



INVESTIGATION 234

ALLEGED DUMPING OF QUENCHED AND TEMPERED STEEL PLATE EXPORTED FROM FINLAND, JAPAN AND SWEDEN

VISIT REPORT - IMPORTER

TOTAL STEEL OF AUSTRALIA PTY LTD

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

JUNE 2014

PUBLIC RECORD

CONTENTS

ABBREVIATIONS	3
1 BACKGROUND AND PURPOSE	3
1.1 BACKGROUND	4
1.2 PURPOSE OF VISIT	4
1.3 MEETING DETAILS.....	5
1.4 INVESTIGATION PROCESS AND TIMEFRAMES	5
1.5 VISIT REPORT	6
2 THE GOODS	7
2.1 DESCRIPTION	7
2.2 TARIFF CLASSIFICATION	7
3 COMPANY DETAILS.....	9
3.1 COMPANY BACKGROUND	9
3.2 ACCOUNTING STRUCTURE AND DETAILS OF ACCOUNTING SYSTEMS	9
3.3 RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS.....	10
3.4 'LIKE GOODS'	10
4 IMPORTS	11
4.1 GENERAL	11
4.2 ORDER PROCESS AND PRICING.....	11
4.3 VERIFICATION OF IMPORTS	12
4.4 EXPORT PRICES	13
4.5 FORWARD ORDERS	13
5 WHO IS THE IMPORTER AND EXPORTER	14
5.1 WHO IS THE IMPORTER?	14
5.2 WHO IS THE EXPORTER?	14
6 AUSTRALIAN MARKET.....	16
6.1 GENERAL	16
6.2 SALE VERIFICATION	16
6.3 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	18
6.4 PROFITABILITY OF SALES.....	18
7 ARMS LENGTH	19
8 GENERAL COMMENTS	20
9 RECOMMENDATIONS	21
10 APPENDICES AND ATTACHMENTS	22

PUBLIC RECORD

ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Bisalloy	Bisalloy Steels Pty Ltd
CFR	Cost and freight
the Commission	Anti-Dumping Commission
FOB	Free On Board
GAAP	Generally accepted accounting principles
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
JFE	JFE Steel Corporation
the Minister	the Minister for Industry
MISI	Marubeni-Itochu Steel Inc.
PAD	Preliminary Affirmative Determination
Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
P&L	Profit and loss
Q&T steel plate	Quenched and Tempered steel plate
SEF	Statement of Essential Facts
SG&A	Selling, General and Administrative
TSA	Total Steel of Australia Pty Ltd

1 BACKGROUND AND PURPOSE

1.1 Background

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application with the Anti-Dumping Commission (the Commission) requesting that the relevant Minister publish a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

On 10 December 2013, Bisalloy provided further information and data in support of its application. As a result, the Commission restarted the 20 day period for considering the application.

After consideration of the application, an investigation was initiated on 8 January 2014, and public notification of the initiation of the investigation was published in *The Australian* on that day.

Anti-Dumping Notice (ADN) No. 2014/01 refers to the initiation of the investigation, and is available at www.adcommission.gov.au.

The Commission has not previously conducted any dumping investigations in respect of Q&T steel plate.

1.2 Purpose of visit

The purpose of the visit was to:

- confirm that Total Steel of Australia Pty Ltd (TSA) is the importer of Q&T steel plate attributed to it within the Australian Customs and Border Protection Service's (ACBPS) import database and obtain information to assist in establishing the identity of the exporter of the Q&T steel plate;
- verify information on imports of Q&T steel plate to assist in the determination of export prices;
- establish whether the purchases of Q&T steel plate were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for Q&T steel plate; and
- provide TSA with an opportunity to discuss any issues it believed relevant to the investigation.

1.3 Meeting details

Company	Total Steel of Australia Pty Ltd Suite 10/35-37 Railway Parade Engadine NSW 2233
Date of visit	Monday, 17 February 2014

The following were present at various stages of the meeting:

Total Steel of Australia Pty Ltd	Akitoshi Ihara – Managing Director Steve McHugh – General Manager Gil Carballo – Shipping Manager Dennis Breen – Financial Controller
Consultants engaged by TSA	Merton (Jack) Howard – Staughton's Stephen Pearson – Staughton's
The Commission	Matthew Williams – Manager, Operations 4 An Chew – Acting Manager

1.4 Investigation process and timeframes

TSA were advised of the investigation process and timeframes as follows:

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (10 March 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD 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.

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

- The Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) will be the decision maker for this investigation.¹ The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 April 2014 or such later date as the Parliamentary Secretary allows under s.269ZHI of *the Customs Act 1901* (the Act).

¹ In December 2013, the Minister for Industry delegated responsibility for Anti-Dumping matters to the Parliamentary Secretary to the Minister for Industry.

PUBLIC RECORD

- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 12 June 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

TSA were advised that the Commission would prepare a report of our visit (this report) and provide it to TSA to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

It was explained that, in consultation with TSA, the Commission would prepare a non-confidential version of the report, and place this on the investigation's public record.

2 THE GOODS

2.1 Description

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

Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered ("Q&T") steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).

Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:

- *High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as 'Wear' Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as 'Structural/High Tensile' Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as 'Armour' Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000).*

For further details regarding the goods, refer to ADN 2014/01 which is available on the public record.

2.2 Tariff classification

Goods identified as Q&T steel plate are classified to tariff subheading 7225.40.00 in Schedule 3 to the *Customs Tariff Act 1995*.

Tariff subheading 7225.40.00 refers to flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils. The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

PUBLIC RECORD

Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to subheading 7225.40.00, statistical codes 22 and 24. The Commission will seek further clarification on this matter during the course of the investigation.

For tariff subheading 7225.40.00, the general rate of duty is 5% for goods imported from Finland, Japan and Sweden.

3 COMPANY DETAILS

3.1 Company background

TSA was established in 1974 as a steel stockist, predominately supplying the sheet metal industry. From 1986, TSA moved to being an integrated stockist with plate profiling and ancillary services.

TSA has invested in purpose built facilities in Melbourne, Sydney, Brisbane, Perth and Darwin. Its focus is predominately on value-add processing such as multi-torch oxy cutting, drilling, countersinking, stud welding, saw cutting and plasma cutting including bevel cutting. TSA aims to deliver quick processing turnaround which is labour intensive.

TSA stated that the majority of its imported Q&T steel plate (approximately 85 per cent) is processed to form other goods specifically required by its end user customers, predominantly in the mining and resource sectors of Australia.

TSA warehouses an extensive range of products comprising Q&T steel plate, mild steel plate, sheet and coil, rectangular hollow structural steel, black and galvanised pipe and merchant sections including flats, rounds, square and channels.

TSA currently has approximately [REDACTED] staff nationally and an approximate turnover of [REDACTED]² per annum. TSA is 100 per cent owned by Marubeni-Itochu Steel Inc. (MISI), based in Japan.

3.2 Accounting structure and details of accounting systems

TSA explained that up until 2011, it maintained a financial year of 1 January to 31 December. However, in order to align its financial year with its parent company, TSA moved to a 1 April to 31 March financial year beginning in 2013. As a result, its financial statements for financial year 2012/2013 cover a 15 month period beginning 1 January 2012 and ending 31 March 2013.

TSA stated that its accounts are audited annually by Ernst & Young and are prepared in accordance with generally accepted accounting principles (GAAP).

TSA provided a copy of their audited financial statements for the 15 month period ending 31 March 2013 (**Confidential Attachment GEN 1**).

TSA's financial accounting systems comprise of:

- Inventory Management Accounting System (IMAS) - an off the shelf program developed by IBM which has been adapted by TSA over the past 25 years; and
- Sapphire – which TSA uses for its general ledger and internal reporting.

² References to monetary amount or currency in this report refer to Australian dollars.

TSA also uses a web-based reporting tool, DIVA, to report to its parent, MISI, on a quarterly basis.

3.3 Relationship with suppliers and customers

TSA imports approximately [REDACTED] of its Q&T steel plate from JFE and the other [REDACTED] is sourced domestically from Bisalloy, other importers and distributors.

During the investigation period, TSA purchased [REDACTED] of its imports of Q&T steel plate, through its parent company, MISI as trader for JFE Steel Corporation (JFE), a manufacturer of the goods in Japan.

TSA stated that it has no relationship with JFE. TSA also explained that it does not receive any rebates or discounts from MISI or JFE.

Based on Part C of TSA's completed importer questionnaire, we were able to identify TSA's customers. TSA stated that it is not related to any of its customers of Q&T steel plate.

3.4 'Like Goods'

TSA explained that the physical characteristics of the basic grades of imported goods under consideration reflect the same physical characteristics as the domestically produced goods. TSA considers the basic grades to be like goods, with the possible exception of the imported 'Everhard Super' (EH SP).

TSA explained that EH SP contains an additional alloy, Titanium Carbide. This plate wear hardens over time, creating a slippery surface. It further added that Bisalloy do not manufacture an equivalent product.

TSA provided a copy of a product guide for EH SP (**Confidential Attachment GEN 2**). It also provided us with a table with its comparisons of Bisalloy's and JFE's Q&T steel plate (**Confidential Attachment GEN 3**).

4 IMPORTS

4.1 General

TSA stated that over the past 20 years, it has developed a market in Australia for abrasion resistant and high tensile strength wear plate manufactured by JFE in Japan. TSA outlined that it imports Q&T steel plate products under the 'Everhard' (EH 360, 400, 450, 500 and EH SP) and 'Hi-Ten' 780 brand.

The majority of its imports are standard sizes 2,500mm to 3,000mm wide and 9m long in thicknesses ranging from 5mm to 160mm.

The ACBPS's import database indicates that TSA imported [REDACTED] tonnes of Q&T steel plate from MISI under tariff classification 7225.40.00 during the investigation period. The volumes in the import database, however, include a wide range of product, some of which are outside the goods description for the investigation. Of the [REDACTED] tonnes, the Commission estimates that [REDACTED] tonnes fall outside the goods description based on thickness exceeding 110mm. The Commission will exclude these imports from its analysis for the purpose of this investigation.

During the verification visit, the Commission also identified that TSA imported and declared JFE's Everhard grades of [REDACTED] steel plate under tariff classification 7225.[REDACTED] [*commercially sensitive information*] during the investigation period.

The ACBPS's import database indicates that TSA imported [REDACTED] tonnes of Q&T steel plate under the additional tariff classification 7225.[REDACTED] [*commercially sensitive information*] during the investigation period.

The Commission estimates TSA's total import volume of Q&T steel plate under tariff classifications 7225.40.00 and 7225.[REDACTED] to be [REDACTED] tonnes.

4.2 Order process and pricing

TSA explained that each of its warehouses compiles a monthly order based on historic requirements and current market demand. Once orders are collated and approved by the shipping manager, an excel order sheet is sent to MISI. TSA stated that it has [REDACTED] price negotiations with MISI and it does not order directly from JFE.

TSA explained that prices are quoted in [REDACTED] [*currency*] but payments are made in [REDACTED] [*currency*]. It advised that currency conversions are based on the spot rate at the time of order so that MISI, rather than TSA, takes on the foreign exchange risk.

TSA indicated that there is generally a lead time of 4-5 months from placement of order to receipt of goods. The goods are shipped to a port closest to each of TSA's warehouses.

4.3 Verification of imports

Prior to the visit, the Commission selected nine shipments and asked TSA to prepare a listing of all associated costs for these shipments (import listing). TSA were also asked to provide the following source documents for each of the selected shipments:

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

Of the nine selected shipments, TSA identified four shipments that only included Q&T steel plate with thickness of 110mm or more, and therefore fell outside the scope of the goods under consideration. TSA also identified that some of the products included in the remaining shipments also fell outside the goods description.

TSA provided the Commission with source documents for all nine shipments (**Confidential Attachment IMP 1**). These documents confirmed TSA's claims that certain imports were not the goods under consideration.

Following the visit, the Commission selected an additional four shipments to replace the shipments identified as not containing any of the goods under consideration. Three of the additional four shipments selected were goods entered by TSA under the additional tariff classification 7225. [REDACTED]. TSA provided source documentation relating to the four additional shipments (**Confidential Attachment IMP 2**).

For each shipment containing the goods, using the source documents, the Commission was able to verify the listed quantity, invoice value, ocean freight and insurance, exchange rate, customs duty and importation costs included on the import listing provided by TSA. The information provided was also checked against the ACBPS's import database and a revised import listing is at **Confidential Appendix 1**.

4.3.1 Supplier invoice details

From the source documents, we were able to establish TSA's terms of trade with MISI:

- the shipment terms in eight of the nine shipments containing the goods under consideration were free-on-board (FOB) and one shipment was at cost and freight (CFR).
- payment terms to the supplier is [REDACTED] [*commercially sensitive information*].

4.3.2 Bank Charges

TSA identified bank charges in the import listing which relate to the costs associated with establishing letters of credit and drawing on them. TSA estimated bank charges as [REDACTED] of FOB value capped at a maximum of [REDACTED] per shipment.

4.3.3 Import cost summary

The Commission calculated the average post FOB expenses for the nine shipments containing the goods under consideration, summarised in Table 1 below:

Cost item	Weighted average unit price (AUD\$/MT)
Ocean freight	
Marine Insurance (of FOB value)	
Australian importation costs (excluding GST)	
Selling, general and administrative costs (of selling price)	
Total importation and sales costs	

Table 1: Summary of Import Costs for selected TSA shipments

4.4 Export prices

Separate export prices were calculated for the nine shipments containing the goods under consideration, and all importations of the goods by TSA from the ACBPS import database. Table 2 below provides the summary of export price calculations per tonne:

Export Price	Wear Grade	Structural Grade	Combined Wear and Structural Grades
Selected Shipments			
ACBPS Import Database			

Table 2: Summary of Export Prices

Calculations for Table 1 and Table 2 are at Confidential Appendix 1.

4.5 Forward orders

In its response to the importer questionnaire, TSA did not list any forward orders.

5 WHO IS THE IMPORTER AND EXPORTER

5.1 Who is the importer?

The Commission reviewed documents provided in respect of the shipments containing the goods under consideration and note that:

- the goods are ordered by TSA;
- an invoice is raised by the overseas supplier, which during the investigation period the supplier is MISI;
- TSA is named as the customer on the invoices;
- TSA is named as the consignee on the bill of lading;
- TSA appears as the importer on the Customs declarations; and
- TSA pays the overseas supplier.

The Commission considers that TSA was the beneficial owner of the goods at the time of importation and therefore the importer.

5.2 Who is the exporter?

The Commission will generally identify the exporter as:

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

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

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, on behalf of one of the principals, facilitates the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

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

PUBLIC RECORD

Subject to further enquiries, the Commission considers JFE to be the exporter of the goods imported by TSA.

6 AUSTRALIAN MARKET

6.1 General

TSA stated that it makes the following types of Q&T steel plate sales:

- processed plate sales; and
- unprocessed full plate sales from TSA inventory.

As noted above at section 4.1, the Commission estimates TSA's imports during period of investigation were [REDACTED] tonnes. TSA advised that its total sales for the period of the investigation were [REDACTED] tonnes. TSA explained that the difference between its sales and imports during the period of investigation represents sales from inventory carried over from prior to the investigation period.

TSA stated that the majority of its Q&T plate sales are processed plate sales, where the plate is further worked and sold as part of a package or service, predominantly for repair and maintenance in the mining industry.

TSA advised that it does not actively pursue the sale of unprocessed Q&T steel plate and it only sells Q&T in the same condition as it is imported when it is required as part of a package, or at an ad hoc basis on request by its customers. The unprocessed plate sales included one "indent sale" of [REDACTED] tonnes, being a sale direct from wharf in Fremantle (not entered into TSA warehouse) in August 2013.

TSA stated that it sells unprocessed Q&T steel plate as goodwill when its customers were in need of supply at short notice and that sometimes, the gesture is reciprocated. This is because, TSA explains, it is in the business of value adding and providing an overall service to its customers, rather than as a distributor.

TSA states that it does not provide discounts or rebates to sales of unprocessed Q&T steel plate and that its selling price is usually [REDACTED] above cost price.

6.2 Sales verification

TSA provided a detailed listing of its sales of unprocessed Q&T steel plate in its importer questionnaire. Prior to the visit, TSA were requested to prepare copies of invoices and proof of payment for 12 selected sales for further verification. During the visit, TSA had the following documents prepared for each selected sale (**Confidential Attachment SALES 1**):

- Commercial invoice;
- Purchase order; and
- Proof of payment.

6.2.1 Sales verification down to source documents

The Commission sought to verify the accuracy of the sales spreadsheet by reconciling the selected sales from the sales spreadsheet to source documents.

PUBLIC RECORD

Details for all selected sales were matched to source documents, including the proof of payment where relevant bank statements were provided.

For one selected sales invoice (invoice number [REDACTED]), TSA advised that the transaction was reversed due to an error, then reissued, and provided the relevant invoices in the sales package. The sales spreadsheet did not identify the reversal of the reissued invoice. TSA advised that in preparing for the sales spreadsheet for its importer questionnaire response, it removed transactions that were reversals and the corresponding original invoice. TSA suggested that in undertaking that process, it may have inadvertently removed the incorrect corresponding invoice. This explanation was accepted by the Commission and TSA were requested to provide an updated sales spreadsheet showing all sales transactions of unprocessed Q&T steel plate with no amendments (**Confidential Attachment SALES 2**). The original invoice [REDACTED], reversal of that invoice, and the reissued invoice were identified in the updated sales spreadsheet. Details of the other selected sales from the source documents to the updated sales spreadsheet were also reconciled (**Confidential Attachment SALES 2**).

A review of the sales spreadsheet also identified two sales transactions to the same customer, in the same month, for the identical product, but at different unit prices. After some investigation, TSA advised that the invoice price of one of the transactions was incorrectly inputted into its system where two digits were inadvertently transposed (**Confidential Attachment SALES 3**). It stated that this error was not picked up by TSA or the customer and therefore, the incorrect amount was invoiced and subsequently paid by the customer. As the erroneous invoice price was the actual amount paid by the customer, we do not consider that an amendment to the updated sales spreadsheet was required.

6.2.2 Sales verification up to financial statements

The completeness and relevance of TSA's updated sales spreadsheet was determined by reconciling it to TSA's audited financial accounts.

TSA provided copies of two management reports (report code [REDACTED]) that detail its monthly sales summary by product categories for the periods January – March 2013 and April – December 2013 (**Confidential Attachment SALES 4**). It then identified the product codes that were sales of unprocessed Q&T steel plate. TSA's total sales volumes and values for 2013 in the management report were reconciled to the updated sales spreadsheet with an immaterial variance of less than 1% (**Confidential Attachment SALES 5**).

TSA then provided copies of its audited financial statement covering 15 months to March 2013, and internal profit and loss (P&L) statements covering the 12 month period to December 2012 and nine months to December 2013. This data was used to calculate the revenue for the calendar year 2013 (**Confidential Attachment SALES 6**). TSA's 2013 revenue in its P&L statements were then reconciled to its management reports with an immaterial variance of less than 0.01%.

6.2.3 Sales verification conclusion

Having verified TSA's updated sales spreadsheet down to source documents and up to audited financial statements, the Commission is satisfied that the updated sales spreadsheet is an accurate, complete and relevant reflection of TSA's sales of unprocessed Q&T during the investigation period.

6.3 Selling, general and administrative expenses

TSA stated that it calculated its selling, general and administrative (SG&A) expenses as a percentage of revenue from its P&L statements (Confidential Attachment SALES 6).

It was noted at the visit that the calculated SG&A was high due to the large proportion of TSA's processed sales which incur additional fully absorbed factory or works cost including direct labour, fixed and variable overheads. TSA calculated a revised SG&A allocation to its processed and unprocessed sales based on the number of total number of invoices each type of sale generates.

This approach is considered reasonable and the Commission is satisfied with TSA's calculation of SG&A expenses.³

6.4 Profitability of sales

In order to assess the profitability of the selected importations, the fully absorbed cost to import and sell Q&T steel plate were compared with the monthly weighted average selling price of unprocessed Q&T steel plate that:

- has the same grade, thickness, width and length;
- was sold in the same state where the importation was discharged; and
- was sold in the same month or, if there were no relevant sales in that month, a later month where there was a sale.

The profitability analysis was conducted on those import transactions where there was a corresponding sale of unprocessed Q&T steel plate. This represented ■% of the selected shipments by volume.

The analysis showed that the weighted average profitability of all imports with corresponding sales was ■% (**Confidential Attachment SALES 7**).

TSA also separately demonstrated that it's one "indent sale" was profitable.

³ The Commission notes that the conclusions reached below at section 6.4 and section 7 would remain the same whether the full amount of SG&A or the revised amount of SG&A are applied

7 ARMS LENGTH

In determining export prices under s. 269TAB(1)(a), the Act requires that the relevant sales are arms length transactions.

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; and
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Given the weighted average profitability of ■%, the Commission does not recommend that section 269TAA(2) of the Act should apply. Accordingly, for the purpose of determining whether the export sales are arms length transactions, we do not consider that TSA will be reimbursed, be compensated or otherwise receive a benefit from its supplier.

We reviewed the documentation for the selected shipments and did not find any evidence that:

- there is any consideration payable other than price;
- the price is influenced by a commercial or other relationship between TSA and its supplier; or
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, 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.

Subject to further enquires, we are satisfied that import transactions between TSA and its supplier are arms length transactions in terms of s. 269TAA.

8 GENERAL COMMENTS

During the visit, TSA made the following general comments:

- Bisalloy's application is partly a reaction to the imposition of measures in respect of Bisalloy's Chinese Q&T greenfeed supplier following investigation 198 into plate steel.
- Bisalloy has suffered injury partly due to the nature of the steel industry. TSA explained that there is currently a worldwide oversupply of steel products and that surplus stock takes time to manage.
- during the boom in mining investment, Bisalloy didn't have the capacity to fully supply the market, which facilitated import competition.
- even with the current market experiencing reduced demand, Bisalloy still cannot fully service the underlying domestic demand, therefore import competition is necessary.
- TSA shifted from Bisalloy to imported Q&T steel plate due to Bisalloy's uneven price structure. TSA explained that Bisalloy's pricing to distributors was much lower than end-users and fabricators. TSA provided an example of where Bisplate could be purchased from a distributor at a lower price than what TSA could obtain from Bisalloy directly (**Confidential Attachment GEN 4**).
- TSA claims that the JFE product is more durable and it has conducted some testing and comparisons to support that view.
- Bisalloy is not as efficient as other manufactures and generally incurs higher costs. In contrast, JFE is an integrated steel manufacture, which results in a significant cost reductions. Currently, iron ore and coking coal prices are low which is advantageous to integrated mills.
- TSA's imports are non-injurious to Bisalloy as it competes in a different market segment, with the exception of its minor unprocessed Q&T steel plate sales.
- other factors, such as one of Bisalloy's customers, [REDACTED], moving offshore is affecting Bisalloy sales volumes.
- the high Australian dollar has also contributed to Bisalloy's injury.
- Bisalloy have started warehousing stock which has increased its costs.

9 RECOMMENDATIONS

The Commission is of the view that for the goods imported by TSA from MISI and manufactured by JFE:

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

However, the goods have not been purchased by the importer from the exporter.

Subject to further enquiries, it is recommended that the export price for Q&T steel plate imported by TSA from MISI is established under s. 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation. Specifically, the Commission recommends that the export price be calculated using the invoiced price between TSA and MISI, less deductions to the FOB level as required.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	TSA importation list
Confidential Attachment GEN 1	TSA's 2013 Financial Statements
Confidential Attachment GEN 2	JFE Everhard EHSP Product Guide
Confidential Attachment GEN 3	TSA comparison of Bisalloy's and JFE's Q&T steel plate
Confidential Attachment GEN 4	Pricing example
Confidential Attachment IMP 1	Source documents for selected shipments
Confidential Attachment IMP 2	Source documents for additional selected shipments
Confidential Attachment SALES 1	Source document for selected sales
Confidential Attachment SALES 2	Updated sales spreadsheet
Confidential Attachment SALES 3	Invoice price error
Confidential Attachment SALES 4	Monthly sales summary report
Confidential Attachment SALES 5	Upwards sales reconciliation
Confidential Attachment SALES 6	Profit and loss statements
Confidential Attachment SALES 7	Profitability analysis