ([redacted]) hinges on the charges for extra lengths, noting that [redacted]and imports do not include this extra charge; and
- correspondence between ATM, [redacted] and a customer ([redacted]) outlining that the customer had bought from imports and [redacted]in the past and were seeking a discounted offer from ATM.

These are included in Confidential Attachment INJ 1.

ATM has highlighted that, in one of these examples, a reference was made to the customer purchasing from imports as well as [redacted] ([redacted]correspondence).

The correspondence indicates that price negotiations have been with customers who also purchase imported HSS, and it indicates ATM has experienced losses of sales. While the link between the lost sale and the purchase of allegedly dumped and/or subsidised imported HSS (as opposed to HSS from another Australian industry member, or other

source of exports) is not clear, we consider that these documents provide circumstantial evidence of sales lost directly to imported HSS.

For example, within the email correspondence regarding [redacted], ATM provides the customer with an offer, to which the customer replies that the offer is too expensive and notes 'we will not be placing an order'. However, this correspondence does not indicate whether [redacted] purchased allegedly dumped/subsidised imports instead.

ATM has subsequently submitted that:

> *An analysis of long-term trends in sales volumes and market share in the market for HSS highlights:*
>
> - *ATM's sales volumes have declined significantly from [redacted] tonnes in FY06 to [redacted] tonnes in FY11 (a decline of 33 per cent).*
> - *During this period import volumes from the five nominated countries have increased from 152,000 tonnes in FY06 to average 225 tonnes kt pa over period FY08 to FY11 (representing an average 50 per cent increase).*
> - *Almost all key customers of ATM have purchased significant volumes of imports. The estimated breakdown of lost sales to imports by key domestic customers in FY11 is as follows:*
>
> - *[redacted] 5,600t*
> - *[redacted] 14,550*
> - *[redacted] 10,280t*
> - *[redacted] 7,650t*
> - *[redacted] 4,900t*
> - *[redacted] 475t*
> - *[redacted] 3,800t*
>
> - *[redacted] who has largely supported ATM manufactured product in the market has experienced a sales decline from [redacted] tonnes in FY2006 to [redacted] tonnes in FY11 (a decline of 27 per cent);*
> - *In the period of FY2006 to FY2011 total domestic industry volumes have declined significantly:*
>
> - *[redacted] tonnes to [redacted] tonnes (by approximately 20 per cent)*
> - *Imports have increased from 152,000 tonnes to average 225,000 tonnes from 2008 to 2011 (a growth of 50 per cent).*

ATM challenges any assertions that it has not lost sales to imports or that imports have not been the primary influence on sales volumes is incongruous given:

> - *Long-term volume growth in imports over since 2000/01 (approximates 700% over last 13 years, or an approximate 50% average) and in particular volume growth from the nominated countries. Refer following table with long-term import volumes in HSS.*

Financial Year	Total Import Tonnes
97/98	29270
98/99	53290
99/00	47804
00/01	70091
01/02	106181
02/03	151600
03/04	145167
04/05	150483
05/06	163704
06/07	231133
07/08	195197
08/09	240214
09/10	233410
10/11	216373

- *Long-term decline in local manufacturers market share vs imports (approximately 90% to approximately 55%) since 00/01;*
- *Poor local industry profitability over recent years (why would this be sustained if it was only driven by domestic competition?);*
- *Inability of industry over recent years to recover the cost of capital; and*
- *Continued decline of ATM's position in products not manufactured by other domestic competitors e.g. Galvanised Pipe.*

Following the verification, ATM has provided further documents (internal emails and supporting documents) it submits provide evidence of lost sales to imported HSS. These form **Confidential Attachment INJ 4**.

These documents outline price negotiations between ATM and its customers, as well as between ATM's customers and their respective customers (which would in turn result in sales by ATM to its customers), and in each case advising that these sales were lost to imported HSS (in many cases providing evidence of the monthly offers/understanding of import offers that were below the ATM-offered prices).

Upon examining these documents, we again consider that they provide circumstantial evidence of lost sales by ATM to imports, but note that the direct link between imported HSS and these lost sales is not clearly established.

We consider that further investigation into the loss of sales by the Australian industry to imported HSS should be undertaken throughout the investigation.

9 UNSUPPRESSED SELLING PRICE

ATM advised that it would make a separate submission on the issue of the most appropriate unsuppressed selling price at a later date.

10 GENERAL COMMENTS AND OTHER MATTERS

Other matters of note discussed during the verification are outlined below.

10.1 Use of HRC vs narrow strip

In previous investigations, the differences between using HRC and narrow strip as the raw material feed for HSS has been examined, which was observed to be a feature of the Chinese HSS market.

At the verification, ATM explained that it does not consider that narrow strip is used commonly throughout China anymore, but in any case, the use of HRC is a large advantage over narrow strip, and that any potential savings in purchase price (narrow strip has previously been understood to be cheaper than HRC, though ATM submitted analysis to accompany its application which contradicts this – see CON177 at Section 5.3.2) are diminished via yield loss.

ATM highlighted that, the advantages of using HRC over narrow trip include less changing of the coil feed (increased efficiency) and less steel yield loss from edge slitting (as HRC is wider, it requires less edge slitting than narrow strip).

ATM also advised that only CHS (not RHS, SHS or any other HSS with edges/corners) can be made with narrow strip as it tends to split when formed into edges.

Following the verification visit, ATM has clarified its position on the use of narrow strip in China, submitting that it does consider that narrow strip may be used in the production of CHS, though in a limited capacity.

10.2 Efficiency of ATM

ATM discussed its current rate of efficiency and improvements in efficiency over the past several years.

Notably, ATM observed that its current conversion cost per tonne (CCPT) is less than $ [redacted]/T, contrasted to $[redacted]/T in FY2007.

ATM advised that the 'world class' standard for CCPT is $[redacted]/T.

Further, ATM contrasted its current rate of full-time equivalent labour hours to tonnes of production (over [redacted]) to its rate in FY2007 ([redacted]) and the 'world class' standard (around [redacted]).

Through this, ATM wished to demonstrate that it has made significant improvements in efficiency over the past five years, but that it hadn't seen the benefits of this in its overall performance.

10.3 Overseas cost advantages

We asked ATM whether overseas HSS manufacturers would have any cost advantages over the Australian industry.

ATM advised that if there were any, they would be minimal as:

- HRC is a globally-traded product that should be roughly the same cost in all countries (excluding Thailand and China where ATM alleges there is a particular market situation due to influences on the cost of HRC); and
- HRC forms the vast majority of the cost of HSS and any advantages in labour, etc would only be minimal in terms of total costs.

ATM advised the manufacturing process is essentially the same regardless of origin – there are no 'high-tech' ways of making HSS.

ATM noted some suppliers may not have an accumulator machine in their process like ATM does, but that this makes the process more efficient in any case.

10.4 Role of ITM

We asked ATM about its opinion of ITM's recent entry to the market and whether it had experienced increased competition as a result.

ATM advised that it had not noticed much competition from ITM, and that ITM has had no material impact on ATM.

ATM highlighted that it considers ITM to have a very small market share (less than [redacted]%).

10.5 Market perception of imports

ATM advised that the perception of imports in the Australian HSS market has been improving, and that in some cases imports are seen as equal in quality to Australian-produced HSS.

ATM highlighted there is still the perception within the market that Chinese-manufactured HSS is the poorest quality, noting that it tends to be the least expensive but attracts the highest risk in being purchased (with some exceptions including [redacted], which was established to service the Australian market).

10.6 Global HRC prices

We discussed global prices of HRC with ATM, noting their use of Japan domestic HRC prices within its application for constructing normal values.

ATM explained that these prices were comparable. ATM advised that the East Asia price is a cost and freight (CFR) price into Asia, and the general rule to reduce this price to free-on-board (FOB) terms is to subtract approximately $[redacted]/tonne.

ATM advised that Japanese HRC suppliers are considered highly efficient and that the major Japanese producer is regarded as the lowest-cost HRC producer globally. ATM explained that it considered the Japanese domestic prices appropriate for this reason.

ATM noted that it has observed domestic HRC prices in China to be well below world prices. ATM considers this to be due to government influence in the Chinese steel market, noting that Chinese HRC (and narrow strip) manufacturers do not have a large competitive advantage over global producers. ATM noted that Chinese HRC manufacturers use the same technology and machinery as other manufacturers (generally Japanese or German machinery), and that the process is not highly labour-intensive (and hence China does not have a competitive advantage in terms of labour costs).

11 ATTACHMENTS

Confidential Attachment GEN 1	Introductory presentation
Confidential Attachment GEN 2	ATM and OneSteel Limited's organisational chart
Confidential Attachment GEN 3	ATM legal entity chart
Confidential Attachment GEN 4	Accounting structure and system presentation
Attachment GEN 5	ATM Product Availability Guide
Confidential Attachment GEN 6	Email correspondence – replacement of HDG HSS with Duragal™
Confidential Attachment GEN 7	ATM Newcastle HSS production process
Confidential Attachment GEN 8	Revised Appendix A2
Confidential Attachment GEN 9	Import offers to 350 and 450Mpa grade and AS1163.
Confidential Attachment GEN 10	Formal distributorship agreement ([redacted])
Confidential Attachment GEN 11	Letter to [redacted] declining a distributorship arrangement.
Confidential Attachment GEN 12	Invoices for purchases of imported HSS ([redacted])
Confidential Attachment SALES 1	Pricing and Availability Guide
Confidential Attachment SALES 2	OZRAIL™ and OZTUBE™ offers for May 2011
Confidential Attachment SALES 3	Copies of standard monthly price lists
Confidential Attachment SALES 4	Price offer documents
Confidential Attachment SALES 5	Listing of customers eligible for rebates and settlement discounts.
Confidential Attachment SALES 6	Invoices demonstrating sales of Kembla Grange HSS.
Confidential Attachment SALES 7	ATM Item Master product code listing

Confidential Attachment SALES 8	BPCS Code Inquiry printouts
Confidential Attachment SALES 9	Consolidated detailed ATM sales listing.
Confidential Attachment SALES 10	'Ship to' list demonstrating related customer codes.
Confidential Attachment SALES 11	Upwards sales reconciliation spreadsheet (adjusted by verification team)
Confidential Attachment SALES 12	Hyperion system Precision profit and loss statement – FY2011
Confidential Attachment SALES 13	SAP Structurals profit and loss statement FY 2011
Confidential Attachment SALES 14	Missing warehouse report
Confidential Attachment SALES 15	BPCS quarterly reports and calculations (imported product, Profiles and Kembla Grange products sold).
Confidential Attachment SALES 16	BPCS pivot for A6 missing warehouses.
Confidential Attachment SALES 17	14 selected transaction document bundles
Confidential Attachment CTMS 1	Documents demonstrating the link between the Structurals cost of sales and the audited financial statements
Confidential Attachment CTMS 2	Somerton production volume report
Confidential Attachment CTMS 3	Documents that demonstrate the link between the 'Input' spreadsheet and the invoices for purchases of HRC
Confidential Attachment CTMS 4	Documents supporting the cost of electricity
Confidential Attachment CTMS 5	Documents lining the 'Input' spreadsheet amounts for depreciation and the asset register
Confidential Attachment CTMS 6	Documents linking itemised administration expenses to the 'Input' spreadsheet
Confidential Attachment CTMS 7	SAP ledger for freight expenses
Confidential Attachment CTMS 8	Interest expense ledgers
Confidential Attachment INJ 1	Email correspondence to display lost sales (also including exchange rate comments)

Confidential Attachment INJ 2	Pricing Agreement Forms and email correspondence of pricing negotiations.
Confidential Attachment INJ 3	Email correspondence requesting import parity pricing

ATM Attachment + Gen 5

Product Availability Guide

TABLE OF CONTENTS

MEDIUM - RED PAINTED
PLAIN ENDS, SCREWED ONE END, SCREWED BOTH ENDS AND SCREWED & SOCKETED

Designation d_o mm t	Nominal Size DN	Painted PE	Painted SOE	Painted SBE	Painted SS	Pack Size	Painted PE, SOE & SBE	Painted SS
		6.5 Metres				Lnth	kg/m	
33.0 x 2.6	20 M	✓	-	-	-	127	1.56	-
33.7 x 3.2	25 M	✓	✓	✓	X	91	2.41	-
42.4 x 3.2	32 M	✓	✓	✓	X	61	3.10	3.14
48.3 x 3.2	40 M	✓	✓	X	X	61	3.57	3.61
60.3 x 3.6	50 M	✓	✓	✓	X	37	5.09	5.10
76.1 x 3.6	65 M	✓	-	X	-	37	6.42	-
88.9 x 4.0	80 M	✓	-	-	-	19	8.33	-
101.6 x 4.0	90 M	X	-	-	-	19	9.62	-
114.3 x 4.5	100 M	✓		X	X	13	12.2	12.4
139.7 x 5.0	125 M	✓	-	-	X	13	16.6	17.0
165.1 x 5.0	150 M	✓	X	X	X	10	19.7	20.2

✓ Cells are in stock items.

X Cells are available overything only. Refer to Delivery Schedule.

X Solid cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: Dual Stenciled - AS1074 and AS1163 C250L0

For N/OO items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

EXTRA LIGHT - CLEAR, HOT DIP GAL, SUPAGAL® & DURAGAL® - PLAIN ENDS

Designation d_o mm	t mm	Nominal Size DN	Clear	Hot Dip Gal	SupaGal+	DuraGal+	Pack Size	Clear SupaGal+ DuraGal+	Hot Dip Gal
			6.5 Metres				Lns	kg/m	
26.9 x	2.0	20 XL	X	X	X	A	127	1.23	1.25
33.7 x	2.0	25 XL	X	✓	✓	X	91	1.56	1.62
42.4 x	2.0	32 XL	X	✓	X	X	61	1.99	2.07
48.3 x	2.3	40 XL	✓	✓	X	X	61	2.61	2.70
60.3 x	2.3	50 XL	X	✓	X	X	37	3.29	3.40
76.1 x	2.3	65 XL	-	X	-	-	37	4.19	4.33
88.9 x	2.6	80 XL	-	X	-	-	19	5.53	5.70
101.6 x	2.6	90 XL	-	X	-	-	19	6.25	6.53
114.3 x	3.2	100 XL	X	X	-	-	19	9.77	9.98
139.7 x	3.0	125 XL	X	X	-	-	19	10.1	10.4
165.1 x	3.0	150 XL	X	X	-	-	19	12.0	12.3

Extra Light

LIGHT - CLEAR & HOT DIP GAL - PLAIN ENDS

Designation d_o mm	t mm	Nominal Size DN	Clear	Hot Dip Gal	Pack Size	Clear	Hot Dip Gal
		6.5 Metres			Lns	kg/m	
26.9 x	2.3	20 L	✓	X	127	1.40	1.44
33.7 x	2.6	25 L	X	✓	91	1.99	2.05
42.4 x	2.6	32 L	X	✓	61	2.55	2.63
48.3 x	2.9	40 L	X	✓	61	3.25	3.33
60.3 x	2.9	50 L	X	✓	37	4.11	4.21
76.1 x	3.2	65 L	X	X	37	5.75	5.89
88.9 x	3.2	80 L	X	X	19	6.76	6.92
101.6 x	3.2	90 L	X	X	19	7.77	7.95
114.3 x	3.6	100 L	X	X	19	9.83	10.0
139.7 x	3.5	125 L	X	X	13	11.8	12.0
165.1 x	3.5	150 L	X	X	10	13.9	14.5

Light

EXTRA LIGHT & LIGHT - CLEAR & HOT DIP GAL - SWAGED ONE END, SWAGED BOTH ENDS

Designation d_o mm	t mm	Nominal Size DN	Clear SWOE	Hot Dip Gal SWOE	Hot Dip Gal SWBE	Pack Size	Clear	Hot Dip Gal
		6.5 Metres				Lns	kg/m	
26.9 x	2.0	20 XL	-	X	X	127	1.23	1.28
33.7 x	2.0	25 XL	-	X	X	91	1.56	1.62
33.7 x	2.6	25 L	-	X	X	91	1.99	2.05
42.4 x	2.0	32 XL	-	✓	X	61	1.99	2.07
42.4 x	2.6	32 L	-	✓	X	61	2.55	2.63
48.3 x	2.3	40 XL	-	X	X	61	2.61	2.70
48.3 x	2.9	40 L	-	X	X	61	3.25	3.33
60.3 x	2.3	50 XL	-	X	X	37	3.29	3.40
60.3 x	2.9	50 L	-	X	-	37	4.11	4.21

Swaged

✓ Cells are ex-stock items

X Cells are available ex-rolling only. Refer to Delivery Schedule.

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: AS1163 C350L0 Hot Dip Gal - AS/NZS4792 HDG 300

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greatest as close to being within the +/-10% volume tolerance as possible.

Medium Painted

MEDIUM - CLEAR PLAIN ENDS, SCREWED ONE END, SCREWED BOTH ENDS & SCREWED & SOCKETED

Designation d_o t mm	Nominal Size DN	Clear PE	Clear SOE	Clear SBE	Clear SS	Pack Size	Clear PE, SOE & SBE	Clear SS
		6.5 Metres				Lns	kg/m	
21.3 x 2.6	15 M*	✓	-	-	-	217	[illegible]	-
26.9 x 2.6	20 M	✓	X	X	-	127	[illegible]	[illegible]
33.7 x 3.2	25 M	✓	-	X	-	91	2.41	2.44
42.4 x 3.2	32 M	✓	-	X	-	61	3.10	3.14
48.3 x 3.2	40 M	✓	-	X	-	61	3.57	3.61
60.3 x 3.6	50 M	✓	-	X	-	37	5.03	5.10
76.1 x 3.6	65 M	✓	-	-	-	37	6.43	6.52
88.9 x 4.0	80 M	✓	-	-	-	19	8.27	8.52
101.6 x 4.0	90 M	X	-	-	-	19	[illegible]	-
114.3 x 4.5	100 M	✓	-	-	-	19	12.2	12.4
139.7 x 5.0	125 M	✓	-		-	13	16.6	17.0
165.1 x 5.0	150 M	✓	-	-	-	10	19.7	20.2

Medium Hot Dip Gal

MEDIUM - HOT DIP GAL PLAIN ENDS, SCREWED ONE END, SCREWED BOTH ENDS & SCREWED & SOCKETED

Designation d_o t mm	Nominal Size DN	Hot Dip Gal PE	Hot Dip Gal SOE	Hot Dip Gal SBE	Hot Dip Gal SS	Pack Size	Hot Dip Gal PE, SOE & SBE	Hot Dip Gal SS
		6.5 Metres				Lns	kg/m	
21.3 x 2.6	15 M*	✓	-	-	-	217	1.24	-
26.9 x 2.6	20 M	✓	X	X	X	127	1.60	1.62
33.7 x 3.2	25 M	✓	X	✓	X	91	2.47	2.50
42.4 x 3.2	32 M	✓	X	✓	X	61	3.18	3.21
48.3 x 3.2	40 M	✓	X	✓	X	61	3.65	3.70
60.3 x 3.6	50 M	✓	X	✓	X	37	5.14	5.21
76.1 x 3.6	65 M	✓	X	X	X	37	6.56	6.67
88.9 x 4.0	80 M	✓	X	X	X	19	8.53	8.68
101.6 x 4.0	90 M	✓	X	X	-	19	9.81	-
114.3 x 4.5	100 M	✓	X	✓	X	19	12.4	12.6
139.7 x 5.0	125 M	✓	X	X	X	13	16.9	17.2
165.1 x 5.0	150 M	✓	X	X	X	10	20.6	20.5

✓ Cells are ex-stock items

X Cells are available ex-rolling only. Refer to Delivery Schedule

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule.

Specifications: Dual Spec/Pipe - AS1074 and AS1163 C250L0. Hot Dip Gal - AS/NZS4792 HDG 300.

*DN 15 M supplied as ATM0601 in oiled and Hot Dip Gal finish only

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

HEAVY - CLEAR PLAIN ENDS, SCREWED ONE END, SCREWED BOTH ENDS & SCREWED & SOCKETED

Designation d_o x t mm	Nominal Size DN	Clear PE	Clear SOE	Clear SBE	Clear SS	Pack Size	Clear PE, SOE & SBE	Clear SS
		6.5 Metres				Lns	kg/m	
26.9 x 3.2	20 H	✓	X	X	-	127	1.67	1.69
33.7 x 4.0	25 H	✓	X	X	-	91	3.04	3.06
42.4 x 4.0	32 H	✓	X	X	-	61	3.80	3.83
48.3 x 4.0	40 H	✓	X	X	-	61	4.56	4.43
60.3 x 4.5	50 H	✓	X	X	-	37	6.19	6.26
76.1 x 4.5	65 H	X	-	-	-	37	7.92	8.04
88.9 x 5.0	80 H	X	-	X	-	19	10.3	10.5
101.6 x 5.0	90 H	✓	-	-	-	19	11.9	-
114.3 x 5.4	100 H	✓	-	-	X	19	14.5	14.7
139.7 x 5.4	125 H	✓	-	-	-	10	17.9	18.2
165.1 x 5.4	150 H	X	-	-	-	10	21.3	21.7

Heavy Painted

HEAVY - HOT DIP GAL PLAIN ENDS, SCREWED ONE END, SCREWED BOTH ENDS & SCREWED & SOCKETED

Designation d_o x t mm	Nominal Size DN	Hot Dip Gal PE	Hot Dip Gal SOE	Hot Dip Gal SBE	Hot Dip Gal SS	Pack Size	Hot Dip Gal PE, SOE & SBE	Hot Dip Gal SS
		6.5 Metres				Lns	kg/m	
26.9 x 3.2	20 H	X	X	X	X	127	1.92	1.95
33.7 x 4.0	25 H	X	X	X	-	91	3.00	3.02
42.4 x 4.0	32 H	✓	X	X	X	61	3.87	3.91
48.3 x 4.0	40 H	✓	X	X	X	61	4.46	4.51
60.3 x 4.5	50 H	✓	X	✓	X	37	6.30	6.37
76.1 x 4.5	65 H	X	X	X	X	37	8.07	8.18
88.9 x 5.0	80 H	X	X	X	-	19	10.5	10.7
101.6 x 5.0	90 H	X	X	X	-	19	12.1	-
114.3 x 5.4	100 H	X	X	X	X	19	14.7	14.9
139.7 x 5.4	125 H	X	X	X	X	13	18.1	18.5
165.1 x 5.4	150 H	X	X	X	X	10	21.6	22.0

Heavy Hot Dip Gal

EXTRA HEAVY - CLEAR PLAIN ENDS*

Designation d_o x t mm	Nominal Size DN	Clear	Pack Size	Clear
	6.5 Metres		Lns	kg/m
26.9 x 4.0	20 XH	X	127	2.26
48.3 x 5.4	40 XH	✓	61	5.71
60.3 x 5.4	50 XH	✓	37	7.31
76.1 x 5.9	65 XH	✓	37	10.2
88.9 x 5.9	80 XH	✓	19	12.1

Extra Heavy Painted

✓ Cells are ex-stock items

X Cells are available ex-rolling only. Refer to Delivery Schedule

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule.

Specifications: Dual Specified - AS1074 and AS1163 C250L0. Hot Dip Gal - AS/NZS4792 HDG 300

*Extra Heavy Plain Ends is supplied to AS 1163 C250L0 only

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

LARGE STRUCTURAL - CLEAR PLAIN ENDS

Designation d_o mm		t	Clear	Pack Size	Clear & LiteOil
		12.0 Metres		Lgs	kg/m
165.1	x	4.0	-	-	15.2
		4.8	✓	1	18.0
		5.0	-	1	20.1
		6.0	-	1	24.0
		6.4	✓	1	25.6
		7.1	X	1	28.2
		8.0	-	1	31.5
		10.0	-	1	39.0
219.1	x	4.8	✓	1	25.4
		5.0	-	1	26.4
		6.0	-	1	31.7
		6.4	✓	1	33.6
		8.0	-	1	41.6
		8.2	X	1	42.6
		10.0	-	1	51.5
		12.5	-	1	63.7
273.1	x	4.8	X	1	31.8
		5.0	-	1	33.1
		6.0	-	1	39.5
		6.4	X	1	42.1
		8.0	-	1	52.3
		9.3	X	1	60.5
		10.0	-	1	64.9
		12.5	-	1	80.3
323.9	x	6.0	-	1	47.0
		6.4	X	1	50.1
		8.0	-	1	62.3
		9.5	X	1	73.7
		10.0	-	1	77.4
		12.5	-	1	96.0
		12.7	X	1	97.5
355.6	x	6.4	X	1	55.1
		8.0	-	1	68.6
		9.5	X	1	81.1
		10.0	-	1	85.2
		12.5	-	1	106
		12.7	X	1	107
		16.0	-	1	134

✓ Cells are ex-stock items.

X Cells are available ex-rolling only. Refer to Delivery Schedule

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: AS1163 C350L0

Availability: Sizes subject to enquiry, including NOPC (No oil or paint coating and no end cone).

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

LARGE STRUCTURAL - CLEAR PLAIN ENDS

Designation d_o	t mm	Clear	Pack Size	Clear & LiteOil
	12.0 Metres		Lns	kg/m
406.4 x	6.4	-	1	[illegible]
	8.0	-	1	78.6
	9.5	X	1	93.0
	10.0	-	1	97.8
	12.5	-	1	121
	12.7	✓	1	123
	16.0	-	1	154
457.0 x	6.4	X	1	71.1
	9.5	X	1	105
	10.0	-	1	110
	12.5	-	1	137
	12.7	X	1	139
	16.0	-	1	174
508.0 x	6.4	**X**	1	79.2
	9.5	**X**	1	117
	10.0	-	1	123
	12.5	-	1	153
	12.7	**X**	1	155
	16.0	-	1	194

✓ Cells are standard items

X Cells are available by ordering only. Refer to Delivery Schedule

X Bold cells are ... and require MOQ. Refer to Delivery Schedule

Specifications: AS1163 C350L0

Availability: Sizes subject to enquiry, including NOPC (no oil or paint coating and no end code).

For MOQ items the actual delivery quantity will be to the nearest pack or part pack whichever is greater as close to being within the +/-10% volume tolerance as possible.

Large Structural

SHS - PAINTED, SUPAGAL® & DURAGAL®

Designation d x b x t mm	Painted C350L0	Painted DualGrade[1]	SupaGal® C350L0	SupaGal® DualGrade[2]	DuraGal® DualGrade[2]	Pack Size (Lns) All Listed Finishes 6.0m	Pack Size (Lns) All Listed Finishes 8.0m	All Listed Finishes kg/m
20 x 20 x 1.6	✓	-	✓	X	✓	96	-	0.973
2.0	X	-	X	-	-	96	-	1.05
25 x 25 x 1.6	✓	-	✓	X	✓	100	-	1.12
2.0	✓	X	✓	X	✓	100	-	1.36
2.5	✓	X	✓	X	✓	100	-	1.64
3.0	✓	X	✓	-	X	100	-	1.89
30 x 30 x 1.6	X	-	X	-	✓	-	100	1.38
2.0	✓	X	X	-	✓	-	100	1.66
2.5	X	X	X	-	-	-	100	2.03
3.0	X	-	X	-	-	-	64	2.36
35 x 35 x 1.6	X	-	X	X	✓	-	100	1.65
2.0	✓	-	X	-	✓	-	100	1.99
2.5	✓	-	✓	-	✓	-	64	2.42
3.0	✓	-	X	-	X	-	64	2.82
40 x 40 x 1.6	✓	-	✓	X	✓	-	81	1.88
2.0	✓	X	✓	-	✓	-	81	2.31
2.5	✓	X	✓	X	✓	-	64	2.82
3.0	✓	X	✓	-	✓	-	64	3.30
4.0	✓	X	X	-	✓	-	49	4.09
50 x 50 x 1.6	✓	-	✓	-	✓	-	64	2.38
2.0	✓	X	✓	X	✓	-	64	2.93
2.5	✓	X	✓	X	✓	-	49	3.60
3.0	✓	-	✓	X	✓	-	49	4.25
4.0	✓	X	✓	X	✓	-	36	5.35
5.0	✓	X	X	X	✓	-	30	6.39
6.0	-	X	-	-	-	-	25	7.32
65 x 65 x 1.6	X	X	X	X	X	-	49	3.13
2.0	X	X	-	✓	✓	-	42	3.88
2.5	X	X	-	✓	✓+	-	42	4.78
3.0	✓	✓	-	✓	✓	-	36	5.65
4.0	✓	✓	-	X	✓	-	30	7.25
5.0	✓	X	-	X	X	-	25	8.75
6.0	✓	✓	-	-	X	-	20	10.1

✓ Cells are stocked items

X Cells are available as ex-rolling only. Refer to Delivery Schedule.

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule.

50x50x6 is supplied as C350

[1] These products are coated with S-Tek™ (steel polymer coating) and are not primer painted

+ Also available in standard 12m pack lengths

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greatest as close to being within the +/-10% volume tolerance as possible

SHS - PAINTED, SUPAGAL® & DURAGAL®

Designation d b t mm	Painted C350L0	Painted DualGrade[1]	SupaGal® C350L0	SupaGal® DualGrade®	DuraGal® DualGrade®	Pack Size (Lns) All Listed Finishes 8.0m	Pack Size (Lns) All Listed Finishes 12.0m	All Listed Finishes kg/m
75 x 75 x 2.0	X	X	X	X	✓	30	-	4.50
2.5	✓	X	-	✓	✓	30	30	5.56
3.0	✓	✓	-	✓	✓	30	25	6.60
3.5	✓	X	-	✓	X	25	20	7.53
4.0	✓	✓	-	✓	✓	25	15	8.49
5.0	✓	✓	-	✓	✓	20	12	10.3
6.0	✓	✓	-	-	X	16	-	12.0
89 x 89 x 2.0	-	-	-	✓		20	-	5.38
3.5	✓	✓	-	✓	✓	20	16	9.07
5.0	✓	✓	-	✓	✓	16	12	12.5
6.0	✓	✓	-	-	✓	12	9	14.7
90 x 90 x 2.0	X	-	-	-	-	20	-	5.35
100 x 100 x 2.0	X	X	-		✓	20	20	6.07
2.5	**X**	**X**	-	**X**	**X**	20	-	7.53
3.0	✓	✓	-	✓	✓	20	16	8.96
4.0	✓	✓	-	✓	✓	16	12	11.6
5.0	✓	✓	-	✓	✓	12	9	14.2
6.0	✓	✓	-	-	✓	12	9	16.7
125 x 125 x 4.0	✓	✓	-	-	-	12	9	14.8
5.0	✓	✓	-	-	-	12	9	18.2
6.0	✓	✓	-	-		9	6	21.4
150 x 150 x 5.0	✓	✓	-	-	-	9	6	22.1
6.0	✓	✓	-	-	-	6	6	26.2

✓ Cells are ex-stock items.
X Cells are available ex-rolling only. Refer to Delivery Schedule
X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: All sections to AS 1163 C350L0 or AS 1163 DualGrade® C350L0/C450L0 as marked.

Standard lengths are 8 metres.

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible.

SHS - CLEAR, LITEOIL & PAINTED

Designation d b t mm	Clear*	LiteOil	Painted	Pack Size (Lns) All Listed Finishes 6.0m	12.0m	All Listed Finishes kg/m
100 x 100 x 8.0	-	X	-	-	6	21.4
9.0	-	✓	-	[illegible]	6	23.5
10.0	-	X	-	-	6	25.6
125 x 125 x 8.0	-	X	-	-	4	27.[illegible]
9.0	-	✓	-	6	4	30.6
10.0	-	X	-	-	4	33.4
150 x 150 x 8.0	-	X	-	-	4	32.9
9.0	-	✓	-	[illegible]	4	37.[illegible]
10.0	-	✓	-		2	41.[illegible]
200 x 200 x 5.0	-	-	✓	[illegible]	4	29.9
6.0	-	-	✓	4	4	35.6
8.0	X	-	-	-	2	46.5
9.0	✓	-	-	[illegible]	[illegible]	51.8
10.0	-	X	-	-	2	57.0
12.5	-	X	-	-	2	69.4
16.0	-	X	-	-	1	85.5
250 x 250 x 6.0	✓	-	-	-	2	45.0
8.0	X	-	-	-	2	59.1
9.0	✓	-	-	2	2	65.9
10.0	-	✓	-	-	2	72.7
12.5		✓	-		1	89.0
16.0	-	X	-	-	1	111
300 x 300 x 8.0		✓	-	-	1	71.6
10.0	-	✓	-	-	1	88.4
12.5	-	✓	-		1	109
16.0	-	✓	-	-	1	136
350 x 350 x 8.0	-	X	-	-	1	84.2
10.0	-	✓	-	-	1	104
12.5	-	✓	-	-	1	129
16.0	-	X	-		1	161
400 x 400 x 10.0	-	✓	-	-	1	120
12.5	-	✓	-	-	1	148
16.0	-	✓	-	-	1	186

✓ Cells are in stock items

X Cells are available ex-rolling only. Refer to Delivery Schedule.

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule.

Specifications: All sections to AS 1163 C350L0 or AS 1163 DuoGrade® C350L0/C450L0 as marked

Standard lengths are 12 metres

* Temporary rust preventative

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

RHS - PAINTED, SUPAGAL® & DURAGAL®

Designation d x b x t (mm)	Painted C350L0	Painted DualGrade®	SupaGal® C350L0	SupaGal® DualGrade®	DuraGal® DualGrade®	Pack Size (Lns) All Listed Finishes 6.0m	Pack Size (Lns) All Listed Finishes 12.0m	All Listed Finishes kg/m
50 x 25 x 1.6	✓	-	✓	X	✓	96	-	1.75
2.0	✓	-	✓	X	✓	96	-	2.15
2.5	✓	-	✓	X	✓	72	-	2.62
3.0	✓	-	✓	X	✓	60	-	3.07
65 x 35 x 2.0	✓	-	✓	-	✓	54	-	3.03
2.5	✓	-	✓	-	✓	54	-	3.80
3.0	✓	X	✓	X	✓	45	-	4.25
4.0	X	-	-	X	-	35	-	5.35
75 x 25 x 1.6	X	-	X	X	X	65	-	2.08
2.0	X		X	-	X	65	-	2.93
2.5	X	-	X	-	X	48	-	3.60
75 x 50 x 1.6	✓	-	-	X	X	54	54	3.01
2.0	✓	X	-	✓	✓	42	42	3.72
2.5	✓	✓	-	✓	✓	42	-	4.58
3.0	✓	✓	-	✓	✓	35	24	5.42
4.0	✓	✓	-	✓	✓	28	24	6.92
5.0	✓	✓	-	X	Y	24	-	8.35
6.0	✓	X	-	-	-	20	16	9.67
76 x 38 x 2.5	-	X	-	-	-	20	-	4.15
3.0	X	X	-	X	-	20	-	4.90
4.0	-	X	-		-	16	-	6.23
100 x 50 x 1.6	X	X	-	-	✓	32	32	3.64
2.0	✓	✓	-	✓	✓	32	32	4.50
2.5	✓	✓	-	✓	✓	32	24	5.56
3.0	✓	✓	-	✓	✓	32	24	6.60
3.5	X	X	-	X	X	24	18	7.53
4.0	✓	✓	-	✓	✓	24	18	8.49
5.0	✓	✓	-	✓	✓	18	15	10.3
6.0	✓	✓	-	-	X	15	12	12.0

✓ Cells are ex-stock items

X Cells are available at ordering only. Refer to Delivery Schedule

X Bold cells are ex-mill and require MOQ. Refer to Delivery Schedule

Specifications: All AS 1163 C350L0 or AS 1163 DualGrade® C350L0/C450L0 as mentioned

Standard lengths are 6 metres

For MOQ items the actual delivery quantity will be to the nearest pack or part pack, whichever is greatest as close to being within the +/-10% volume tolerance as possible

RHS - PAINTED, SUPAGAL© & DURAGAL®

Designation d b t mm	Painted C350L0	Painted DualGrade	SupaGal© C350L0	SupaGal© DualGrade	DuraGal® DualGrade	Pack Size (Lns) All Listed Finishes 6.0m	Pack Size (Lns) All Listed Finishes 12.0m	All Listed Finishes kg/m
102 x 76 x 3.5	-	✓	-	-	-	12	-	9.07
5.0	-	✓	-	-	-	9	-	12.5
6.0	-	✓	-	-	-	6	-	14.7
125 x 75 x 2.0	X	X	-	-	X	24	-	6.07
2.5	-	-	-	X	X	24	20	7.53
3.0	✓	✓	-	✓	✓	20	15	8.96
4.0	✓	✓	-	✓	✓	15	15	11.6
5.0	✓	✓	-	X	✓	15	12	14.2
6.0	✓	✓	-		Y	12	6	16.7
127 x 51 x 3.5	-	✓	-	-	-	12	-	9.07
5.0	-	X	-	-	-	6	-	12.5
6.0	-	✓	-	-	-	9	-	14.7
150 x 50 x 2.0	X	X	-	-	✓	21	21	6.07
2.5	X	X	-	X	X	24	-	7.53
3.0	✓	✓	-	✓	✓	21	15	8.96
4.0	✓	✓	-	✓	✓	15	15	11.6
5.0	✓	✓	-	✓	✓	15	9	14.2
6.0	X	X	-		X	15	9	16.7
150 x 100 x 4.0	✓	✓	-	-	-	12	9	14.8
5.0	✓	✓	-	-	-	12	8	18.2
6.0	✓	✓	-	-	-	9	6	21.4
152 x 76 x 5.0	-	✓	-	-	-	6	6	16.4
6.0	-	✓	-	-	-	6	6	19.4
200 x 100 x 4.0	✓	✓	-	-	-	8	6	17.9
5.0	✓	✓	-	-	-	8	6	22.1
6.0	✓	✓	-	-	-	8	4	26.2

✓ Cells are ex-stock items.
X Cells are available ex-rolling only. Refer to Delivery Schedule
X Bulk cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: AS 1163 C350L0 or AS 1163 DualGrade - C350L0/C450L0 as marked
Standard lengths are 8 metres
For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

RHS

RHS - CLEAR, LITEOIL & PAINTED

Designation d	b	t	Clear*	LiteOil	Painted	Pack Size (Lns) All Listed Finishes 3.0m	Pack Size (Lns) All Listed Finishes 12.0m	All Listed Finishes kg/m
	mm							
150	x 90	x 6.0	-	X	-	-	4	27.7
		9.0	-	✓	-	3	4	30.5
		10.0	-	X	-	-	4	33.4
200	x 100	x 3.0	-	X	-	-	4	33.9
		9.0	-	X	-	-	4	37.7
		10.0	-	X	-	-	2	41.5
250	x 150	x 5.0	-	-	✓	5	5	29.9
		6.0	-	-	✓	4	4	35.6
		8.0	✓	-	-	4	2	46.5
		9.0	X	-	-	4	2	51.8
		10.0	-	X	-	-	2	57.0
		12.5	-	✓	-	-	2	69.4
		16.0	-	X	-	-	1	85.5
300	x 200	x 6.0	-	✓	-	-	2	45.0
		8.0	-	✓	-	-	2	59.1
		10.0	-	✓	-	-	2	72.7
		12.5	-	✓	-	-	1	89.0
		16.0	-	X	-	-	1	111
350	x 250	x 8.0	-	✓	-	-	2	71.6
		10.0	-	X	-	-	1	88.4
		12.5	-	✓	-	-	1	109
		16.0	-	X	-	-	1	136
400	x 200	x 8.0	-	X	-	-	2	71.6
		10.0	-	✓	-	-	1	88.4
		12.5	-	✓	-	-	1	109
		16.0	-	✓	-	-	1	136
400	x 300	x 8.0	-	✓	-	-	1	84.2
		10.0	-	X	-	-	1	104
		12.5	-	X	-	-	1	128
		16.0	-	✓	-	-	1	161

✓ Cells are available items.

X Cells are available excluding only. Refer to Delivery Schedules.

✗ Solid cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications: AS/NZS 1163 C350L0 or AS 1163 DuraGrade® C350L0/C450L0 as marked

Standard lengths are 12 metres.

* Temporary rust preventative

For MOQ items the actual delivery quantity will be to the nearest pack or full pack. Whichever is greater as close to being within the +A10% volume tolerance as possible

POST - GAL140®

Designation d	b	t mm	GAL140® DualGrade®	MOQ	MOQ	Pack Size	GAL140®
		6.0 Metres		Pack	Tonnes	Lrs	kg/m
50	x 50	x 2.0	X	8	7.2	20	5.45

BUILDING PRODUCTS - GAL140®

Designation d	b	t mm	GAL140® DualGrade®	MOQ	MOQ	Pack Size	GAL140®
		6.0 Metres		Pack	Tonnes	Lrs	kg/m
75	x 50	x 1.6	X	4	3.0	54	3.01
90	x 30	x 2.5	X	12	10.0	35	6.74
100	x 50	x 1.6	X	6	7.5	32	5.04
		2.0	X	5	6.0	30	4.50
150	x 50	x 2.0	X	8	9.2	21	6.07
		3.0	X	5	7.0	21	8.96

✓ Coils are in stock items

X Coils are available ex rolling only. Refer to Delivery Schedule

X Extra coils are available ex rolling but not in MOQ. Refer to Delivery Schedule

specifications: AS 1163 DualGrade® C350L0/C450L0.

GAL140® products are Hot Dip Galvanized to Section 3 AS/NZS 4792 with a minimum average zinc coating of 140g/m² on both internal and external surfaces.

MOQ Fast quantities refer to standard length only.

For non standard length, please calculate using the MOQ tonnes

For MOQ items the actual delivery quantity will be to the nearest pack, or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible

Grade C350L0 & DualGrade® C350L0/C450L0

UNIRAIL - SUPAGAL®

Designation d b t (mm)	SupaGal® C350L0	Pack Size	SupaGal®
6.1 Metres		Lns	kg/m
60 x 45 x 2.0	X	36	2.88

STOCKRAIL - PAINTED, SUPAGAL® & DURAGAL®

Designation d b t (mm)	Painted C350L0	SupaGal® C350L0	DuraGal® DualGrade®	Pack Size	Painted SupaGal® DuraGal®
	6.1 Metres			Lns	kg/m
53 x 35 x 1.6	-	X	-	48	1.77
97 x 40 x 2.0	-	X	-	21	3.65
115 x 42 x 2.5	X	X	-	21	5.30

YARDRAIL - DURAGAL®

Designation d b t (mm)	DuraGal® DualGrade®	Pack Size	DuraGal®
6.0 Metres		Lns	kg/m
120 x 48 x 2.0	X	18	4.53

SILO - PAINTED, SUPAGAL® & DURAGAL®

Designation d b t (mm)	Painted DualGrade®	SupaGal® DualGrade®	DuraGal® DualGrade®	Pack Size	Painted SupaGal® DuraGal®
	8.0 Metres			Lns	kg/m
75 x 64 x 2.3	X	-	-	36	4.33
2.5	**X**	**X**	-	36	4.75
3.0	X	X	-	36	5.56
4.0	-		X	24	7.20

✓ Cells are ex-stock items

X Cells are available ex-rolling only. Refer to Delivery Schedule

X Bold cells are ex-rolling and require MOQ. Refer to Delivery Schedule

Specifications - AS 1163 C350L0 or AS 1163 DualGrade® C350L0/C450L0 as marked.

Non standard lengths subject to enquiry.

For MOQ items the actual delivery quantity will be to the nearest pack or part pack (whichever is greater) as close to being within the +/-10% volume tolerance as possible.

Standard Surface Finishes	Description
Painted	Painted products are primer painted for protection during storage and handling.
SupaGal®	SupaGal® products are Hot Dip Gal to Section 3 of AS/NZS 4792 with a minimum average zinc coating of 100g/m2 on both the internal and external surfaces.
DuraGal®	DuraGal® products are Hot Dip Gal to AS/NZS 4792 HDG 100 with a minimum average zinc coating of 100g/m2 on the external surface.
GAL140®	GAL140® products are Hot Dip Gal to Section 3 AS/NZS 4792 with a minimum average zinc coating of 140g/m2 on both internal and external surfaces.
Hot Dip Gal	Hot Dip Gal pipe has a minimum galvanized coating mass of 300g/m2 both inside and out to AS/NZS 4792 Section 2.
LiteOil	LiteOil products have a light protective oil coating and comes standard on selected products.
Si-Tek™	Si-Tek™ is a silicon based polymer coating to protect against corrosion.
Clear	Clear products are coated with a clear coat coating.

Non-Standard Surface Finishes	Description
NOFC	No oil or paint coating and no end code. Available on request ex-rolling only and may be subject to MOQ.
LiteOil	Available on selected sections on request and may be subject to MOQ.

Grades	Description
C250L0	Cold-formed Grade C250 hollow section to AS 1163 with L0 properties
C350L0	Cold-formed Grade C350 hollow section to AS 1163 with L0 properties
C450L0	Cold-formed Grade C450 hollow section to AS 1163 with L0 properties
DualGrade® C350L0/C450L0	DualGrade® properties which satisfies AS 1163 Grades C350L0 and C450L0

Order Quantity	Description
Minimum Order Quantity (MOQ)	Minimum order quantity is subject to change. Refer to our Sales Representative for current applicable minimum order quantity.
Non-Standard Lengths	For non-standard lengths please refer to your Sales Representative for availability and minimum order requirements. The quantity supplied in non-standard mill lengths can vary from -10 to +10% and may include part packs.

Abbreviation	Description
B	Width of section
CHS	Circular Hollow Section
d	Depth of section
DN	Nominal Size
D_o	Outside Diameter of a Circular Hollow Section (CHS)
H	Heavy
L	Light
Lps	Lengths per pack
M	Medium
PE	Plain Ends
RHS	Rectangular Hollow Section
SBE	Screwed Both Ends
SHS	Square Hollow Section
SOE	Screwed One End
SS	Screwed and Socketed
t	Thickness of section
XH	Extra Heavy
XL	Extra Light