



## **INVESTIGATION 234**

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

## **VISIT REPORT - IMPORTER**

# **BLUESCOPE DISTRIBUTION 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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**June 2014**

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## PUBLIC RECORD

### ABBREVIATIONS

\$	Australian dollars (also referred to as AUD)
ACBPS	Australian Customs and Border Protection Service
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Bisalloy	Bisalloy Steels Pty Ltd
BSL	BlueScope Steel Limited
BSD	BlueScope Distribution Pty Ltd
CIF	Cost, insurance and freight
Commission	Anti-Dumping Commission
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
PAD	Preliminary Affirmative Determination
the 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 administration
██████	██████████

## **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](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:

- confirm that BlueScope Distribution Pty Ltd (BSD) 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 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 BSD with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	BlueScope Distribution Pty Ltd 16-24 Westall Road Clayton South VIC 3169
Dates of visit	Friday, 28 February 2014

The following were present at various stages of the meeting:

BlueScope Distribution Pty Ltd	Marc Cousins – Procurement & Planning Manager Liz Limnios – Procurement Development Manager Peter Williams – National Commercial Manager Tohme Hayek – Melbourne Manager
the Commission	An Chew – A/g Manager Rebecca Oliver – Supervisor, Operations 4 Angela Kidson – Assistant Investigator, Operations 4

### 1.4 Investigation process and timeframes

The Commission advised BSD 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 and/or a countervailing 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 record by 28 April 2014, or such later date as the Parliamentary Secretary allows under s.269ZHI of *the Customs Act 1901* (the Act).

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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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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**

BSD were advised that the Commission would prepare a report of the visit (this report) and provide it to BSD 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 BSD, 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 2014/1 which is available on the public record.

### 2.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

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.

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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 Commercial Operations

#### 3.1.1 Organisational structure

BSD is a subsidiary of BlueScope Steel Limited (BSL). BSD explained that it was previously part of the Smorgon Steel Group before its acquisition by BSL in 2007. BSL is a publicly listed company with a number of subsidiary and associated companies.

BSD describes itself as a [REDACTED] sourced distributor of steel products. It has a network of approximately 50 processing and distribution sites across Australia.

BSD provided a brief overview of its operations, available at **Confidential Attachment 1**.

#### 3.1.2 Functions of company

BSD sells a range of steel products to various markets within Australia. In relation to the Q&T steel plate market, it described transport and mining as the two major market segments. BSD estimates that [REDACTED]% of its Q&T steel plate is sold to the mining sector. BSD also offers processing services to customers.

BSD stated that Q&T steel plate is only a small part of its overall business. BSD provided an extract from its management accounts which showed that Q&T steel plate sales (including processed Q&T Steel plate) accounted for [REDACTED]% of its total sales volume over the past two years (**Confidential Attachment 2**).

#### 3.1.3 Product range

BSD's product range includes steel plate, sheet and coil, reinforcing fabric, bar and building products, merchant bar, structural steel, tubular and aluminium products.

BSD advised that its Q&T steel plate range includes Bisalloy products, including the Bisplate 80, 400, 450 and 500 grades. It also sells imported Q&T steel plate. [Confidential information – product range]

### 3.2 Accounting structure and details of accounting systems

BSD operates to a financial year ending 30 June, in keeping with its parent company BSL. BSD reports monthly, half yearly and annually to BSL. The company's financial statements are audited twice a year by Ernst and Young. BSD's statutory accounts are consolidated into the BSL group.

BSDs' statutory financial reports are generated using [REDACTED], a reporting consolidation tool that extracts summary data from [REDACTED]. BSD explained that its invoice processing and cash receiving functions [REDACTED]. BSD also stated that it uses a data reporting system, [REDACTED] to capture data from various systems for the purpose of forecasting and budgeting. [Confidential accounting systems information]

### **3.3 Relationship with suppliers and customers**

#### **3.3.1 Relationship with suppliers**

BSD advised that it purchased Q&T steel plate from three sources; Bisalloy, [REDACTED] and [REDACTED] (which includes Q&T steel plate manufactured in [REDACTED] and [REDACTED]). [Confidential information – sources of supply]

BSD stated that Bisalloy is its main supplier of Q&T steel plate, and has been for many years. BSD estimated that [REDACTED]% of its purchases of Q&T steel plate is from Bisalloy.

[REDACTED]

[Confidential information – supply arrangements]

[REDACTED]

– supply arrangements]

[REDACTED]

information – supply arrangements]

BSD advised that it also purchases Q&T steel plate manufactured by overseas mills including from [REDACTED] and [REDACTED], however these purchases [REDACTED]. BSD explained that it purchases [REDACTED].

[REDACTED]. [Confidential information – commercial reasons]

BSD stated that it sources Q&T steel plate from overseas manufacturers for a number of reasons. In particular, this provides it with an [REDACTED]

[REDACTED]

[Confidential information - commercial reasons].

During the verification visit, the visit team found no evidence of discounts or rebates provided to BSD by [REDACTED].

#### **3.3.2 Relationship with customers**

BSD advised that it sells Q&T steel plate to a range of customers, predominantly within the mining and transport sectors. BSD stated that it also supplies Q&T steel plate to the manufacturing sector for use in machinery. BSD described its customers broadly as processors, fabricators and end users.

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BSD explained that its customers for processed Q&T steel plate includes companies such as [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. These companies generally have cutting and rolling facilities to further process steel for fabricators and end users.

BSD stated that it did not provide rebates to its customers for Q&T steel plate during the period of investigation.

### 3.4 Like goods

As part of its application, Bisalloy provided the following tables comparing its Q&T steel plate grades to imported grades from Finland, Japan and Sweden.

Bisalloy Steels' Bisplate Q&T Steel Plate import comparisons - Wear and Armour grades							
		Q&T Brandname(s)	High Hardness/Abrasion resistant- Wear & Armour Grades (HBW-10/3000)				
Country	Company	Wear (Brinell HBW-10/3000)	320-380	400	450	500	600
Australia	Bisalloy Steels Pty. Ltd.	Bisplate - BISXXX (Wear) Bisplate- HHA, UHTA, UHH & HIA (Armour)	BIS320	BIS400 HIA	BIS450 UHTA	BIS500 HHA	BIS600 UHH
Sweden	SSAB (Swedish Steel)	Hardox XXX(wear) Armox XXX(Armour)	Hardox Hi-Tuff Armox 370T	Hardox 400 Armox 400T	Hardox 450 Armox 440T	Hardox 500 Armox 500T	Hardox600 Armox 600T
Japan	NSSMC (Nippon Steel & Sumitomo Metal Corp.)	Wel-Ten AR XXXX (wear) SUMIHARD K XXX (wear) ABREX XXX(Wear )	AR360E K340	AR400E K400 ABREX400 ABREX400LT	K450 ABREX 450 ABREX400LT	AR500E K500 ABREX 500 ABREX 500LT	ABREX 600
Japan	JFE (Total Steel)	Everhard EHXXX (Wear)	EH360E EH360A EH360LE	EH400 EHSP	EH450	EH500 EH500LE EHS500	EHS600
Finland	RUUKKI	RAEX XXX (Wear)	Raex 300	Raex 400	Raex 450	Raex 500	

**Table 1: Bisplate Q&T steel plate import comparison for wear and armour grades**

Bisalloy Steels' Bisplate Q&T Steel Plate import comparisons -High Strength (High Tensile) Structural grades							
		Q&T Brandname(s)	High Strength (High Tensile) - Structural Grades				
Country	Company	0.2% Proof Stress (Min.) Tensile Strength (Range)	400MPa 450-580MPa	500 MPa 590-730MPa	600 MPa 690-830MPa	690 MPa 790-930MPa	890 Mpa 940-1100MPa
Australia	Bisalloy Steels Pty. Ltd.	Bisplate - BISXX	BIS60	BIS60	BIS70	BIS80 BIS80PV	BIS100
Sweden	SSAB (Swedish Steel)	Weldox XXX				Weldox 700	Weldox 900 Weldox 960 Weldox1100
Japan	NSSM (Nippon Steel & Sumitomo Metal Corp)	Wel-Ten XXX (Nippon) SUMITEN XXX (Sumitomo) SBHSXXX (NSSMC)	WEL-TEN 590 SUMITEN590	WEL-TEN 600 SUMITEN 610	WEL-TEN 690 SUMITEN 690 SBHS500	Wel-TEN 780 SUMITEN 780S SBHS700	WEL-TEN 950 SUMITEN950
Japan	JFE (Total Steel)	HITEN XXX (Structural)	HITEN590	HITEN 610	HITEN710	HITEN 780	HITEN980
Finland	RUUKKI	OPTIM XXXQL				OPTIM 700 QL	

**Table 2: Bisplate Q&T steel plate import comparison for structural/high tensile grades**

BSD reviewed these tables at the visit, and confirmed that the [REDACTED] Q&T steel plate grades identified in the above tables were generally equivalent to the grades of Q&T steel plate identified by Bisalloy.

### 3.4.1 Importer questionnaire

Prior to the visit, BSD completed an importer questionnaire, providing company details, overseas supplier information, import listing, expenses, and sales listing. A copy of BSD's completed importer questionnaire response is at **Confidential Attachment 3**.

BSD's import listing included a detailed description of the goods imported from [REDACTED]. This description included:

- the Q&T steel plate product group. i.e. [REDACTED] wear grade is branded [REDACTED] and [REDACTED] structural/high tensile grade is [REDACTED];
- the Q&T steel plate grade. For wear grade plates refers to Brinell hardness, e.g. 450 Brinell. For structural grade plates the grade refers to tensile strength, e.g. 700 MPa tensile strength; and
- dimension including thickness, width and length.

From the import listing, the Commission observed that the [REDACTED] grades included an additional identifier. Following the visit, BSD provided the table below explaining these identifiers.

Product	Description
[REDACTED]	M = Thermo mechanically rolled C = cold formable
[REDACTED]	Q = Quenched & Tempered L = Impact toughness in low temperatures
[REDACTED]	Q = Accelerated cooling C = Cold formable

**Table 3: [REDACTED] identifiers**

During the visit, the Commission identified from the import listing that BSD had imported an [REDACTED] grade Q&T steel plate during the investigation period. [REDACTED] is not referred to in the Table 1 and 2 above. BSD explained that [REDACTED] grade is a very strong grade of Q&T steel plate, [REDACTED].

BSD stated that there were no commercial viable substitutes for Q&T steel plate.

## 4 AUSTRALIAN MARKET

### 4.1 General

BSD described the investigation period (calendar year 2013) as one of the worst periods it had observed for Q&T steel plate demand in Australia. BSD stated that prior to this period, the demand for Q&T steel plate was much higher due to strong investment in the mining industry.

BSD stated that a sharp decline in mining investment has left suppliers such as Bisalloy, distributors (including BSD) and other stockists with significant inventories of Q&T steel plate.

BSD explained that from November 2013, to recover its cost of capital of Q&T steel plate inventory, it (and other stockists in the Australian market) began reducing stock of Q&T steel plate.

BSD stated that the price for Q&T steel plate declined during the investigation period. It speculated that the price reduction may have slowed the decline in volume of Q&T steel plate sales to an extent.

### 4.2 Sales

#### 4.2.1 Ordering and sales process

BSD advised that it maintains a list price for Q&T steel plate. However, it does not maintain a separate pricelist for its imported Q&T steel plate. BSD advised that there are

[REDACTED]  
[REDACTED] . BSD explained that recently, [REDACTED]  
[REDACTED] [Confidential  
information – selling arrangements]

The majority of BSD's orders are filled from inventory. BSD also sells a small proportion of its imported Q&T steel plate by way of direct order. A direct order involves an order being shipped directly to the customer once manufactured by the overseas mill. The Commission observes that of the 12 selected shipments of Q&T steel plate from the imports listing, only one was a direct sale.

BSD provided an extract from its accounts outlining its inventory holding of Q&T steel plate at the end of February 2014. This extract (**Confidential Attachment 4**) displayed an inventory of [REDACTED] tonnes of Q&T steel plate. Of this, total approximately [REDACTED]% was imported [REDACTED] Q&T steel plate.

BSD advised that as part of its offering to the market, it provides additional processing services, including cutting and drilling. BSD provided a revised sale listing, which included a column for 'total processing income' indicating which sales of Q&T steel plate were further processed (this revised sales listing forms **Confidential Appendix 2**).



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From the revised sales listing, the Commission observes that █% of the volume of BSDs Q&T steel plate during the investigation period was further processed. The Commission has excluded further processed Q&T steel plate sales from its profitability analysis as discussed in Section 4.2.4, because the Q&T steel plate is no longer comparable to the goods under consideration.

BSD provides its customers with █

The Commission observed that █

█. BSD's revised sales listing identified the freight recovery associated with each sale in the 'trading income' column.

█ [Confidential information – distribution arrangements]. BSD advised that it offers no rebates or discounts to customers, however it does offer a variety of payment terms █

█ Payment terms include █ [Confidential information – payment terms].

### 4.2.2 Sale verification to source documents

BSD provided invoices and proof of payment (in the form of account ledgers) for 10 sales selected by the Commission from BSD's sales listing (these invoices and proof of payment form **Confidential Attachment 5**).

The Commission matched the invoice details (value, invoice date, delivery terms and credit terms) for the selected sales to BSD's revised sales listing.

The Commission observed that the invoice value as recorded in the revised sales listing included the █. Following the visit, BSD provided an explanation of how █

█. BSDs explanation and example in respect of invoice number █ forms **Confidential Attachment 6**. [Confidential information – payment terms]

The revised sales listing identified the volume of each sale in tonnes. The Commission attempted to match the volume in the sales listing to the invoices provided. For the majority of invoices provided, the Commission was not able to identify the quantity on the invoice in kilograms or tonnes. In most cases the quantity on the invoice was 'each' or metres squared. BSD advised that its invoicing system was able to invoice quantity as the customer required. The invoices which did identify quantity in tonnes were reconciled by the Commission to the revised sales listing.

As discussed at Section 4.2.1, BSD's revised sales listing for each sale identified processing and trading income (i.e. freight recovery). The Commission observed that

[REDACTED] [Confidential information – invoicing arrangements]. In either case, the revised sales listing identified these items separately as processing or trading income.

As discussed in Section 3.2 BSD advised that it's invoicing and the collection of payment has been [REDACTED]. Because of this arrangement, BSD were only able to provide account ledgers displaying the payment of each invoice. The Commission considers in this circumstance that the account ledgers provide reasonable evidence of payment. The Commission was able to match the account ledgers to the customer invoices provided.

The Commission is therefore satisfied that invoice details recorded in BSD's sales listing are reasonably accurate, and that BSD's customer paid the invoiced amounts for these transactions, less any [REDACTED].

#### **4.2.3 Verification to management accounts**

We requested BSD provide us with documents to conduct an upwards reconciliation from BSD's revised sales listing to its management accounts.

BSD provided:

- a complete sales listing for all Q&T steel plate sales (from any source) over the investigation period, extracted from BSDs [REDACTED] system (this listing forms part of the revised sales listing – **Confidential Appendix 2**);
- a [REDACTED] extract showing the sales of each steel product group (including Q&T steel plate shown as a separate steel product group) by volume for each month of the investigation period (**Confidential Attachment 7**); and
- a profit and loss (P&L) statement for the whole of BSD which included each month of the investigation period (**Confidential Attachment 8**);

The Commission noted that BSD's revised sales listing, extracted from its complete sales listing for all Q&T steel plate, had been filtered to include only [REDACTED] sourced Q&T steel plate and Q&T steel plate within the goods description. The Commission tested this filtering by examining transactions not selected, and observed that these sales were of Q&T steel plate from sources other than [REDACTED], or Q&T steel plate outside the goods description.

The Commission was able to reconcile the total volume shown in the complete sales listing of all Q&T steel plate to total volume of sales of Q&T steel plate shown in the [REDACTED] extract for the investigation period. The total sales volume of all steel products, including Q&T steel plate, shown in this [REDACTED] extract was then tied to the total tonnes of all steel sold in the P&L statement for the whole of BSD for the investigation period.

Consequently, the Commission is reasonably satisfied that BSD's revised sales listing is a complete and relevant record of BSD's imported Q&T steel plate sales for the investigation period.

#### **4.2.4 Profitability of sales**

As noted in Section 4.2.1, only one of the selected shipments was a direct sale to BSD's customer (shipment 4). The remaining shipments went into inventory. The Commission calculated the total profit for this shipment (total purchase price plus total cost to import and sell minus sales revenue) to be [REDACTED]%. This profitability calculation is within BSDs amended importer transaction form (**Confidential Appendix 3**).

Because the majority of BSDs importations of Q&T steel plate went into inventory, the Commission has conducted a profitability analysis for the remaining 10 shipments using a weighted average selling price for each model (type, grade and dimensions) of Q&T steel plate from BSDs revised sales listing. This profitability analysis is discussed in more detail below and the profitability calculations form **Confidential Appendix 3**.

As discussed in Section 5.3.1 and 5.5 BSD provided the Commission with a revised imports listing (**Confidential Appendix 1**) which in addition to the detailed description of the goods added a row for each line of the invoice within a shipment specifying the model of the goods (i.e. type, grade and dimensions) and quantity associated with each line of the invoice. For the selected shipments the Commission then added the unit price for each line of the invoice from the commercial invoices supplied (see Section 5.3.1).

Using BSD's revised sales listing (**Confidential Appendix 2**), the Commission has calculated on a quarterly basis, BSD's weighted average selling price for each model (type, grade and dimensions) of Q&T steel plate sourced from [REDACTED] and sold in the investigation period. The Commission has excluded further processed Q&T steel plate from this profitability analysis as the Q&T steel plate is no longer comparable to the goods under consideration.

The Commission verified BSD importation costs and SG&A expenses as reported in importer transaction form and calculated a weighted average importation cost. Discussion of this verification and a summary of this calculation is at Section 5.3.3 and Section 5.4 of this report.

For the remaining 10 selected shipments, the Commission added the weighted average importation costs and SG&A expenses to the invoice price paid to [REDACTED] and compared this to a weighted average selling price to BSDs customers by model and quarter (i.e. each line of the shipment was matched to the same model sold in the same quarter as the commercial invoice date from [REDACTED]). Where there was no sale to BSDs customers of a particular model of Q&T steel plate in a quarter, the weighted average selling price for the next quarter, or for a similar model was used.

This constructed profitability analysis showed that [REDACTED] were profitable. The range of profit for the remaining shipments was calculated as between [REDACTED]. The Commission observes that this profitability analysis indicates that overall [REDACTED], with a weighted average profit of [REDACTED]. [Confidential information – profit]



## 5 IMPORTS

### 5.1 Volume of trade

Based on data from the ACBPS commercial database, BSD imported [REDACTED] tonnes of Q&T steel plate during the investigation period.

As part of the importer questionnaire, BSD was asked to review its listing of imports over the investigation period as reported in the ACBPS commercial database. BSD identified two transactions where the reported volume had been entered incorrectly by the Customs broker. Once these errors had been corrected, the imported volume of Q&T steel plate by BSD in the investigation period was reduced to [REDACTED] tonnes.

The Commission compared the quantity data within BSD's completed importer transaction form for the 12 selected importations (itself compared to invoices – see Section 5.3) to the data from the ACBPS commercial database. Noting the two discrepancies identified by BSD, the quantity data within the importer form reconciled to the ACBPS's commercial database.

Of the [REDACTED] tonnes of Q&T steel plate imported, BSD advised that [REDACTED] tonnes or [REDACTED]% of the total volume of goods imported was outside the description of the goods under consideration. BSD was able to identify the product grade and size for each transaction in the ACBPS commercial database and on this basis was able to identify the volume of Q&T steel plate outside the goods description.

Prior to the visit, the Commission selected 12 shipments from the ACBPS import database and asked BSD to prepare a listing of all associated costs for these shipments.

The Commission selected one of the imports identified as being outside the description of the goods under consideration for further verification. The Commission was provided with a commercial invoice for this selected importation, which displayed the size of the Q&T steel plate imported was outside the size limitations of the goods under consideration (**Confidential Attachment 9** (shipment 12)).

The Commission noted that all importations of Q&T steel plate during the investigation period by BSD were sourced from [REDACTED].

### 5.2 Forward orders

BlueScope's importer questionnaire response indicated that there were [REDACTED] forward orders, accounting for [REDACTED] tonnes with an expected arrival dates between [REDACTED] and [REDACTED].

The Commission noted that the volume of these forward orders represents approximately [REDACTED]% of the total volume of Q&T steel plate imported during the investigation period.

BSD stated that some of these forward orders [REDACTED]  
[REDACTED]. [Confidential information – supply arrangements]

### **5.3 Verification of imports**

BSD provided source documents to verify data in its importer transaction form for the 12 selected shipments (these documents form Confidential Attachment 9).

These source documents included the relevant:

- purchase order;
- supplier invoice and packing list;
- confirmation order;
- Bill of Lading;
- customs clearance, port charges, storage, and delivery invoice; and
- evidence of payment to supplier.

#### **5.3.1 Supplier invoice details**

The Commission matched the invoice prices, volume and supplier details for all 12 shipments on the importer transaction form to the supplier invoices. The importer transaction form identified the product type as 'Q&T Plate' the Commission amended this description to include the Q&T steel plate's grade as displayed on the supplier invoice and packing list.

The Commission confirmed that all shipments were invoiced at [REDACTED]. The Commission noted that some transactions in the ACBPS commercial database were recorded as [REDACTED] transactions, BSD confirmed that all shipments were invoiced at [REDACTED], and these [REDACTED] recorded terms were errors.

BSD advised that [REDACTED] standard credit terms were [REDACTED]. The Commission was able to identify the [REDACTED] term on the supplier invoices and matched this to the importer transaction form. [Confidential information – credit terms]

Invoices were in Euro and Australian Dollars (AUD). BSD explained that during the investigation period [REDACTED]. BSD explained that for its purchases in Euro, [REDACTED]. [Confidential accounting information]

The Commission observed that the AUD calculations in the ACBPS commercial database are converted using the exchange rate on the date of the customs entry.

Given that some transactions in the ACBPS commercial database were calculated incorrectly on an [REDACTED] basis and that for the shipments purchased in Euro, a different exchange rate is used, BSD provided a revised imports listing which in addition to the detailed description of the goods, adding a column to reflect the purchase amount paid to [REDACTED] for each transaction in the ACBPS commercial database during the investigation period (the revised imports listing forms **Confidential Appendix 1**).

### 5.3.2 Shipment costs

BSD did not identify any costs under the heading 'Shipment Costs' in the importer transaction form, this is because its shipments of Q&T steel plate were invoiced [REDACTED].

### 5.3.3 Importation costs

Under the heading of 'Australian Importation Costs' in the importer transaction form, BSD entered amounts for customs entry fees and duty, customs broker fees, wharf storage, port service charges and delivery.

The Commission compared the amounts recorded in the importer transaction form with the provided customs broker invoice, and found the charges displayed on these invoices matched the importer transaction form, with some minor discrepancies which the Commission amended. The amended importer transaction form is at **Confidential Appendix 4**.

As discussed in Section 5.1, some of the selected shipments included Q&T steel plate which was outside the description of the goods under consideration. For these part shipments, importation costs have been allocated on a per tonne basis. Shipment 12, which is not the goods, has been excluded from the importation costs calculation below.

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

Item	Average cost \$AUD/tonne
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]

Table 4: Weighted Average Importation Costs in AUD/Tonne

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

The Commission noted in the importer transaction form that BSD calculated selling, general and administration (SG&A) costs for each the selected shipments based on a SG&A estimate of [REDACTED] %.

BSD provided a P&L statement which displayed each month of the investigation period for the whole business (Confidential Attachment 8). BSD explained that it calculated its SG&A cost by dividing its total selling and administration cost by its total external sales for the investigation period, which results in a SG&A cost of [REDACTED] %. BlueScope also provided a breakdown of the cost centres within its selling and administration expense (**Confidential Attachment 10**).



## PUBLIC RECORD

The Commission noted that the P&L statements provided included BSD's export division. At the Commission's request, BSD provided a P&L statement for its export division for the investigation period (**Confidential Attachment 11**). The Commission considers that revenue and costs relating to BSD export division should not be included in the SG&A cost reported in the importer transaction form. The Commission has excluded the export division revenue and overhead costs from BSD's SG&A calculation to arrive at an SG&A cost of █%.

BSD's importer transaction form has been updated to reflect this amended SG&A cost (the amended importer transaction form is at Confidential Appendix 4).

### 5.5 Export prices for selected shipments

Based on the verification of 11 of the selected shipments, the Commission calculated weighted average █ export price (in AUD) for the goods over the investigation period.

These calculations, based on the 11 selected shipments is summarised in the table below:

Q&T Steel Plate - Grade	Total
Structural Grade (█)	█
Structural Grade (█)	█
Wear Grade (█)	█
<b>Total weighted average export price</b>	█

Table 5: Weighted Average █ Export Price Selected Shipments

As discussed in Section 5.3.1, BSD provided a revised imports listing which in addition to the detailed description of the goods, added a column for reflecting the purchase amount paid to █ for each transaction in the ACBPS commercial database for the investigation period (the revised imports listing forms **Confidential Appendix 3**). From this revised imports listing, the Commission calculated weighted average █ export price (in AUD) for the goods over the investigation period.

These calculations, based on the revised imports listing are summarised in the table below.

Q&T Steel Plate - Grade	Total
Structural Grade (█)	█
Structural Grade (█)	█
Wear Grade (█)	█
<b>Total weighted average export price</b>	█

Table 6: Weighted Average █ Export Price Total Shipments

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

### **6.1 Who is the importer?**

We reviewed the documents provided in respect of the selected shipments and note that for imports from [REDACTED], BSD:

- negotiates directly with [REDACTED];
- is named as the consignee on the Bill of Lading;
- is named as the buyer on the supplier invoice;
- arranges Customs clearance, logistics and storage of the goods once they are delivered to the Australian port; and
- retains ownership of the goods until they are delivered to its customers.

We consider BSD to be the beneficial owner of the goods at the time of importation, and therefore the importer.

### **6.2 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 in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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

Therefore, 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 inquiries, we are satisfied that [REDACTED] can be considered exporter of Q&T steel plate imported by BSD.

## **7 ARMS LENGTH**

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

S.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 Parliamentary Secretary, 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.

BSD stated that it does not receive any reimbursement, rebates or other support from [REDACTED] in respect of the goods. BSD advised that the invoice price was the price paid.

The Commission reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of Q&T steel plate, that:

- there is any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between BSD or an associate of BSD, and its suppliers or an associate of the supplier; and/or
- BSD or an associate of BSD was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

The Commission is satisfied that import transactions between BlueScope and [REDACTED] are at arm's length in terms of s. 269TAA.

## **8 GENERAL COMMENTS**

BSD raised the following matters during the visit:

- BSD claimed that there were certain variations of goods within the goods description of the investigation that Bisalloy was unable to produce. An example cited was that Bisalloy could only produce Q&T steel plate with a thickness of 5mm to a maximum width of 1,525 mm. [Redacted]  
[Redacted]
- BSD contended that Q&T steel plate is not a commodity product and that branding was an important factor in demand for the goods. [Redacted]  
[Redacted]. BSD explained that Q&T steel plate is a difficult product to work with and therefore market perceptions of the quality of the Q&T steel plate brand is important.
- BSD stated that customers will often request a specific Q&T steel plate brand. For example, [Redacted] customers in the [Redacted]  
[Redacted]. BSD claimed that [Redacted] [Confidential information – consumer behaviour]
- Similarly, BSD stated that [Redacted] was perceived, in some market sectors, as superior in terms of [Redacted]. Conversely, there was a preference for [Redacted] from certain mining markets, particularly in Queensland. [Confidential information – consumer behaviour]

## **9 RECOMMENDATIONS**

From our investigations, we are of the opinion that, for the goods imported by BSD from [REDACTED]:

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

Subject to further inquiries with the exporter, we recommend that the export price for Q&T steel plate imported by BSD from [REDACTED] can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.



## **10 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Revised imports listing
<b>Confidential Appendix 2</b>	Revised sales listing
<b>Confidential Appendix 3</b>	Profitability analysis
<b>Confidential Appendix 4</b>	Amended importer transaction form
<b>Confidential Attachment 1</b>	Overview of BSD
<b>Confidential Attachment 2</b>	Management account extract showing significance of Q&T steel plate to overall business
<b>Confidential Attachment 3</b>	BSD's response to the Importer Questionnaire
<b>Confidential Attachment 4</b>	Inventory of Q&T steel plate
<b>Confidential Attachment 5</b>	Source documents for the selected sales
<b>Confidential Attachment 6</b>	Explanation of early settlement discount
<b>Confidential Attachment 7</b>	██████ extract showing sales volumes for each steel product group
<b>Confidential Attachment 8</b>	Profit and Loss statement for the investigation period
<b>Confidential Attachment 9</b>	Source documents for the 12 selected shipments
<b>Confidential Attachment 10</b>	SG&A cost centres
<b>Confidential Attachment 11</b>	Profit and Loss statement for export division