



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 370

**ALLEGED DUMPING OF ZINC COATED (GALVANISED)
STEEL**

**EXPORTED FROM THE REPUBLIC OF INDIA (INDIA),
MALAYSIA AND THE SOCIALIST REPUBLIC OF
VIETNAM (VIETNAM)**

AND

**ALLEGED SUBSIDISATION OF GALVANISED STEEL
EXPORTED FROM INDIA AND VIETNAM**

VISIT REPORT - IMPORTER

CEDEX STEEL AND METALS PTY LTD

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

November 2016

CONTENTS

CONTENTS	2
BACKGROUND	3
AUSTRALIAN SALES.....	4
VERIFICATION OF SALES TO AUDITED FINANCIAL STATEMENTS	4
VERIFICATION OF SALES TO SOURCE DOCUMENTS	4
RELATED PARTY CUSTOMERS.....	4
IMPORTS.....	5
THE GOODS.....	5
VERIFICATION OF IMPORTATION AND SELLING COSTS.....	5
IMPORT LISTING	5
FORWARD ORDERS.....	5
THE IMPORTER.....	5
THE EXPORTER	5
PROFITABILITY OF IMPORTS	6
RELATED PARTY SUPPLIERS	6
ARMS LENGTH	6
RECOMMENDATIONS	7
GENERAL COMMENTS.....	8
APPENDICES AND ATTACHMENTS.....	10

BACKGROUND

On 7 October 2016, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of zinc coated (galvanised) steel exported to Australia from the Republic of India (India), Malaysia and the Socialist Republic of Vietnam (Vietnam) and the alleged subsidisation of galvanised steel exported from India and Vietnam.

Public notification of the initiation of the investigation was published on the Commission's website on the same day. The background relating to the initiation of this investigation is contained in Consideration Report number 370 (CON 370) which is available on the Commissions website www.adcommission.gov.au.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to Cedex Steel and Metals Pty Ltd (Cedex) and other importers of galvanised steel inviting them to participate in the investigation. Cedex responded to the Commission's invitation and completed the importer questionnaire and relevant attachments.

The verification was conducted at the Cedex's head office in Brisbane.

AUSTRALIAN SALES

Verification of sales to audited financial statements

The verification team was able to reconcile Cedex's sales listing submitted in Part C responses of the importer questionnaire to its accounting system.

The verification team is satisfied that Cedex's sales is a reasonably complete and relevant list of all the sales of the goods over the investigation period.

Details of this verification process and relevant reports are contained in the verification work program at **Confidential Attachment 1**.

Verification of sales to source documents

The verification team verified the accuracy of Cedex's sales listing by matching the details to selected source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

Related party customers

The verification team did not find any evidence that Cedex or its agent is related to any of its Australian customers during the investigation period.

IMPORTS

The goods

At the visit Cedex confirmed that it imported galvanised steel from Malaysia during the investigation period, which matches the description of the goods that are the subject of this application.

Verification of importation and selling costs

The verification team verified the accuracy of all the importation and selling costs listed by Cedex in its response to Part B of the importer questionnaire to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program forms **confidential attachment 1**.

The verification team did not find any issues with the verification of importation and selling costs to source documents.

Import listing

Cedex confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods during the investigation period.

The verification team calculated the weighted average CFR export price by supplier at **Confidential Appendix 1**.

Forward orders

The verification team is satisfied that Cedex intend to continue to import the goods. The list of forward orders is at **Confidential Appendix 2**.

The importer

The visit team considers Cedex to be the beneficial owner of the goods at the time of importation and is therefore the importer.

The exporter

Subject to further inquiries, the verification team considers that Cedex's overseas suppliers to be the exporters of the goods.¹

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

Profitability of imports

The verification team compared the selling prices into the Australian market with the corresponding full cost to import and sell those shipments for each of the selected consignments on the Part B spreadsheet.

The verification team calculated the total profit for all selected shipments in the importer transaction form. The verification team observed that all sales of the selected shipments were profitable.

The verification team considers that it is reasonable to consider the overall sales were profitable. From the financial report for financial year 2016, the verification team also noted that the company was operating at a profit.

Related party suppliers

The verification team did not find any evidence that Cedex is related to its supplier of galvanised steel exported from overseas during the investigation period.

Arms length

In respect of imports of the goods to Australia by Cedex during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller.

The verification team found that selected shipments were profitable overall.

Therefore, subject to further inquiries, the verification team is satisfied that import transactions between Cedex and its suppliers are arms length.

RECOMMENDATIONS

The verification team are of the opinion that for the goods imported by Cedex from overseas suppliers:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with exporters, the verification team recommends that the export price for the goods imported by Cedex can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less deductions, to the FOB level as required.

GENERAL COMMENTS

At the visit Cedex made the following comments regarding the material injury suffered by the Australian industry:

- i. BlueScope has experienced continual growth over the last five year period. This has been attributed to costs cutting, increased market share and acquisitions of downstream manufacturers.
- ii. Sales of galvanised products have increased by 30% since 2013 due to growth of housing and construction market sectors.
- iii. BlueScope EBIT has improved from 2013 of \$51.7million to expect \$570 million in 2015/16 with a 1st half market guidance for 2016/17 of \$510 million.
- iv. BlueScope Market dominance and market share has had a continued growth.
- v. Since 2013 imports of the goods have dropped by 62,108 tonnes. Supply from previously dumped regions such as Korea, Japan and particularly Taiwan have continued strong at 147,706 tonnes in 2015/16 and are considerable greater than that of Malaysia (15,375 tonnes).
- vi. Major market sectors that consume galvanised coil in dwellings have increased for BlueScope by 35% since 2013. In 2015/16 dwellings have increased by 9%.
- vii. New Zealand steel which is a wholly owned company of BlueScope continues to be the greater contributor to the total imports.
- viii. Malaysia has contributed less than 2% of market consumption in the investigation period.
- ix. Regions such as Taiwan, India and particularly New Zealand Steel have been the price setters in the Australian market.
- x. Cedex buyers are competing directly with BlueScope's owned roll-forming companies and subsequently disadvantaged on price offers. Any measures imposed by the Commission would result in the closure of manufacturing in Australia.
- xi. Cedex customer base is only to selective clients and as such could not have caused total market price suppression.
- xii. Some of the goods imported by Cedex consists of chemical components which are user specific. Product supplied to specific market sectors is of considerable higher quality performance that that of standard Galvanised supplied by BlueScope or the general international market.
- xiii. International price of the goods have been increasing since February 2016 and continue to rise due to the raw material costs escalating. However BlueScope is currently holding the price levels which is creating its own price suppression. Documented price offers have been provided to the ADC of which has shown that Blue Scopes current price level of Galvanised product to be considerable lesser in value than that of imported product (between AUD\$ [REDACTED] per tonne).
- xiv. Currently BlueScope's capacity and ability to supply the domestic market is under extreme pressure. To assist with capacity issues it is widely reported that a recent shipment of [REDACTED] tonnes+ has been imported by BlueScope Steel under the banner of New Zealand Steel from India for

PUBLIC RECORD

the Melbourne stockist. It is also reported that a second shipment is due shortly.

At the visit, Cedex provided the verification team with confidential submissions made by the Cedex's customers (**Confidential Attachment 2 refers**). The verification team advised Cedex to make a detailed submission on the injury issues it had identified suitable for public record.

APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Attachment 1	Verification Work Plan
Confidential Attachment 2	Confidential submissions made by the Cedex's customers