



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

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

EXPORTED FROM

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

IMPORTER VISIT REPORT

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**

July 2012

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PUBLIC RECORD**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 OneSteel Australian Tube Mills Pty Ltd (OneSteel ATM) had imported HRC from [REDACTED] during the investigation period (April 11 to March 2012). Customs and Border Protection wrote to OneSteel ATM 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. OneSteel ATM was also provided with a list of its imports during the investigation period, extracted from Customs and Border Protection's import database, and a number of transactions from the list were identified for verification.

OneSteel ATM 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 OneSteel ATM 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];
- establish whether the purchases were arms length transactions;
- establish post exportation costs incurred in importing;
- 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 OneSteel ATM of the investigation process and timeframes.

- 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

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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 OneSteel ATM that we would prepare a confidential report on the visit. OneSteel ATM 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 OneSteel ATM and placed on the public record.

Company	OneSteel ATM
Address	Level 8 205 Pacific Highway St Leonards NSW
Telephone no.	0407 008 341
Email	harslettj@onesteel.com
Date	19 July 2012
Present	
OneSteel ATM	Nick Fithall, General Manager Sales – Distribution Segment Colman O'Loghlan, Manager International Trade Josh Harslett – Steel in Concrete Value Chain Manager Richard Clement, General Manager – Australian Tube Mills Adam Lawrence – Manager Supply Chain & Market Support Australian Tube Mills Glen Szecsodi – National Procurement & Supply Chain Manager - OneSteel Sheet & Coil Rebecca Gao, Commercial Analyst – OneSteel Sheet & Coil Peter Stawiarski (phone) – Procurement Manager, Australian Tube Mills Andrew Hall – Commercial Manager Projects, Steel Manufacturing

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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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Prior to the meeting we forwarded an agenda to OneSteel ATM 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**.

OneSteel ATM was co-operative and had the majority of the required documentation available for our meeting. Further documentation was provided shortly after the 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%
7208.53.00	42	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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7208.54.00	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.

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4 COMPANY BACKGROUND

4.1 Commercial operations

4.1.1 Company background

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

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

Prior to the verification meeting, OneSteel ATM provided a chart showing its structure, including the identities of all legal entities within the business. This forms **Confidential Attachment GEN 2**.

4.1.2 Functions of company

OneSteel 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).

OneSteel ATM produces a large range of pipe and tube that was the subject of a recent anti-dumping and countervailing investigation², and also produces precision tube and LSB [LiteSteel Beam]. HRC is the raw material used in the production of the majority of pipe and tube manufactured by OneSteel ATM. OneSteel ATM sources its HRC from both BlueScope and imports [REDACTED].

OneSteel ATM also operates multiple customer service centres and sales offices across Australia, as well as a large dispatch centre at Brimbank (Melbourne, Vic). Brimbank was used during the investigation period but has since closed.

² International Trade Remedies Report 177 refers

4.2 Accounting

OneSteel ATM operates on a 1 July to 30 June financial year. ATM's financial statements are consolidated into the annual statements of OneSteel Limited, which are audited annually.

4.3 Product range

OneSteel ATM advised that the HRC it uses in production is not manufactured to the AS1594 standard, but is manufactured (both by BlueScope and its overseas supplier) according to specific requirements. OneSteel ATM requires specific mechanical and chemical properties in the HRC used to manufacture pipe and tube in order for the final product to be marketed as meeting the relevant Australian standard for structural pipe and tube.

4.4 Suppliers of HRC

OneSteel ATM advised that it had no relationships with its suppliers of HRC other than that of buyer and seller.

4.4.1 Imports

OneSteel ATM buys the majority of its HRC requirements from BlueScope, but maintains regular import orders to ensure an alternative supply source in the case of BlueScope being unable to supply its requirements at any point.

[REDACTED] imported HRC per [REDACTED]

OneSteel has imported HRC from [REDACTED] for a number of years.

[REDACTED] *[Confidential supplier information]* OneSteel ATM advised that due to its specific requirements for the mechanical properties of the HRC it buys it is important to maintain a good working relationship [REDACTED] require a significant amount of preparatory work in negotiation and product testing.

Further details about OneSteel ATM's imports of HRC are contained in Chapter 5.

4.4.2 Purchases from BlueScope

As stated above, OneSteel ATM purchases HRC that is produced to a specification specific to pipe and tube manufacturers. BlueScope's product is called Tubeform. OneSteel ATM provided Tubeform price schedules that cover the period 3 July 2011 to 31 March 2012, as well as product sheets for the various Tubeform products (**Confidential Attachment GEN3**).

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There is an approximate [REDACTED] lead time between the time of placing an order with BlueScope and delivery. OneSteel ATM places their HRC orders [REDACTED]

[REDACTED]

[Confidential Pricing information] Historically prices were negotiated between the two parties on a [REDACTED] basis, but during the investigation period a trial was initiated whereby prices were agreed [REDACTED] based on [REDACTED].

[REDACTED]

[Confidential Pricing Information] During the investigation period BlueScope offered OneSteel ATM [REDACTED]

BlueScope also supply HRC to another entity in the OneSteel Limited group, OneSteel Distribution. We asked OneSteel ATM whether the price offers it received were the same as those offered to OneSteel Distribution. OneSteel ATM stated that

[REDACTED]

[Confidential Pricing Information] HRC purchased from BlueScope is delivered [REDACTED]

[Confidential supplier arrangements]

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5 IMPORTS

5.1 Introduction

Customs and Border Protection's import database indicates that OneSteel ATM imported approximately [REDACTED] of HRC during the investigation period [REDACTED]

5.2 Import process

OneSteel ATM purchases its HRC supply based on demand forecast for pipe and tube. This is developed from a combination of historical data and market intelligence of likely customer requirements. The forecast is converted into a supply plan, which is a high level planning model of production requirements and therefore raw material requirements.

5.3 Verification of imports

There is an approximate [REDACTED] lead time in relation to when OneSteel ATM orders HRC from [REDACTED]. Orders are placed monthly based on [REDACTED]

[REDACTED] *[Confidential sales information]* Pricing is [REDACTED]

[REDACTED] the market for HRC and negotiations occur until mutual agreement is reached. The price offer is usually referenced to [REDACTED]

The price offer is [REDACTED]

[Confidential Pricing information] The price is fixed [REDACTED]

The imported HRC is delivered to [REDACTED] depending on the ultimate destination of the production plant. For deliveries to [REDACTED]

[REDACTED] *[Confidential supplier arrangements]*

OneSteel ATM provided source documents to verify the data in its importer transaction form (Confidential Attachment IMP 1).

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

- supplier invoice;
- packing list;
- Bill of Lading; and
- invoices for importation costs.

In relation to the selected shipments OneSteel ATM also provided:

- proof of payment to supplier; and
- evidence of payment of importation costs.

5.3.1 Supplier invoice details

All shipments were [redacted] terms. Payment was [redacted] We verified that the details on the supplier invoice were consistent with other documents relating to the shipment, and matched the details on the importer transaction form.

OneSteel ATM hedges the currency for all purchases [redacted]. OneSteel ATM provided a copy of a report that showed the outstanding forward exchange contracts as at December 2011 (Confidential Attachment IMP2). We matched the hedging rate from this document to the exchange rate used in the importer transaction form for shipments 1 and 2.

5.3.2 Shipment costs

OneSteel ATM [redacted] freight for all its purchases [redacted]. It provided invoices for freight for the 3 selected shipments, which matched the amounts recorded on the importer transaction form. OneSteel ATM also provided proof of payment for two of the selected shipments.

OneSteel ATM also provided a copy of its marine insurance contract (Confidential Attachment IMP3), evidencing the insurance rate [redacted]. The following table shows the average shipping costs based on all OneSteel ATM's imports.

Item	Average cost \$AU/T
Ocean freight	[redacted]
Marine insurance	[redacted]
Total	[redacted]

5.3.3 Importation costs

Under the heading of 'Australian Importation Costs' in the importer transaction form, OneSteel ATM entered amounts for [redacted] [redacted] [Confidential pricing information]

We compared the amounts provided with the relevant importation cost invoices to the importer transaction form and found the details matched. We also verified the proof of payment provided for each importation cost.

Bank charges

At the visit OneSteel ATM advised that its calculation of bank charges on the importer transaction form was incorrect. OneSteel ATM provided an updated importer transaction form with revised bank charges. OneSteel ATM provided copies of [redacted] charges for [redacted] for the selected shipments, which matched the revised amounts on the importer transaction form.

Commission

OneSteel ATM [redacted]

[redacted] *[Confidential pricing information]* The rate [redacted] OneSteel ATM provided copies of invoices from [redacted] for the selected shipments, as well as proof of payment.

Summary of importation costs

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 charges	[redacted]
Customs entry & broker fees	[redacted]
Delivery	[redacted]
Bank charges	[redacted]
Commission	[redacted]
Total	[redacted]

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

On the importer transaction form OneSteel included selling, general and administration (SG&A) costs for each of the selected shipments based on an amount per tonne. Separate SG&A costs were calculated for HRC [redacted] Due to OneSteel ATM being an end user of HRC, and primarily a manufacturer, not all SG&A expenses from its profit and loss account are directly relevant to the importation of HRC. OneSteel ATM demonstrated the calculation of relevant SG&A expenses by reference to a spreadsheet it prepared (**Confidential Attachment IMP4**).

OneSteel ATM's SG&A costs related to the following expenses:

[redacted]

[Confidential pricing information] [REDACTED]

Transport [REDACTED] One Steel ATM apportioned the above costs based on the relevant proportion of HRC to other items associated with the activity. OneSteel ATM provided a copy of its calculation spreadsheet in addition to financial reports to support each of the amounts.

5.5 Who is the Importer

We noted that OneSteel ATM:

- 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.

We consider OneSteel ATM 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.

Upon review of the documentation provided we are satisfied that:

- 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
- OneSteel ATM pays the relevant supplier.

Based on the information available we are satisfied that [REDACTED] is the trader and exporter of the goods and [REDACTED] is the manufacturer of the goods.

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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 price less any costs in respect of matters arising after exportation

5.7 Export price

We have calculated a preliminary export price of [REDACTED]

PUBLIC RECORD**6 AUSTRALIAN MARKET AND SALES****6.1 General**

OneSteel ATM is an end user of HRC and therefore sales verification and discussion was not required.

OneSteel ATM considers that the biggest impact on the Australian market for HRC is the reduction in local manufacture of finished goods, which results in a decreased demand for raw materials such as HRC.

6.2 Forward orders

OneSteel ATM provided a list of forward orders with its questionnaire response. 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.

We are unable to use the profitability test to assess whether transactions between OneSteel ATM and [REDACTED] are at arms' length. However, we did not find any evidence that:

- there is any consideration payable other than price; or that
- the price is influenced by a commercial or other relationship between OneSteel ATM and [REDACTED]

Therefore, we consider that sales between [REDACTED] and OneSteel ATM were arms length transactions.

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8 CAUSATION

OneSteel ATM provided a powerpoint presentation that set out its views in relation to injury and causation (**Confidential Attachment Causation 1**).

In summary, OneSteel ATM considers that the reduction in production capacity of pipe and tube makers in Australia, combined with the increase in imports of these finished goods, is a bigger factor in any injury experienced by BlueScope in relation to HRC sales, rather than imports of HRC.

OneSteel ATM provided data that showed that the overwhelming majority of HRC purchases by Australian manufacturers of pipe and tube are from BlueScope. As explained above, [REDACTED]

[REDACTED]
[Confidential supplier information]

OneSteel ATM also provided data to show that the [REDACTED] price from [REDACTED] for the [REDACTED] selected shipments was [REDACTED] during the investigation period.

[REDACTED] [Confidential supplier information] OneSteel ATM further claimed that the rising cost of raw material used in the production of HRC has compressed the margins available to HRC producers.

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9 UNSUPPRESSED SELLING PRICE

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

PUBLIC RECORD**10 RECOMMENDATIONS**

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

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

Subject to further inquiries with the exporter, we are satisfied that the export price can be established under s. 269TAB(1)(a) using the invoice prices less any costs in respect of matters arising after exportation.

11 ATTACHMENTS

Confidential attachment GEN 1	Meeting agenda
Confidential attachment GEN 2	OneSteel group structure
Confidential attachment GEN 3	Tubeform price schedules and data sheets
Confidential attachment IMP 1	Source documents to support importer transaction form
Confidential attachment IMP 2	Outstanding forward exchange contracts
Confidential attachment IMP 3	Marine insurance contract
Confidential attachment IMP 4	Calculation of SG&A expenses
Confidential attachment CAUSATION 1	Powerpoint presentation on injury and causation