



## **INVESTIGATION 234**

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

## **VISIT REPORT - IMPORTER**

# **SSAB SWEDISH STEEL PTY LTD**

<p>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</p>
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**APRIL 2014**

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## PUBLIC RECORD VERSION

### ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ACBPS	Australian Customs and Border Protection Service
Bisalloy	Bisalloy Steels Pty Ltd
the Commission	Anti-Dumping Commission
<b>[CONFIDENTIAL INFORMATION DELETED – abbreviation]</b>	<b>[CONFIDENTIAL INFORMATION DELETED – the abbreviated term]</b>
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)
the Minister	the Minister for Industry
<b>[CONFIDENTIAL INFORMATION DELETED – abbreviation]</b>	<b>[CONFIDENTIAL INFORMATION DELETED – the abbreviated term]</b>
Q&T steel plate	Quenched and Tempered steel plate
SEF	Statement of Essential Facts
SSAB Emea	SSAB EMEA AB
SSAB SG	SSAB Swedish Steel Pte Ltd
SSAB Australia	SSAB Swedish Steel Pty Ltd
TMCP	Thermo mechanically controlled process

## **1 BACKGROUND AND PURPOSE**

### **1.1 Background**

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application requesting that the Minister for Industry (the 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 Anti-Dumping Commission (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](http://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:

- identify who is the importer and ascertain who is the exporter in terms of definition provided in section 269T of the *Customs Act 1901* (the Act);
- collect and verify information on imports to assist ascertaining export price (269TAB);
- establish whether purchases are arm's length transactions (269TAA);
- 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 SSAB Swedish Steel Pty Ltd (SSAB Australia) with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	SSAB Swedish Steel Pty Ltd WB House, Level 2, 32 Logan Road, Woolloongabba, Queensland 4102
Dates of visit	Friday, 28 February 2014

The following were present at various stages of the meetings.

SSAB Swedish Steel Pty Ltd	Shane Gleeson – General Sales Manager, Asia & Pacific Jorgen Gustafsson – CFO, Head of Finance, Asia & Pacific Yeo Lee Yong – Accounting & Reporting Manager, Asia & Pacific
Consultants	Daniel Moulis – Moulis Legal Christopher Hewitt – Moulis Legal
the Commission	Kerry Taylor - Director Lydia Cooke - Manager Bora Akdeniz - Supervisor

### 1.4 Investigation process and timeframes

The Commission advised SSAB Australia 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 was 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.<sup>1</sup> The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public

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

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record by 28 April 2014 or such later date as the Parliamentary Secretary allows under s.269ZHI of the Act.

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**

SSAB Australia were advised that the Commission would prepare a report of our visit (this report) and provide it to SSAB Australia 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 SSAB Australia, the Commission would prepare a non-confidential version of the report, and place 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 2014/1 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 deals with 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.

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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

SSAB Australia was established in 1999 as an Australian sales office of SSAB EMEA AB (SSAB Emea), a Swedish steel manufacturer.

A presentation outlining SSAB Emea's global operations is available at **Confidential Attachment GEN 1**.

The primary activity of SSAB Australia is the purchase and sale of steel plate. SSAB Australia has a total of **[CONFIDENTIAL INFORMATION DELETED – number]** full time equivalent employees and has warehouses and sales offices in Brisbane, Melbourne, Perth and Adelaide. **[CONFIDENTIAL INFORMATION DELETED – operations]** SSAB Australia also sells Q&T steel plate to Tasmania and New Zealand.

SSAB Australia's warehouses stock an extensive range of steel plate, averaging around **[CONFIDENTIAL INFORMATION DELETED – number]** tonnes of inventory.

For the 2013 calendar year, SSAB Australia sold **[CONFIDENTIAL INFORMATION DELETED – number]** tonnes of steel plate in Australia and its total turnover was approximately \$**[CONFIDENTIAL INFORMATION DELETED – number]**.

SSAB Australia stated that **[CONFIDENTIAL INFORMATION DELETED – details of product mix]**.

#### 3.2 Relationship with suppliers and customers

During the investigation period SSAB Australia purchased **[CONFIDENTIAL INFORMATION DELETED – number]** per cent of its imports through SSAB Emea's related trading company in Singapore, SSAB Swedish Steels Pte Ltd (SSAB SG). The vast majority of these products were manufactured in Sweden by SSAB Emea **[CONFIDENTIAL INFORMATION DELETED – details of purchases outside the scope of the investigation]**. SSAB stated that it had did not purchase Q&T steel plate from the Australian domestic market during the period of investigation.

SSAB Australia stated that it does not import all of the Q&T steel plate manufactured and exported to Australia by SSAB Emea. A small proportion of Q&T steel plate manufactured by SSAB Emea is supplied by SSAB SG directly to unrelated Australian customers.

**[CONFIDENTIAL INFORMATION DELETED – details of sales terms]**.

Part C of SSAB Australia's completed importer questionnaire, identified SSAB Australia's customers. At the verification visit, SSAB Australia stated that it is not related to any of its Australian customers for Q&T steel plate.

### **3.3 Accounting structure and details of accounting systems**

SSAB Australia maintains a 1 January to 31 December financial year, which aligns to its parent and related companies.

SSAB Australia is a limited liability company (large proprietary company). At the time of the visit, SSAB Australia's audited financial statements had not been lodged with the Australian Securities and Investments Corporation. However, subsequent to the visit, the Commission obtained a copy of SSAB Australia's 2013 audited financial statements, which is attached as **Confidential Attachment GEN 2**. SSAB Australia's audited financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Australia.

SSAB Australia provided the Commission with the 2012 audited financial statements of SSAB SG at **Confidential Attachment GEN 3**. SSAB SG's financial statements are prepared in accordance with Singapore's Financial Reporting Standards.

### **3.4 'Like Goods'**

SSAB Australia explained that it imports the following types of Q&T steel plate matching the description of the goods under consideration:

**[CONFIDENTIAL INFORMATION DELETED – details of products imported during the period of investigation]**

SSAB Australia were provided with a copy of the product comparisons provided by Bisalloy in its application and invited SSAB Australia to submit its views in relation to like goods. Subsequent to the visit, SSAB Australia submitted its views on product comparability and like goods (**Confidential Attachment GEN 4**).

**[CONFIDENTIAL INFORMATION DELETED – comments regarding products sold by SSAB EMEA in Sweden]**

SSAB Australia stated that its Q&T steel plate is superior in quality to the Australian Industry's Q&T steel plate due to the following factors:

- SSAB's Q&T steel plate is produced from raw iron ore and SSAB's products have a cleaner metallurgical structure with a low alloy content;
- SSAB has flexibility to produce custom dimensions according to its customers' specific needs, which minimises scrap rate;
- SSAB is capable of producing very flat Q&T steel plate;
- When bent, SSAB's Q&T steel plate can create very tight angles without shearing or cracking;
- SSAB's Q&T steel plate does not require pre-heating and is easier to weld; and
- SSAB's Q&T steel plate performs better under extreme loads.

SSAB Australia stated that for the above reasons, it positions itself above its competitors in terms of quality and price in the Australian market.

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To support its claims, SSAB Australia provided copies of its product brochures and technical specification tables (**Confidential Attachment GEN 5**).

## 4 IMPORTS

### 4.1 General

SSAB Australia has operated in Australia for around 15 years. SSAB Australia stated it has developed a market share and loyal customer base through the quality of its products and strong customer focus.

SSAB Australia emphasised its approach of building relationships with its customers by providing a complete service and solution, rather than just providing a product. SSAB sales people are trained to understand technical and mechanical specifications of its products and customer specific needs, so that the most suitable product is recommended to each individual customer.

SSAB Australia explained that it sells the following product lines in Australia:

**[CONFIDENTIAL INFORMATION DELETED – product lines sold to Australia during the period of investigation]**

The Australian Customs and Border Protection Service's (ACBPS) import database indicates that SSAB Australia imported **[CONFIDENTIAL INFORMATION DELETED – number]** tonnes of steel plate from SSAB Emea under tariff classification 7225.40.00 during the investigation period.

### 4.2 Order process and pricing

**[CONFIDENTIAL INFORMATION DELETED – details of SSAB Australia stock system and ordering system]** SSAB Australia stated that there were no special order requirements and no minimum order quantities applying to its orders from SSAB SG, however, the general practice is consolidate a number of orders. Goods are shipped from SSAB Emea in bulk.

SSAB Australia stated that although steel prices fluctuate constantly depending on raw material prices and currency movements, its customers require price stability.

**[CONFIDENTIAL INFORMATION DELETED – details of price negotiation]**

SSAB SG, being a trading company sets its prices from negotiations with SSAB Emea. The prices between SSAB Emea and SSAB SG are determined with regards to SSAB Emea's internal pricing guidelines.

SSAB SG quotes prices to SSAB Australia in **[CONFIDENTIAL INFORMATION DELETED – currency]**. The trade between SSAB SG and SSAB Emea occurs **[CONFIDENTIAL INFORMATION DELETED – currency]**. SSAB SG **[CONFIDENTIAL INFORMATION DELETED – currency]** between SSAB Australia and SSAB Emea.

SSAB Australia indicated there is generally a lead time of **[CONFIDENTIAL INFORMATION DELETED – period of time]** from placement of order to receipt of goods. Goods are shipped to a port closest to each of SSAB Australia's warehouses.

### **4.3 Verification of imports**

Prior to the visit, the Commission selected 10 shipments from the ACBPS import database and asked SSAB Australia to prepare a listing (import cost listing) of all associated costs for these shipments:

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

Of the 10 selected shipments, SSAB Australia identified two shipments that **[CONFIDENTIAL INFORMATION DELETED – irrelevant to the investigation]**.

SSAB Australia was unable to provide all required documents at the time of the visit however, subsequent to the visit, provided the Commission with the source documents for the eight shipments of goods manufactured in Sweden (**Confidential Attachments IMP 1**).

For each shipment source documents were used to verify the listed quantity, invoice value, ocean freight and insurance, exchange rate, customs duty, importation costs and expenses against the import cost listing and ACBPS's import database where applicable.

#### **4.3.1 Supplier invoice details**

From the source documents and information provided by SSAB Australia and SSAB SG subsequent to the visit, the Commission was able to establish:

- Eight out of the ten shipments selected were manufactured in Sweden (a country under consideration) and the remaining two shipments **[CONFIDENTIAL INFORMATION DELETED – were irrelevant to the investigation]**.
- All shipments to SSAB Australia were **[CONFIDENTIAL INFORMATION DELETED – sales terms]**.
- Payment terms to the supplier (SSAB SG) are marked as **[CONFIDENTIAL INFORMATION DELETED – number]** days on the pro forma invoices from SSAB SG. However, SSAB Australia advised that **[CONFIDENTIAL INFORMATION DELETED – details of payment terms]**. A sample of invoices and corresponding payment advices are available at **Confidential Attachment IMP 2**.
- SSAB SG raises invoices to SSAB Australia in **[CONFIDENTIAL INFORMATION DELETED – currency]** and payment is made in **[CONFIDENTIAL INFORMATION DELETED – currency]**.

#### **4.3.2 Import cost summary**

As noted above, [CONFIDENTIAL INFORMATION DELETED – sales terms]. As a result, SSAB Australia did not fully populate Part B, which relates to Australian importation costs and instead estimated approximate unit importation costs.

By using the source documents of importation and ACBPS's data for the selected import shipments, the Commission estimated the relevant weighted average costs of importation and a weighted average unit cost of importation for goods after arriving in Australia. The Commission's calculation of post exportation expenses for the eight selected shipments of the goods under consideration is [CONFIDENTIAL INFORMATION DELETED – number] per tonne. The Commission revised the cost to import and sell table in Part B of the importer questionnaire to include this amount (Confidential Appendix 1 refers).

SSAB Australia calculated its selling, general and administrative (SG&A) costs as [CONFIDENTIAL INFORMATION DELETED – number]% of sales revenue during 2013 (this amount was verified by the Commission as discussed in section 6.3.4).

#### **4.4 Export prices**

The Commission calculated the following export price in [CONFIDENTIAL INFORMATION DELETED – sales term] for both the eight selected shipments which are the goods under consideration as well as the total imports for SSAB Australia in the ACBPS import database. Table 2 provides the following summary of export price calculations:

<b>Export Price</b>	<b>Weighted Average Invoice Price (A\$/MT)</b>
<b>[CONFIDENTIAL INFORMATION DELETED – export prices]</b>	

**Table 1: Summary of Export Prices**

Calculations for Table 1 are available at **Confidential Appendix 1**.

#### **4.5 Forward orders**

In its importer questionnaire response, SSAB Australia provided a list of forward orders. The list of forward orders is available at **Confidential Appendix 2**.

## **5 WHO IS THE IMPORTER AND EXPORTER**

### **5.1 Who is the importer?**

Section 269T(a) defines importer as the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed.

The Commission reviewed the documents provided in respect of the selected shipments and notes that:

- the goods are ordered by SSAB Australia;
- a pro forma invoice is raised by the SSAB SG who is the only supplier to SSAB Australia during the investigation period;
- SSAB Australia is named as the customer on supplier's proforma invoices;
- SSAB Australia is named as the consignee on the bill of lading;
- SSAB Australia appears as the importer on the Customs declarations;
- SSAB Australia purchases the goods from SSAB SG on **[CONFIDENTIAL INFORMATION DELETED – sales terms]** terms;
- **[CONFIDENTIAL INFORMATION DELETED – material terms of sale between SSAB SG and SSAB AU]**

Given the facts above, the Commission considers SSAB SG as the beneficial owner of the goods at the time of importation. Therefore, the Commission considers SSAB SG is the importer of the goods.

### **5.2 Who is the exporter?**

The Commission generally identifies 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 will 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, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf

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of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Depending on the facts, 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.

Subject to further enquiries we are satisfied that SSAB Emea is considered the exporter of the goods imported by SSAB SG.

## **6 AUSTRALIAN MARKET**

### **6.1 General**

SSAB Australia stated that its sales of Q&T steel plate in Australia are predominantly to suppliers of the mining and transportation sectors. SSAB Australia explained that its products' superior material characteristics make it the preferred choice for equipment manufactured to work under harsh conditions. SSAB Australia explained that its products perform well under extreme loads such as dump truck bodies, truck trailers chassis, loader, excavator shovels etc.

SSAB Australia stated that due to a significant decrease of investment in mining sector, the demand for its products has suffered. However, it contends that its competitors were more adversely affected from this downturn in mining investment.

SSAB Australia also stated that there was increasing competition entering the market from Chinese and Korean imports of Q&T steel plates. SSAB Australia stated that because of the superior nature of its products, it can distinguish itself from the cheaper alternatives and does not compete in the same market as cheaper imports.

SSAB Australia claims that despite reduced demand and increased competition in the Australian market, SSAB Australia can justify **[CONFIDENTIAL INFORMATION DELETED – operations]** based on the quality of its product.

### **6.2 Domestic distribution and selling**

SSAB Australia stated that it does not conduct value added functions such as cutting, bending or welding.

SSAB Australia has original equipment manufacturing and end user customers and **[CONFIDENTIAL INFORMATION DELETED – commercial arrangements]**.

The list of SSAB Australia's domestic sales is available in **Confidential Appendix 3**.

SSAB Australia explained that it keeps substantial stocks of various grades of goods. When it receives an order for a good that is held in stock, it is able to deliver the goods in a very short period of time. For specific customer demands, it sometimes orders customised sizes of Q&T steel plates from its supplier.

Its sales usually are generally delivered, **[CONFIDENTIAL INFORMATION DELETED – commercial arrangements]** depending on negotiations with that particular customer. SSAB Australia explained that **[CONFIDENTIAL INFORMATION DELETED – commercial arrangements]** to customers over the negotiated price.

Payment terms are negotiable and vary between customers. For samples of price lists and price offers, refer to **Confidential Attachment SALES 1**.

### **6.3 Sale verification**

In its importer questionnaire response, SSAB Australia provided a detailed listing of its sales of Q&T and other steel plate (sales listing). Prior to the visit, the Commission selected a sample of 10 sales for verification and requested that SSAB prepare copies of invoices and proof of payment for the selected sales. At the visit, SSAB Australia provided the following documents for each selected sale:

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

Source documents of the selected sales are available in **Confidential Attachment SALES 2**.

#### **6.3.1 Sales verification down to source documents**

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

The Commission was able to match the details for all selected sales in the spreadsheet to the source documents, including the proof of payment where relevant bank statements were provided.

#### **6.3.2 Sales verification up to financial statements**

The Commission sought to verify the completeness and relevance of SSAB Australia's domestic sales spreadsheet by reconciling it to SSAB Australia's profit and loss (P&L) statement.

SSAB Australia provided the Commission with its monthly and yearly P&L statements for the 2013 calendar. The Commission was able to reconcile SSAB Australia's total sales volumes and values for 2013 in the P&L statement to the domestic sales listing with an immaterial variance in sales values of **[CONFIDENTIAL INFORMATION DELETED – number]%**.

**[CONFIDENTIAL INFORMATION DELETED – details of Australian sales]**.

SSAB Australia explained that some of the negative value sales entries are corrections for incorrect pricing on invoices and they can be identified by their descriptions and zero invoice weights. The Commission checked the sales spreadsheet and confirmed that a negative price invoice with a negative weight is a cancellation of a previous invoice with exactly the same weight and price. During the sales reconciliation process, these values cancel each other out and the returned goods are not counted as sales.

SSAB Australia also provided a reconciliation of its sales to management reports separately. The Commission observes that the sales data reconciles with the spreadsheet submitted and notes that the methodology used by SSAB Australia is reasonable.

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The Commission also notes that the Commission reconciled SSAB Australia's P&L statements to 2013 audited financial statements subsequent to the visit.

### 6.3.3 Sales verification conclusion

Having verified SSAB Australia's sales spreadsheet down to source documents and up to the P&L and audited financial statements, we are satisfied that the domestic sales listing is an accurate, complete and relevant reflection of SSAB Australia's sales (Q&T and other steel plate) during the investigation period.

### 6.3.4 Selling, general and administrative costs

SSAB Australia provided the Commission with a spreadsheet of its SG&A calculations (**Confidential Appendix 5**).

The Commission verified SSAB Australia's SG&A calculation to the P&L statements and is satisfied that the SG&A calculation is reasonable and reliable.

## 6.4 Profitability of sales

It is SSAB Australia's general practise to warehouse its imported steel plates as inventory prior to sale. As discussed in section 3.1, SSAB Australia holds an average of **[CONFIDENTIAL INFORMATION DELETED – number]** tonnes of steel plate in inventory and stated that it is usually not possible to trace domestic sales to particular import consignments.

For this reason, it was not possible for the Commission to directly assess the profitability of the selected importations.

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

- has the same grade, thickness, width and length; 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 only conducted on those import transactions where there was a corresponding sale of Q&T steel plate. This analysis showed that the weighted average profitability of imports with corresponding sales was **[CONFIDENTIAL INFORMATION DELETED – number]%** (**Confidential Appendix 6**).

**[CONFIDENTIAL INFORMATION DELETED – details from SSAB AU profit and loss statement]**

	January	February	March	April	May	June
Total Sales	<b>[CONFIDENTIAL INFORMATION DELETED – total sales]</b>					
Profit	<b>[CONFIDENTIAL INFORMATION DELETED – profit]</b>					
Profitability	<b>[CONFIDENTIAL INFORMATION DELETED – profitability]</b>					

Table 2: Profitability - January 2013 to June 2013

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	July	August	September	October	November	December
Total Sales	[CONFIDENTIAL INFORMATION DELETED – total sales]					
Profit	[CONFIDENTIAL INFORMATION DELETED – profit]					
Profitability	[CONFIDENTIAL INFORMATION DELETED – profitability]					

Table 2: Profitability - July 2013 to December 2013

The Commission's profitability calculations are at **Confidential Appendix 6**.

## 7 ARMS LENGTH

The Act requires that relevant sales are arms length transactions when determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1).

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 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.

Section 269TAA(2) of the Act provides that the Minister may treat the sale of 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 where:

- the goods are exported to Australia otherwise than by the importer and are purchased by the importer from the exporter for a particular price; and
- the Minister is satisfied that the importer whether directly or through associates, sells those goods in Australia at a loss.

Given SSAB Australia's **[CONFIDENTIAL INFORMATION DELETED – financial details]** (as detailed above at section 6.4) for the period of investigation, the Commission recommends that section 269TAA(2) of the Act should apply. Accordingly, the Commission considers that the export sales transactions are not arms length.

## **8 GENERAL COMMENTS**

During the visit, SSAB Australia made the following general comments regarding the market for Q&T steel plate in Australia:

- Injury suffered by Bisalloy is partly due to the slowdown in mining investment and partly due to increased competition from imports from China and Korea.
- Some of Bisalloy's customers reacted adversely to Bisalloy's importation of Q&T steel plate greenfeed from China. Those customers are concerned with the Chinese greenfeed quality and no longer consider Bisalloy's products to be fully Australian made.
- The Australian market has become more sophisticated and Bisalloy's product range and capability fails to answer the demands.
- SSAB Emea is an integrated steel producer and produces Q&T steel plates from Swedish iron ore and coking coal imported from Australia, which makes its products very clean (low alloyed) and easily worked. As a result, SSAB's products do not compete with Bisalloy's products as they are in a different quality category and serve more sophisticated market segments.
- Bisalloy, despite following benchmarked market prices, has a very complicated rebate structure that SSAB Australia fails to understand.

## **9 RECOMMENDATIONS**

Based on verified information provided, the Commission is of the opinion that for the goods imported by SSAB SG from SSAB Emea:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods by the importer were not arms length transactions.

Subject to further enquiries, the Commission recommends that the export price for Q&T steel plate imported by SSAB SG from SSAB Emea be established under s. 269TAB(1)(c) of the Act, as the price the Parliamentary Secretary determines having regard to all the circumstances of exportation.

Specifically, the Commission recommends that the export price be calculated using the price at which the goods were first sold to an arms' length party outside of the SSAB group, less deductions the Parliamentary Secretary considers reasonable.

## **10 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Cost to Import and Sell Spreadsheet
<b>Confidential Appendix 2</b>	SSAB Australia Forward Orders
<b>Confidential Appendix 3</b>	SSAB Australia Domestic Sales
<b>Confidential Appendix 4</b>	SSAB Australia Profit and Loss Statement
<b>Confidential Appendix 5</b>	Selling General and Administrative Costs
<b>Confidential Appendix 6</b>	SSAB Australia Profitability
<b>Confidential Attachment GEN 1</b>	SSAB Company Presentation
<b>Confidential Attachment GEN 2</b>	SSAB Australia 2013 Financial Statements
<b>Confidential Attachment GEN 3</b>	SSAB SG 2012 Financial Statements
<b>Confidential Attachment GEN 4</b>	SSAB Australia Product Comparison
<b>Confidential Attachment GEN 5</b>	SSAB Product Data Sheets
<b>Confidential Attachment IMP 1</b>	SSAB Australia Shipment Source Documents
<b>Confidential Attachment IMP 2</b>	SSAB SG Weekly Invoices to SSAB Australia
<b>Confidential Attachment SALES 1</b>	SSAB Australia Price Lists
<b>Confidential Attachment SALES 2</b>	SSAB Australia Domestic Sales Documents