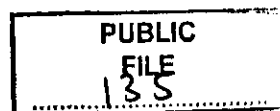




Australian Government
**Australian Customs and
Border Protection Service**

PUBLIC RECORD



**INVESTIGATION INTO THE ALLEGED DUMPING OF
CERTAIN HOT ROLLED COIL STEEL**

EXPORTED FROM

**JAPAN, MALAYSIA, THE REPUBLIC OF KOREA AND
TAIWAN**

IMPORTER VISIT REPORT

STEMCOR AUSTRALIA

**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**

July 2012

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2 BACKGROUND AND PURPOSE

2.1 Background to the current investigation

On 10 May 2012, BlueScope Steel Limited and BlueScope Steel (AIS) Pty. Ltd (jointly referred to as BlueScope in this report) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of hot rolled coil steel (HRC) exported to Australia from Japan, the Republic of Korea (Korea), Malaysia and Taiwan. On 28 May 2012, BlueScope provided additional information and as a result, the maximum period of 20 days allowed to examine the application was recommenced.

Public notification of initiation of the investigation was made on 15 June 2012 (refer to Australian Customs Dumping Notice No. 2012/30).

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Stemcor Australia had imported HRC from [REDACTED] *[Confidential supplier information]* during the investigation period (April 11 to March 2012). Stemcor was also identified as an importer of HRC in the application. Customs and Border Protection wrote to Stemcor advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire to complete. Stemcor was also provided with a list of its imports during the investigation period, extracted from Customs and Border Protection's import database, and identified a number of transactions from the list for verification.

Stemcor completed the importer questionnaire, providing details regarding the company, overseas supplier information, imports and expenses.

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Stemcor was an importer of HRC and obtain information to assist in establishing the identity of the exporter;
- verify information on imports of HRC to assist in the determination of export prices from [REDACTED] *[Confidential supplier information]*;
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing;
- identify Stemcor's sales and customers and determine sales volume, selling prices and selling costs;
- recommend how export price may be determined under s. 269TAB; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

2.3 Meeting

We advised Stemcor of the investigation process and timeframes.

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- The investigation period is April 2011 to March 2012.
- The injury analysis period is from April 2008.
- A preliminary affirmative determination (PAD) may be made no earlier than 14 August 2012. 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 would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts will be placed on the public record by 3 October 2012 or such later date as the Minister allows. The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The statement of essential facts will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 17 November 2012, unless an extension to the statement of essential facts is approved by the Minister.

We advised Stemcor that we would prepare a confidential report on the visit. Stemcor would be given an opportunity to review the visit report for accuracy. A non-confidential version of this visit report would be prepared in consultation with Stemcor and placed on the public record.

COMPANY	Stemcor Australia Pty Ltd
ABN	33 000 345 308
ADDRESS	Level 13, 15 Blue Street North Sydney, NSW 2060
TEL NO	02 9959 3088
FAX NO	02 9925 9844
DATE	18 July 2012

Prior to the meeting we forwarded an agenda to Stemcor and advised them that we would require supporting documentation for the selected sales that had been previously identified; the agenda is at **Confidential Attachment GEN 1**.

PRESENT	
Stemcor	Damon Cummins – Manager, Sheet & Coil Trading

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Customs and Border Protection	Joanne Reid, Director, Operations 2 Carl Halpin, Supervisor, Operations 2 Ellen Lihos, Graduate Trainee, Operations 1
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Stemcor was co-operative and had the required documentation available for our meeting.

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3 THE GOODS**3.1 The imported goods**

The imported goods the subject of this application are HRC (including in sheet form), a flat rolled product of iron or non-alloy steel, not clad, plated or coated (other than oil coated).

There are a number of relevant international standards for HRC that cover the range of HRC products via specific grade designations, including the recommended or guaranteed properties of each of these product grades. The relevant Australian Standard is AS/NZS 1594.

Goods *excluded* from this application are hot rolled products that have patterns in relief (known as checker plate) and hot rolled plate.

In its application, BlueScope noted that HRC is supplied in a range of thickness, all of which are claimed to be covered by the application. This is the case for HRC that is still in coil form. However, Customs and Border Protection has identified that the thickness of the coil when cut, will determine whether the product is classified as hot rolled sheet (which falls within the description of the goods covered by the application) or hot rolled plate¹ (which is clearly excluded from the goods description).

Based on its research into this matter, Customs and Border Protection has a preliminary view that plate is 3/16th of an inch (4.75mm) thick or more whilst sheet is below this thickness. BlueScope confirmed that this was also their view.

3.2 Tariff classification

The tariff classifications and statistical class codes in Schedule 3 to the *Customs Tariff Act 1995* and relevant rates of duty for HRC are shown below.

Tariff Classification	Statistical class code	Rate of duty - Japan	Rate of duty - Korea	Rate of duty - Malaysia	Rate of duty - Taiwan
7208.25.00	32	5%	0%	0%	0%
7208.26.00	33	5%	0%	0%	0%
7208.27.00	34	5%	0%	0%	0%
7208.36.00	35	5%	0%	0%	0%
7208.37.00	36	5%	0%	0%	0%
7208.38.00	37	5%	0%	0%	0%
7208.39.00	38	5%	0%	0%	0%

¹ Most hot rolled plate is produced directly from steel slabs, however, some is cut from HRC. All hot rolled plate is excluded from the goods description.

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7208.53.00	42	5%	0%	0%	0%
7208.54.00	43	5%	0%	0%	0%
7208.90.00	30	5%	5%	4%	5%
7211.14.00	40	5%	0%	0%	0%
7211.19.00	41	5%	0%	0%	0%

Customs and Border Protection's tariff section identified that HRC may also be classified under 7208.51.00 (statistical class code 40) and 7208.52.00 (statistical class code 41), however, these tariff classifications relate to hot rolled products that are not in coils and have a thickness of 4.75mm or more, and therefore Customs and Border Protection considers these to be plate products at this time. BlueScope has also advised that these tariff descriptions describe hot rolled plate.

Stemcor agrees with BlueScope's classification of anything above 4.75mm to be considered as a plate product.

4 COMPANY BACKGROUND

4.1.1 Company background

Stemcor is part of the international Stemcor Group of steel trading companies, the parent company being Stemcor Holdings Ltd (Stemcor Holdings), based in London.

Stemcor described itself as an independent steel trader involved in steel trading and trading of raw materials for the production of steel.

Stemcor Holdings describe the Stemcor Group as 'a value adding service provider whose services in the steel supply chain comprise four core competencies, in the areas of steel trading, raw materials trading, distribution and stockholding'. Stemcor Holdings' annual report also states that the company provides some financial services to the trade sector including hedging services.

Stemcor Holding's profit and loss statement available in the company website stated that the Stemcor Group traded in excess of 17 million tonnes of steel and raw materials and its turnover was estimated at over as 6.25 billion pounds sterling in 2011. Stemcor Holdings is estimated to have a network of 125 offices in 45 countries.

Stemcor advised that the North Sydney office, comprising approximately 33 staff, is the main Stemcor office in Australia.

4.1.2 Functions of company

Stemcor describes itself as an importer and trader of steel products. We calculated from Stemcor's management accounts for the investigation period that HRC accounted for approximately [REDACTED] of Stemcor's total revenue. *[Confidential sales information]*

4.2 Accounting

Stemcor operates on a 1 January to 31 December financial year, in line with that of its parent company.

4.3 Product range

Stemcor advised Customs and Border Protection that it imports a range of HRC products including coil and plate. Stemcor stated that the goods under consideration [REDACTED] *[Confidential sales information]* percentage of its HRC business and the bulk of HRC imports are plate products. In terms of sales volumes, Stemcor believes that plate products are faring better in Australia compared to HRC.

Stemcor advised that some of the other products that it trades are

[REDACTED]

[Confidential sales information]

Stemcor stated that HRC is a standard product that can be sourced from [redacted] in the world. Stemcor imports a broader range of thicknesses compared to the thicknesses that are available from Australian industry. Stemcor claims that BlueScope are restricted in the thicknesses of coil that it can produce, however BlueScope do produce a broader range of widths compared to mills [redacted] [Confidential product information].

Stemcor advised Customs and Border Protection that the product it supplies is often lower priced, [redacted] HRC. Stemcor stated that their product is primarily supplied from a re-roller mill, [redacted]. [Confidential supplier information] A re-roller is a supplier that purchases slab from other manufacturers and then rolls it down to make a coil product. Stemcor stated that [redacted] does not have slab production capabilities and purchases slab from other mills, these mainly being mills in [redacted]. [redacted] does not purchase slab from [redacted]. Stemcor stated that slab prices fluctuate depending on the steel market [Confidential supplier names]

Due to the variance in the composition of the slab used to make HRC, the end product that the mill produces [redacted]

[redacted]

[Confidential product information]

Stemcor stated that products that it imports were manufactured to Australian standards at the Australian market's request. Stemcor stated that HRC can be produced up to 1500mm in width; with 1200mm-1500mm being the most common width range.

Stemcor asserted that most of the HRC that it imports is dry and not further worked.

4.4 Relationship with suppliers

Stemcor stated that it does not have a relationship with any of its suppliers. Stemcor did state that it tried to export BlueScope's products however no business deal eventuated from this.

4.5 Relationships with customers

[redacted]

[Confidential Relationships]

5 IMPORTS

5.1 Introduction

Customs and Border Protection's import database indicates that Stemcor imported [REDACTED] tonnes of HRC during the investigation period. The quantity imported arranged by supplier is summarised in the following table.

Exporter	Qty (tonnes)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	[REDACTED]

5.2 Verification of imports

Stemcor provided source documents to verify the data in its importer transaction form for the selected shipments (**Confidential Attachment IMP1**). Stemcor noted that some of the importations in the Customs and Border Protection database formed a single order and shipment; these importations were grouped in the importation transaction form.

The source documents to verify the data in Stemcor importer transaction form included the relevant:

- supplier invoice;
- evidence of payment to supplier;
- Bill of Lading;
- invoices for importation costs; and
- evidence of payment of importation costs;

for selected importations.

5.2.1 Supplier invoice details

Stemcor advised us that their marine insurance policy is usually [REDACTED] % of the total invoice price. Stemcor stated that the insurance is paid as an annual premium and is then allocated amongst the shipments. Stemcor provided us with a copy of its marine insurance policy. The policy forms **Confidential Attachment IMP2**.

We also matched the invoice prices, volume and supplier details for each of the selected shipments on the importer transaction form to the supplier invoices.

We confirmed that shipments were invoiced either FAS (free alongside ship) or FOB (free on board).

We confirmed that the listed credit terms were correct.

Stemcor also provided us with documents outlining their credit insurance policy with [redacted] (Confidential Attachment IMP3).

[redacted] [Confidential pricing arrangements]

[redacted] [Confidential pricing arrangements]

Stemcor informed us that bank charges are approximately [redacted]% of the invoice value. Stemcor provided us with its profit and loss sheet which showed bank fees being a percentage of the total materials sold and adding up to approximately [redacted]% for the time period 1 April 2011- 31 March 2012. (See Confidential Attachment IMP5).

Stemcor [redacted] cost of financing its loans as being [redacted]% of the total invoice price. Stemcor then provided us with its profit and loss statement (Confidential Attachment IMP6) for the investigation period, from that we were able to work out the [redacted] financing its bank loan. We divided the cost of the bank interest by the total income and found that the cost to finance its loan was approximately [redacted]% for the investigation period 1 April 2011- 31 March 2012. For the importer transactions, [redacted]% of the total invoice price for the goods was used to calculate the actual cost of financing the loan.

Stemcor also provided us with documents showing the exchange rates that were used in each of the importer transactions. (See Confidential Attachment IMP7).

5.2.2 Shipment costs

Stemcor provided details on shipment costs, including insurance values. Overseas freight was quoted in USD. Stemcor also provided proof of payment for freight and insurance.

We are satisfied that the overseas freight and marine insurance costs are accurate. We calculated the following average shipping costs based on the selected shipments.

Item	Average cost \$AU/T
Ocean freight	[redacted]
Marine and local transportation insurance	[redacted]

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Total	
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5.2.3 Importation costs

Under the heading of 'Australian Importation Costs' in the importer transaction form, Stemcor entered amounts for customs duty, port service charges, customs entry fees, customs broker fees, delivery, bank charges, [REDACTED] credit insurance and financing costs.

We compared the relevant importation cost invoices to the importer transaction form and adjusted some costs to reflect the invoiced amount.

Using the verified data in the importer transaction form, weighted average importation costs in \$AU/Tonne have been calculated in the below table.

Item	Average cost \$AU/T
Customs Duty	[REDACTED]
Port Services Charges	[REDACTED]
Customs entry and broker fees	[REDACTED]
Delivery	[REDACTED]
Bank Charges	[REDACTED]
[REDACTED]	[REDACTED]
Credit Insurance	[REDACTED]
Financing Costs	[REDACTED]
Total	[REDACTED]

5.3 Selling, general and administrative (SG&A) costs

We noted on the importer transaction form that Stemcor calculated selling, general and administration (SG&A) costs for each of the selected shipments based on an estimate of [REDACTED] % of sales revenue. This percentage amount was taken from the profit and loss statement as the total overhead cost divided by the total income for goods.

Item	Average cost \$AU/T
SG&A	[REDACTED]

Total	
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5.4 Export prices for shipments

Based on verification of 12 shipments, we calculated a weighted average FOB export price (in AUD) for the goods over the investigation period.

HRC	FOB Export Price \$AU/T
FOB export price	

5.5 Who is the importer

We noted that Stemcor:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading; and
- arranges delivery of the goods to one of its warehouses or direct to its customers.

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

5.6 Who is the exporter?

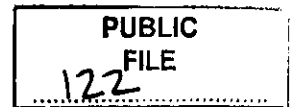
Customs and Border Protection will generally identify the exporter as:

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

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

We reviewed the documentation provided in relation to the sample shipments ordered by Stemcor. Upon review of this documentation and other information supplied by Stemcor, we are satisfied that:

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- the commercial invoices identify the supplier;
- the bills of lading identify the supplier as the shipper of the goods; and
- the supplier arranges and pays for the goods to be transported to the wharf and loaded onto the ship in the country of export; and
- Stemcor pays the relevant supplier.

Based on the information available we consider [REDACTED]
[REDACTED] the exporters.

[Confidential supplier information]

6 AUSTRALIAN MARKET AND SALES

6.1 General

Apart from being an importer, Stemcor also acts as a financier in that it borrows money from the bank to settle the invoice with the exporter and then the Australian customers pay back Stemcor.

6.2 Sales process

Stemcor advised that its usual ordering and sales process for the goods is as follows:

- Stemcor stated that it is in constant dialogue with [REDACTED] [REDACTED] also advises Stemcor when it is going to change their prices.
- In the price negotiation process Stemcor takes price offers from [REDACTED] to its Australian customers and they negotiate and agree on a price. Often the price offers are sent informally via email to all Australian customers. [REDACTED] [REDACTED] *[Confidential pricing information]* This price offer incorporates Stemcor's profit.
- Stemcor stated that it formulates a price by looking at BlueScope's pricing, as well as the other offers that are in the market. Stemcor informed us that [REDACTED] [REDACTED] *[Confidential pricing information]*
- Stemcor then takes this price offer to the mill and negotiates with them until a price is agreed upon. The mill considers the price of slab in formulating a price for HRC.
- Stemcor stated that the negotiations around price depend on the base price for the HRC. The mill has a set schedule for the extras such as certain thicknesses and widths and that fixed schedule of extras is applied onto the base price.
- [REDACTED] *[Confidential sales information]*

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[REDACTED] *[Confidential pricing information]* Stemcor also advised us that the thinner the HRC is the higher the cost will be.

- Stemcor advised us that pickled and oiled is a significant extra on the price of HRC, approximately \$ [REDACTED] per tonne. Stemcor advised us that it only imports a small quantity of pickled and oiled HRC.
- Once the price is agreed there is then an exchange of contracts.
- On the day the contracts are exchanged, [REDACTED] [REDACTED], so that there is a certain price guarantee for the customer.
- Stemcor advised us that there is no variance in price for the customer, regardless of the changes in currency. Once the contract has been signed with the mill, [REDACTED] and pays the mill usually within [REDACTED] and then the amount [REDACTED] is the exact amount that the customer owes Stemcor.
- Stemcor advised us that it does not engage in currency speculation and places the order when the customer makes it, [REDACTED] [REDACTED] *[Confidential pricing information]*
- Stemcor advised us that [REDACTED] mill has a longer lead time than most other mills. [REDACTED] lead time is approximately ~~XXX~~ months. The reasoning behind this is that the mill has to source the slab needed to make the HRC. Due to this there is a long lead time before the product arrives in Australia.
- Stemcor stated that once the customer places an order, that order is delivered directly to the customer [REDACTED]
- Stemcor stated that all shipments are [REDACTED] or [REDACTED].

[REDACTED] *[Confidential sales information]* Stemcor informed Customs and Border Protection that it does not have a yearly contract and instead make new deals with every order. It also informed us that there are no discounts given to customers unless there has been material damage to the product or there are quality issues with the product. Stemcor advised us that the product may be defective when it is supplied by the mill;

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in this case there are [REDACTED]
[REDACTED] for the faulty product.

Stemcor stated that it delivers the HRC mainly on the east coast of Australia, but it can deliver it to the west coast if needed.

Stemcor stated that [REDACTED]
[REDACTED] Stemcor informed us that a small proportion of the distributors do further process the goods before on selling them.

6.3 Date of sale

Stemcor advised that the price [REDACTED]
[REDACTED] [Confidential pricing information] The sales contract to Stemcor's Australian customers is generally issued within a few days of Stemcor signing the contract with the mill. This is the point at which prices are fixed.

Stemcor advised us that invoices to its Australian customers are issued usually within [REDACTED] days of the ship's departure date. The customer then has [REDACTED] days from [REDACTED] to pay the invoice.

6.4 Sales verification

Stemcor provided source documents for 12 selected sales which included customer purchase orders and Stemcor's invoices to its Australian customers and then proof of payment was provided for 4 of the invoices.

For these selected sales we matched the invoice details (value, quantity, invoice date, delivery terms and credit terms) to Stemcor's sales listing (**Confidential Attachment SALES1**). Stemcor provided bank statements which showed proof of payment of the invoices. We matched the payments displayed on the bank statement extracts for the selected sales to Stemcor's sales listing.

We are therefore satisfied that invoice details recorded in Stemcor's sales listing are accurate, and that Stemcor's customer paid the invoiced amounts for these transactions.

6.5 Profitability of sales

Stemcor calculated the total profit for each of the 12 shipments (total selling price minus total cost to import and sell) in the importer transaction form.

This displayed that [REDACTED] of the 12 sales were profitable.
[REDACTED]%. Overall the shipments were profitable with the range of profit being between [REDACTED]% and [REDACTED]%.

The average profit was [REDACTED]%.

6.6 Forward orders

Stemcor's Importer Questionnaire response indicated that there were ■ applicable forward orders. We examined the orders and noted nothing of significance by way of source of supply, volume or price.

7 ARMS LENGTH

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

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

Furthermore, where:

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

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

For sales between Stemcor and [REDACTED] we noted that [REDACTED] the company's sales of HRC were profitable overall. We did not find any evidence that:

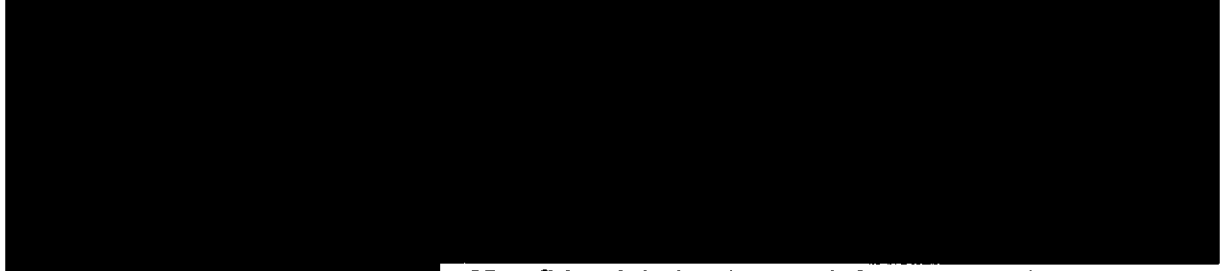
- there is any consideration payable other than price; or that
- the price is influenced in Stemcor's favour by a commercial or other relationship between Stemcor and [REDACTED].

We confirmed during our verification that the price invoiced by [REDACTED] was the price paid by Stemcor. Therefore, we consider that sales between Stemcor and [REDACTED] were arms length transactions.

8 CAUSATION

When asked about whether the Australian industry was being injured by the imported HRC or any other factors, Stemcor stated that the injury being caused to the Australian industry is most likely due to the steel market going through a historically weak period. The reason for this weak period is the decline in the commercial building and housing market. Stemcor also advised us that manufacturing in Australia is in decline, particularly the automotive market.

Stemcor advised that the cause of the injury to the Australian industry may be



[Confidential business information] Stemcor also believes that the fluctuations in the currency have affected BlueScope's ability to cover operating costs.

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9 UNSUPPRESSED SELLING PRICE

At the visit Stemcor did not have any comments on the calculation of an unsuppressed selling price.

10 GENERAL COMMENTS

Stemcor advised us that the HRC it imports varies [redacted] from that of BlueScope. Stemcor advised us that with its product there is a [redacted] lead time of approximately [redacted] months. Stemcor also stated that the HRC that it imports varies from the [redacted] product BlueScope produce. Stemcor stated that [redacted]

[redacted] However we were advised that currently slab is selling [redacted]
[Confidential product information]

Stemcor advised us that the main advantage with the HRC it imports is that there are [redacted] and customers are guaranteed the exchange rate once the contract for the order has been signed.

Stemcor advised us that the characteristics of an integrated mill such BlueScope, which makes its own slab and HRC, are different from a re-roller mill such as [redacted] Stemcor stated that the integrated mills produce a [redacted]. Stemcor advised that it offers a [redacted]
[Confidential product information]

Stemcor advised us that HRC is the most commoditised steel product and as a result [redacted]

11 RECOMMENDATIONS

Based on the information available, for HRC exported by [REDACTED] to Stemcor:

- the goods have been exported to Australia otherwise than by the importer;
- it appears that the goods have been purchased by the importer from the exporters;
- the purchases of the goods by the importer were arms length transactions; and
- the goods are subsequently sold by the importer to a person who is not an associate of the importer.

Subject to further inquiries with the exporter, we are satisfied that the export prices can be established under s. 269TAB(1)(a) using the invoice prices less any deductions to FOB level, where required.

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12 ATTACHMENTS

Confidential attachment GEN 1	Stemcor Importer Visit Agenda
Confidential attachment IMP 1	Importer transactions
Confidential attachment IMP 2	Marine Insurance Policy
Confidential attachment IMP 3	Credit Insurance Policy
Confidential attachment IMP 4	Agent's Invoices
Confidential attachment IMP 5	Bank Charges policy
Confidential attachment IMP 6	Profit and Loss Statement April 2011- March 2012
Confidential attachment IMP 7	Exchange rates
Confidential attachment SALES 1	Sales invoices