



INVESTIGATION

**ALLEGED DUMPING OF HOT ROLLED PLATE STEEL
EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA, THE REPUBLIC OF INDONESIA, JAPAN, THE
REPUBLIC OF KOREA AND TAIWAN**

AND

**ALLEGED SUBSIDISATION OF
HOT ROLLED PLATE STEEL
EXPORTED FROM CHINA**

VISIT REPORT - IMPORTER

MITSUBISHI AUSTRALIA PTY LTD

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION

April 2013

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2 PURPOSE AND BACKGROUND

2.1 Background to the investigation

On 21 December 2012, BlueScope Steel Limited (the applicant) on behalf of the Australian industry manufacturing Hot Rolled Plate Steel (plate steel), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of plate steel exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), Japan, the Republic of Korea (Korea) and Taiwan, and a countervailing duty notice in respect of plate steel exported to Australia from China.

The application alleges that plate steel has been exported to Australia from China, Indonesia, Japan, Korea and Taiwan at prices lower than its normal value, that plate steel exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing plate steel.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 12 February 2013.

Australian Customs Dumping Notice (ACDN) No. 2013/18 and ACDN No. 2013/20 provides further details of this investigation and is available at www.customs.gov.au.

The investigation period is 1 January 2012 to 31 December 2012. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 January 2008 for injury analysis.

Prior to initiation of the investigation, Mitsubishi Australia (Mitsubishi) was identified as a potential large importer of plate steel from China, Indonesia, Japan and Taiwan in the investigation period in Customs and Border Protection's commercial database. Consequently, Mitsubishi was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Mitsubishi completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports, expenses, and sales. A copy of Part A (company and supplier details) of Mitsubishi's questionnaire response is at **Confidential Attachment 1**.

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Mitsubishi is the importer of plate steel attributed to it within the commercial database and obtain information to assist in establishing the identity of the exporter(s) of this plate steel;
- verify information on imports of plate steel to assist in the determination of export prices;
- establish whether the purchases of plate steel by Mitsubishi was in arms length transactions;
- establish post-exportation costs incurred by Mitsubishi in importing plate steel;
- identify Mitsubishi's sales and customers and verify sales volume, selling prices and selling costs;
- recommend how export price for importations of plate steel by Mitsubishi may be determined under s. 269TAB of the Customs Act 1901 (the Act)¹; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

Mitsubishi was involved in the previous investigation into plate steel in October 2003. At that time Customs and Border Protection verified Mitsubishi's data as part of the investigation.

2.3 Meeting

2.3.1 Introduction

At the meeting, we gave a general outline of the investigative process and reporting timeframes as follows.

- The investigation period is 1 January 2012 to 31 December 2012.
- The injury analysis period is from 1 January 2008 for the purpose of analysing the condition of the Australian industry.
- We advised Mitsubishi that a preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (15 April 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

Customs and Border Protection 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 Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 3 June 2013, or such later date as the Minister allows under s.269ZHI of the Act.

¹ All references to legislative provisions within this report refer to the Act, unless specified otherwise.

The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister, 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, Customs and Border Protection will provide its final report and recommendations to the Minister.

This final report is due no later than 17 July 2013, unless an extension to the SEF or the final report itself is approved by the Minister.

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We noted that, in consultation with Mitsubishi, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

Prior to the meeting, we forwarded an agenda to Mitsubishi. A copy of the agenda is at **Confidential Attachment 2**.

Mitsubishi co-operated fully with the visit, making relevant staff available and providing copies of all requested documents.

2.3.2 Meeting details

Company	Mitsubishi Australia Ltd Level 36, 120 Collins Street Melbourne VIC 3000
Date of visit	15 March 2013

The following were present at various stages of the meetings.

Mitsubishi Australia Ltd	Mr Malcolm Post, Deputy General Manager, Steel Division Ms Lin Leen, Senior Assistant Manager, Steel Products Department Ms Bianca Mirza, Assistant Manager, Steel Products Department
Consultant	Mr Troy Morrow, Staughton's Pty Ltd
Customs and Border Protection	Ms Andrea Stone, Manager Operations 3 Ms Rachel Lohan, Supervisor Operations 1

2.4 Key data provided by Mitsubishi

As part of the Importer Questionnaire, Customs and Border Protection provided Mitsubishi a copy of a download from the Customs and Border Protection commercial database for all potential importations of plate steel by

Mitsubishi during the investigation period, and selected 11 shipments from this listing for further examination and verification with Mitsubishi.

As part of its response to Part B of the Importer Questionnaire, Mitsubishi completed a 'Cost to Import and Sell' importer transaction form for the selected 11 shipments.

Mitsubishi informed Customs and Border Protection that three of the 11 shipments were not the goods subject to the application, as defined in Chapter 3. This claim was tested with Mitsubishi during the verification and considered to be accurate, as discussed throughout this report. We therefore have limited our analysis in this report to eight selected shipments considered to be the goods.

The importer transaction form has been revised following the verification to make corrections that we consider to be reasonable (as discussed throughout this report). The revised importer transaction form is at **Confidential Attachment 3**.

In addition, as Part C of its response to the Importer Questionnaire, Mitsubishi provided a complete transaction by transaction list of its sales of plate steel for the investigation period. Mitsubishi revised the sales listing to include country of origin details. The listing includes the product code, quantity, invoice value and customer for each transaction. This listing forms **Confidential Attachment 4**.

3 THE GOODS

3.1 Description

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

Flat rolled products of:

- *iron;*
- *non-alloy steel; or*
- *non-heat treated alloy steel of a kind commonly referred to as Quench and*
- *Tempered (Q&T) Green Feed;*

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from the investigation are:

- *250 mega Pascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;*
- *350 MPa yield strength grades of plate steel with a thickness greater than 100mm;*
- *Q & T Green Feed grades of plate steel with a thickness greater than 105mm; and*
- *heat treated Q & T grades of plate steel.*

3.2 Tariff classification

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

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings 7208.40.00, 7208.51.00 and 7208.52.00 the general rate of duty is 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia.

4 COMPANY DETAILS

4.1 Commercial operations

4.1.1 Organisational structure of the group

Mitsubishi is a fully owned subsidiary of the Mitsubishi Corporation, a Japanese trading and investment company.

Mitsubishi operates 11 business divisions across a broad range of markets including energy, machinery, chemicals, foods, steel products and business development.

Mitsubishi's explained that its Steel Products division is involved in importing and distribution of steel products across Australia, including plate steel. The divisions' main office is located in Melbourne, with smaller operations in Perth, Sydney and Brisbane.

Mitsubishi provided an organisational chart (**Confidential Attachment 5**).

Mitsubishi advised that Korea and Australia are the only markets in the world where Mitsubishi Corporation steel branded goods are sold. The company advised that, in other global markets, Mitsubishi Corporation steel is sold through the related Japan-based company Metal One Corporation (Metal One), which is involved in trading steel products produced by numerous international steel mills. However, Mitsubishi has advised that certain steel products that it supplies to the Australian market are purchased from Metal One.

Mitsubishi explained that Metal One was established in 2003 through a joint venture between Mitsubishi Corporation (60%) and Sojitz Corporation (40%). Mitsubishi noted that Metal One has some ownership in certain steel mills including Nanjing Baori Wire Products Manufacturing Co., Ltd and a number of other investments worldwide.

Mitsubishi provided a copy of Metal One's corporate profile to provide further details on the company operations. This forms **Confidential Attachment 6**.

4.1.2 Relationship with Croft Steel Pty Ltd

Mitsubishi explained that, in March 2011, it started to collaborate on a contract basis as supplier with Queensland based Croft Steel Pty Ltd (Croft) to distribute steel across Australia.

Under this arrangement, Mitsubishi arranges the steel trading purchase orders and invoices, whilst Croft Steel manages sales, marketing and logistics.

Mitsubishi explained that it and Croft entered into a formal arrangement from September 2011 for this supply.

Mitsubishi explained that the two companies complement each other's operations.

4.1.3 Functions of company

As discussed above, among other functions, Mitsubishi is an importer of plate steel for sale to the Australian market.

This importation is undertaken both in its own right and in collaboration with Croft.

In relation to importations made by Mitsubishi in its own right, Mitsubishi:

- makes offers to Australian customers;
- negotiates with overseas suppliers;
- arranges importation of goods; and
- sells and arranges the delivery delivers of goods to its Australian customers under agreed credit terms.

In relation to steel imported under the Mitsubishi and Croft collaboration:

- Croft makes offers to Australian customers;
- Croft negotiates with overseas suppliers, however acceptance of the final price is subject to approval from Mitsubishi;
- Mitsubishi arranges for the importation of the goods;
- Mitsubishi issues the purchase contract and the sales contract ; and
- Croft manages the logistics and delivery of the goods to the customer under the agreed terms.

It was explained that Mitsubishi does not take possession of the imported product, but arranges for logistics companies to deliver the goods to the customer and all sales to Australian customers are made at delivered prices.

Mitsubishi explained that the imported product is pre-sold to their customers.

4.1.4 Product range

Steel products

The Mitsubishi Steel Products Division imports and sells a wide range of steel products to the Australian market. According to Mitsubishi Australia's website these products include:

- Alloy Steel Bar
- Alloy Steel Plate
- Aluminized Steel Sheet/ Coil
- Carbon Steel Bar
- Carbon Steel Plate
- Carbon Steel Wire
- Cold Drawn Steel Bar
- Cold Heading Quality Wire (Alloy and Carbon)

- Cold Rolled Steel Sheet/Coil
- Galvanized Steel Sheet/Coil
- Hot Rolled Steel Sheet/Coil
- Spring Steel Bar
- Stainless Steel Bar
- Stainless Steel Hot/ Cold Rolled Sheet
- Stainless Steel Plate
- Stainless Steel Wire
- Steel Beams and Columns
- Steel Line Pipe
- Steel Pipe Piling
- Steel Rails/ Light Rails
- Steel Sheet Piling
- Steel Structural Pipe
- Steel Tie Rods
- Steel Tinplate
- Steel Tube

Plate steel (the goods)

Mitsubishi (both in its own right and in collaboration with Croft) imports and sells a variety of thickness, width and length plate steel, either with or without patterns in relief, and trimmed or untrimmed edges.

We were advised that ■% of its steel business revenue is generated from sales of plate steel.

Mitsubishi stated that they import plate steel to Australian Standard AS3678 (manufactured from steel slab) and AS1594 (manufactured from HRC) to both grade 250 and 350.

As indicated by the above standards, Mitsubishi explained that plate steel can be manufactured from two different forms of steel raw material (i.e. from slab or HRC), which impact upon the quality of the plate steel end product.

Mitsubishi explained that there is a small price premium for product produced from HRC.

Mitsubishi explained that plate steel manufactured from slab is different in quality to that produced from hot rolled coil and has different end uses.

Mitsubishi explained that plate steel manufactured from slab can be less suitable for certain applications as it can be less flat and less aesthetically appealing.

In contrast, Mitsubishi submitted that plate steel manufactured from HRC is used for applications where laser cutting is performed. Mitsubishi explained laser cutting requires almost 100% flat product, and usually relates to applications that requires plate with a higher degree of aesthetic appeal.

Mitsubishi advised that the 'grade' of plate steel relates to its yield strength. Grade 250 has a medium strength yield level of 250 MPa and grade 350 has a greater yield strength level of 350 MPa.

Mitsubishi explained that 350 grade plate steel is therefore used in applications that required a stronger plate (e.g. construction).

Mitsubishi explained Grade 250 is slightly cheaper and that there are some manufacturing fields where grade 250 and 350 could be used interchangeably; however end users will generally purchase the quality as is required for their purpose.

4.1.5 Like goods

Mitsubishi explained that its imported plate steel should be considered 'like' to that produced by the Australian industry, noting no major differences in quality or other attributes between imported or Australian-made plate steel.

However, Mitsubishi submitted that it considers that a certain category of plate steel (plate steel made from HRC (AS1594) of a thickness of greater than 12mm) should not be subject to any potential anti-dumping measures as it cannot be manufactured by the Australian industry (BlueScope) and hence must be imported.

Mitsubishi explained that this type of plate steel is used exclusively in specific applications and cannot be substituted for thinner plate or plate of that thickness made from slab steel.

We explained to Mitsubishi that the case team may consider submissions such as this in arriving at a determination of what measures (if any) should be recommended to the Minister following its investigation (i.e. Customs and Border Protection may recommend that certain goods be exempted from measures).

Following the visit, we made contact with Mitsubishi and encouraged them to formally submit these claims to case management if they wished to claim an exemption in relation to this type of plate steel.

4.2 Accounting

Mitsubishi advised that its financial year ends 31 March, in line with its Japan-based parent company, and that its accounts are audited annually.

At the verification, Mitsubishi provided a copy of its income statement and balance sheet from its audited financial statements for the year ending 31 March 2012. These form **Confidential Attachment 7**.

Mitsubishi confirmed that it uses a SAP accounting system, (but Croft also uses another system that 'shadows' its SAP system).

Mitsubishi also explained that all sales made through the Mitsubishi/Croft collaboration are also recorded through the SAP accounting system.

Mitsubishi explained that the Mitsubishi and Croft systems are related and everything is cross verified between the systems before a payment is made.

4.3 Relationship with suppliers

4.3.1 Metal One (not the goods)

Mitsubishi explained that, due to its legal and historical ties, it has a strong relationship with Metal One that allows for Mitsubishi to buy steel products from almost any steel mill in the world through Metal One as a trading entity.

However, Mitsubishi explained when purchasing goods from Metal One, purchases are made at arm's length and the purchase price is not affected by its relationship with Metal One.

Regardless, Mitsubishi explained that none of its purchases from Metal One during the investigation period were of the goods under consideration (see Section 6.1 for further discussion).

4.3.1 Plate steel suppliers

Mitsubishi confirmed that it purchased plate steel from the following suppliers during the investigation period:

- [REDACTED] – a China based plate steel manufacturer;
- [REDACTED] – an Indonesia based plate steel manufacturer;
- [REDACTED] – an Indonesia based plate steel manufacturer;
- [REDACTED] – a Japan based plate steel trader – supplied by [REDACTED]
- [REDACTED] – a China based plate steel manufacturer;
- [REDACTED] – a Taiwan based plate steel trader – supplied by [REDACTED]
- [REDACTED] – a Taiwan based plate steel manufacturer.

Mitsubishi advised that:

- it has no ownership interest in, and no relationship other than an arms length commercial relationship with any of the abovementioned suppliers; and
- there were no discounts or rebates applicable to purchase of goods from any of the above suppliers during the investigation period and that the invoiced price is the actual money price paid.

We found no evidence of any discounts or rebates being provided to Mitsubishi by any of its suppliers during our verification with Mitsubishi.

4.4 Relationship with customers

Among Mitsubishi's major customers of plate steel are:

- [REDACTED]
- [REDACTED]
- [REDACTED]

- [REDACTED]

Mitsubishi advised that there were no rebates or discounts payable to any of its Australian customers during the investigation period, and that the invoice price between itself and its customers was the price paid.

We found no evidence of any such rebates or discounts during our investigations with Mitsubishi.

Mitsubishi explained that they have no legal relationship with any its customers in its sales of plate steel. We found no evidence of any relationship, other than a purely commercial one, between Mitsubishi and their customers of plate steel.

5 AUSTRALIAN MARKET

5.1 General

Mitsubishi explained that it considers the market drivers for plate steel to include:

- mining;
- general manufacturing
- automotive; and
- construction.

Mitsubishi discussed the Australian market for plate steel and stated that the market had experienced a 'crisis of confidence' over the last 8-12 month period. Mitsubishi explained that uncertainty in the global market, the slowdown in China's economy and the subsequent impact on the Australian mining industry and decision to terminate certain mining projects, has had a negative impact on demand for steel.

Mitsubishi noted that, due to uncertainty in the market, steel suppliers are wary of purchasing too much stock as they may find they're unable to recover costs if the steel price falls.

In addition, Mitsubishi pointed to the slowdown across the Australian manufacturing, notably the automotive sector, for the fall in demand for steel. Mitsubishi advised that over the past few years a number of their former customers, which specialised in automotive parts manufacturing, had closed down as automotive manufacturers shifted to overseas suppliers.

Mitsubishi also highlighted that, due to the high Australian dollar, downstream manufacturers faced increased import competition from prefabricated goods; resulting in reduced demand from this section of the market.

Moreover, Mitsubishi suggested that BlueScope's decision to halve production and exit the export market to focus on the domestic market has resulted in excess capacity within the Australian market. Mitsubishi commented that due to the excess capacity within the market, large downstream end users have greater negotiating power when negotiating plate steel prices with Australian industry and importers.

Mitsubishi believes BlueScope has failed to invest properly in their operations and is unable to compete with some steel mills overseas which are able to produce niche products. Mitsubishi highlighted PT Krakatau Steel as an example, which is able to produce plate steel from HRC at greater thicknesses than BlueScope (i.e. 12mm plus).

Mitsubishi believe that BlueScope and their related New Zealand based company sets the price of plate steel in the Australian market and imports follow the pricing trend accordingly.

Mitsubishi views their main competitors in the Australian market for plate steel to be [REDACTED], [REDACTED], [REDACTED] [competitors names] and BlueScope.

5.2 Distribution and selling

Mitsubishi discussed the distribution and selling arrangements in the Australian market generally.

It is understood that plate steel is predominantly supplied to the Australian market through a network of various distributors including BlueScope Distribution, [REDACTED], [REDACTED] [distributors names]. These distributors hold stock, provide credit terms and can combine deliveries with other steel products for customers.

Additionally, it is understood that some large end users directly purchase plate steel from BlueScope at the mill level, or from importers directly. These are often project-based or are large scale manufacturers/processors.

Mitsubishi explained it considers that significant end users and distributors are effectively treated as the same level of trade in the Australian market.

Mitsubishi explained that, unlike other steel products produced in Australia like hollow structural sections (HSS), it is easier for entities to access purchases of plate steel directly from BlueScope at the mill level (i.e. they are not forced to purchase via the distribution network, providing certain conditions are met).

5.3 Mitsubishi's sales

5.3.1 Ordering and sales process

Mitsubishi advised that its usual ordering and sales process for the goods in collaboration with Croft is as follows:

- Croft negotiates with the overseas supplier. Croft receives an offer price, which is then costed and offered to the market subject to supply conditions, exchange rate and Mitsubishi's final approval.
- If the customer wishes to negotiate the price, Croft negotiates once again with the supplier.
- Once an agreed price is reached a purchase supply request is made to the supplier. The supplier then comes back with an acceptance of the request.
- Mitsubishi issues a purchase contract and sales contract to the customer at the same time.
- Foreign exchange cover is then taken out by Mitsubishi.
- It then takes approximately 3 months for the plate steel to be produced and then a further month for it to be shipped to Australia. In total, approximately 4 months lead time.
- Croft issues pre delivery advice to their customers, however the customers are invoiced by Mitsubishi.

- Mitsubishi issues the invoice after they receive notification from Croft that the goods have been delivered to the customer.

For plate steel imported in its own right (i.e. not in collaboration with Croft), the ordering and sales process is similar, however Mitsubishi negotiates with the supplier and Australian customer directly.

Mitsubishi also noted that for purchases from its Indonesian suppliers, it engages the service of an overseas agent to assist in the export transaction, and pays a commission to this agent for each applicable importation.

Mitsubishi explained that [REDACTED] and [REDACTED] [steel traders] are not the manufacturers of the goods purchased from them, but rather are steel traders.

Mitsubishi stated that the prices to the Australian market for plate steel are base prices (for standard forms of plate steel) plus extras for non-standard product characteristics. Extras pricing varies according to the mill. Mitsubishi advised that the base price tends to fluctuate whilst the extras tend to remain constant. Typical extras include cut to sheet, thickness, specifications, packaging and checking.

We observed within Mitsubishi's Part C sales listing (Confidential Attachment 4) that Mitsubishi's terms to its Australian customers are [REDACTED] [trading term].

We also observed from the Part C sales listing that the credit terms to Mitsubishi's Australian customers include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] [credit terms]

Payment terms [REDACTED] [payment term] was the most common for sale of plate steel sales during the investigation period.

Mitsubishi explained that payment is usually made by [REDACTED] [payment method]; however there are still a few customers which prefer to [REDACTED] [payment method].

5.3.2 Date of sale

During the verification visit, Mitsubishi emphasised that the price between it and its customers (as well as between Mitsubishi and its suppliers) is set at the date of order confirmation, not at the date of invoice.

Mitsubishi stated that the lead time between order date and fulfilment (and invoice) date by supplier, and the fulfilment Mitsubishi's order (and invoicing) to its customer can be several months.

Consequently, Mitsubishi considered that the order confirmation date should be considered by Customs and Border Protection to be the actual date of sale. Following the verification visit Mitsubishi made the following submission concerning date of sale:

On placing order with exporter, MAL² establishes Forward Exchange Contract (FEC) for USD required to complete the purchase, when invoiced. When payment is made to USD suppliers FEC contract rates are the rates applicable to AUD cost incurred by MAL. MAL maintains that the actual AUD money price incurred is the export price that should be compared to domestic sales in relation calculation to dumping margins, rather than the value the exporter has recorded the export sale in their accounting records at the exchange rate their accounting standards require... MAL maintain the calculated AUD cost should be converted to exporter's domestic currency for comparison with domestic sales.

In addition, Mitsubishi provided a spreadsheet listing all plate steel imports made during the investigation period, and the forward exchange cover rate applicable to those imports, and the estimated date of arrival of each shipment into Australia (based on the actual bill of lading date). This spreadsheet forms **Confidential Attachment 8**.

We observed from this spreadsheet that the average time between order and arrival into Australia during the investigation period was ■■■ days.

5.3.3 Forward orders

Mitsubishi's Importer Questionnaire response indicated that there were a number of relevant forward orders. At the verification visit Mitsubishi expressed their intention to continue to import plate steel.

5.3.4 Sales verification

Accuracy – verification to source documents

During the verification, Mitsubishi provided invoices, contracts for sale and proof of payment (in the form of remittance advices and bank statement extracts) for Mitsubishi's Australian sale of eight importations of plate steel selected by Customs and Border Protection for further verification that were considered to be the goods. These form part of **Confidential Attachment 9** (discussed further in Section 6.4).

We matched the invoice details (value, quantity, invoice date, delivery terms and credit terms) for the above to Mitsubishi's sales listing. We also observed that the remittance advices matched the invoices for the eight selected sales, and the provided bank statement extracts displayed the payment of these remittance advices to Mitsubishi's account.

² Mitsubishi

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

Note: Mitsubishi also provided copies of their invoices to the company's Australian customers for five additional sales of products that are considered to not be the goods. This is discussed further in Section 6.1.

Completeness and relevance – verification to Mitsubishi's accounts

We requested Mitsubishi provide us with documents to conduct an upwards reconciliation of the company's Part C sales listing submitted in response to the Importer Questionnaire (Confidential Attachment 4).

Mitsubishi provided profit and loss extracts from its SAP system that:

- 1) displayed the total sales of plate steel during the investigation period (which reconciled exactly to the Part C sales listing);
- 2) displayed the total of other sales of steel products within the steel products division for the investigation period (identified as section 'AVEA' within the SAP system);
- 3) listed the total sales for each division for the investigation period by section code, and the combined total of these divisions (noting that the AVEA section total discussed in point 2) above fed into this total).

These SAP reports form **Confidential Attachment 10**.

To reconcile this investigation period total to its audited profit and loss statement (within Confidential Attachment 7) Mitsubishi then provided a spreadsheet that listed total sales revenue from the SAP system for:

- the investigation period (which reconciled directly with Confidential Attachment 9);
- April 2012 – December 2012;
- January 2012 – March 2012;
- April 2011 – December 2011; and
- April 2011 – March 2012 (Mitsubishi's most recent full financial year).

This spreadsheet forms **Confidential Attachment 11**.

We were able to use the figures shown for the different provided periods to demonstrate the link between the investigation period total revenue and the 2012 financial year amount. We observed that the total revenue listed for Mitsubishi's 2012 financial year in this spreadsheet directly reconciled to the company's audited income statement.

To perform a further completeness and relevance test, we compared the volume of sales in Mitsubishi's original Part C sales listing with the volume of imports as recorded in Customs and Border Protection's commercial database.

Marginal differences in volume were found between the data provided by Mitsubishi and the Customs and Border Protection database. We consider this likely to be attributable to differences in timing between sales and importations.

We are therefore satisfied that Mitsubishi's sales listing is a reasonably complete and relevant list of all of the company's sales of steel plate over the investigation period.

5.3.5 Profitability of sales

We calculated the total profit for seven of the eight selected shipments (total selling price minus total cost to import and sell) in the importer transaction form.

Shipment eight was not considered suitable to calculate profit as Mitsubishi explained [REDACTED] Mt of the goods in that shipment remained in storage as the original customer [REDACTED] kept the goods on credit hold.

Of the seven sales examined, we observed that all were profitable. The range of profit for the selected transactions was calculated at between [REDACTED] and [REDACTED].

We observed that overall the shipments were profitable with an average profit of [REDACTED].

6 IMPORTS

6.1 Selected shipments – the goods and not the goods

As discussed in Section 2.4, Customs and Border Protection originally selected 11 importations listed in its commercial database for further examination with Mitsubishi.

In response to the importer questionnaire, Mitsubishi informed Customs and Border Protection that three of the 11 shipments were not the goods.

Mitsubishi stated that shipment 4 ([REDACTED]) [customs entry number] was misclassified by its customs broker as it is galvanised checked plate and is not the goods.

In addition, Mitsubishi stated the shipments 5 ([REDACTED]) [customs entry number] and 11 ([REDACTED]) [customs entry number] were not the goods as they are heat treated Q&T (abrasion resistant plate) and hence specifically excluded from the goods covered by the application.

It was observed that both shipment 5 and 11 were supplied by Metal One from Japan.

Mitsubishi explained that the remaining eight shipments were of the goods subject to the application, as described in Chapter 3 of this report.

Within the visit agenda, sales contracts, purchase orders and invoice documents for shipments 4 ([REDACTED]), [customs entry number] 5 ([REDACTED]) [customs entry number] and 11 ([REDACTED]) [customs entry number] were requested to verify that these three shipments were not the goods.

In addition, sales contracts, purchase orders and invoices were requested for one further shipment supplied by Metal One from Japan ([REDACTED]), [customs entry number] as it was considered possible that all Metal One shipments may indeed not be the goods.

As requested, Mitsubishi prepared and supplied these documents during the verification visit. The documents relating to shipment 4 (misclassified goods) form **Confidential Attachment 12**. Documents relating to shipments 5, 11 and the additional selected Metal One shipment form **Confidential Attachment 13**.

6.1.1 Shipment 4 – misclassified shipment

We observed from the documents that form Confidential Attachment 11 that the imported goods were indeed galvanised steel sheet, and are satisfied that this shipment was not of the goods.

6.1.2 Metal One shipments

During the verification, Mitsubishi confirmed that all shipments from Metal One (Mitsubishi's sole supplier from Japan) were of heat treated Q&T plate steel and hence not the goods.

We observed that the documents provided as Confidential Attachment 12 listed the product imported as Hot Rolled Steel Plate to the JFE-EH500A specification. Mitsubishi explained that this specification was only for heat treated Q&T steel plate (not the goods).

Mitsubishi also provided invoice and order documents for all other (not yet selected) shipments from Metal One during the investigation period (included in Confidential Attachment 11). These also displayed the imported product as JFE-EH500A specification steel.

Mitsubishi provided a copy of the current JFE Everhard (JFE-EH) series specifications, which outlined the specification of JFE-EH500A plate steel (**Confidential Attachment 14**). We observed these specification document listed JFE-EH500A plate steel as being 'controlled heat treated and are therefore satisfied that these are not the goods.

6.2 Volume of trade

After determining that the above were not the goods and making corrections to the download of Customs and Border Protection's commercial database, , we note that the commercial database download shows that Mitsubishi imported [REDACTED] metric tonnes of plate steel during the investigation period.

The following table summarises the export volumes from all countries during the investigation period

Country	Supplier	Quantity (T)
China	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Indonesia	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Taiwan	[REDACTED]	[REDACTED]
TOTAL		[REDACTED]

After performing checks between source documents and the commercial database discussed below in Section 6.4, and performing the corrections as to what imports are/are not the goods,, we are satisfied that total tonnes and Customs value in the commercial database correspond with the suppliers' invoices.

A copy of the corrected commercial database download forms **Confidential Attachment 15**.

6.3 Ordering

During the verification visit Mitsubishi advised its ordering process for the goods as outlined in Section 5.3.1.

Mitsubishi provided copies of example offers from its supplier Pt Krakatau to Mitsubishi. This demonstrated the base price for plate steel, plus various extras including:

- cut to sheet;
- thickness greater than 16mm;
- specification differences;
- packing; and
- pattern in relief.

These offers form **Confidential Attachment 16**.

6.4 Verification of imports

As discussed throughout this report, Customs and Border Protection provided Mitsubishi with a listing of all potential imports of the goods during the investigation period and selected 11 shipments to examine in detail.

Mitsubishi completed an 'importer transaction form' detailing the costs to import and sell for each selected shipment (Confidential Attachment 3). Of these, we have verified that only eight shipments were in fact of the goods.

Mitsubishi provided source documents to verify that data in its 'importer transaction form' for the eight remaining selected shipments.

These source documents included:

- commercial invoice from Mitsubishi's overseas supplier;
- packing list;
- bill of lading;
- contract of purchase;
- sales contract from supplier;
- email evidence of exchange rate used (i.e. forward cover rate);
- overseas agent commission (where applicable);
- customs fees invoice;
- port service charges invoice;
- overseas freight invoice (where applicable); and
- delivery charges invoice.

Mitsubishi also supplied bank documents detailing and supporting payments to Mitsubishi's suppliers.

These documents are included in Confidential Attachment 9.

6.4.1 Supplier invoice details

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

We confirmed that shipments were invoiced at [REDACTED] [trading terms] terms, but noted that the shipping terms for shipment 5 and 11 were labelled [REDACTED] [trading term], however the documentation stated [REDACTED] [trading term]. We amended the importer transaction form to reflect these terms.

Invoices were in USD. Within the importer transaction form, Mitsubishi converted the invoice prices (and other costs) using the exchange rate used at the time of placing the order (i.e. its forward cover rate). The exchange rate detail documents provided matched the details in the import transaction form.

We observed that the AUD calculations in Customs and Border Protection's commercial database are converted using the exchange rate on the date of the customs entry, and hence did not exactly match those recorded in the importer transaction form.

6.4.2 Shipment costs

Under the heading of 'Shipment Costs' in the importer transaction form, Mitsubishi entered amounts for overseas freight (where applicable – some shipments made at CFR terms) and marine insurance.

Mitsubishi explained that the rate for marine insurance in the importer transaction form was calculated for each shipment using the applicable marine insurance rate as stated in its marine insurance import open policy and applying this to the invoice (i.e. [REDACTED] of the sales value). Mitsubishi supplied documents to support this [REDACTED] premium amount (**Confidential Attachment 17**).

Ocean freight costs listed in the import transaction form were supported by invoices. We observed that these invoices reconciled directly to the importer transaction form (noting that ocean freight costs for shipments that were a mixture of the goods and other products were apportioned according to weight of the shipped products).

We have calculated amounts for Mitsubishi's weighted average marine insurance and ocean freight for the eight selected shipments of the goods, as detailed below.

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

6.4.3 Importation costs

Under the heading of 'Australian Importation Costs' in the importer transaction form, Mitsubishi entered amounts for customs entry fees, customs broker's fees, port service charges, delivery, interest of costs and overseas agent commission fees.

We compared the importation cost amounts provided in the relevant invoices and source documents to the importer transaction form. The data entered into 'Australian Importation Costs' was supported by the invoice documents provided.

For interest charges, Mitsubishi explained this represented the cost of the credit provided to its Australian customers for the importations. Mitsubishi explained that this was calculated at the rate of [REDACTED] per annum. Mitsubishi provided an 'Office Notice' for 2012 that detailed this interest rate. This forms **Confidential Attachment 18**.

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 entry fees	[REDACTED]
Customs broker fee	[REDACTED]
Port Service Charges	[REDACTED]
Delivery	[REDACTED]
Interest of costs	[REDACTED]
Overseas agent commission fees	[REDACTED]
Total	[REDACTED]

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

Mitsubishi initially calculated SG&A costs by allocating the costs associated with the sale of steel per tonne. We queried why Mitsubishi had taken this volume-based approach, and noted that in most cases, the allocation of these costs is seen on a revenue basis.

Mitsubishi agreed that the calculation could be performed either way, and provided revised revenue-based allocation calculations of SG&A and amended the importer transaction form to reflect this (i.e. with SG&A calculated as a percentage of revenue).

To arrive at its SG&A percentage, Mitsubishi summed at its total SG&A costs for the investigation period and divided this by total sale revenue for the period (evenly allocating SG&A across all functions and products). This arrived at an SG&A percentage of [REDACTED] %.

We verified the total SG&A costs for the period using the same documents examined in the reconciliation of sales revenue, as discussed in Section 5.3.4.

6.5 Export prices for selected shipments

Based on the verified data for the eight selected shipments of the goods, we calculated weighted average [REDACTED] [trading term] export price (in AUD) for the goods over the investigation period.

FCA shipments were considered to be at FOB terms (comparable terms). Shipment 1 ([REDACTED]) [trading term] was adjusted to FOB terms by deducting freight costs.

These calculations are summarised in the below table.

Hot Rolled Plate Steel Type	Total (AUD)
AS1594 Hot Rolled Plate Steel	[REDACTED]
AS3678 Hot Rolled Plate Steel	[REDACTED]
Total weighted average export price	[REDACTED]

We note that the data reported in the commercial database does not provide sufficient detail to identify the imported plate steel by grade, and hence calculations to this level cannot be readily undertaken with this data.

However, we have also calculated weighted average export prices by month using this data in the below table.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
CHINA													
INDONESIA													
TAIWAN													
Total													

7 WHO IS THE IMPORTER AND EXPORTER

7.1 Who is the importer?

We have reviewed the importation process and have noted that, for imports from all suppliers, Mitsubishi:

- negotiates directly with the supplier with support from Croft;
- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- arranges and pays for ocean freight and marine insurance
- has an insurable interest in the goods while they are on the water
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port;
- retains ownership of the goods until they are delivered to Mitsubishi's customers; and
- bares the risk of its customers defaulting on purchase agreements with Mitsubishi until the time the product hits the wharf.

We consider Mitsubishi to be the beneficial owner of the goods at the time of importation.

7.2 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.

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, Customs and Border Protection 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], [REDACTED] and [REDACTED] [exporters] can be considered exporters of plate steel imported by Mitsubishi.

To our knowledge, these entities are principles in the country of export, which manufacture the goods and give up the goods for shipment directly to Mitsubishi.

To our knowledge, Mitsubishi's other suppliers; [REDACTED] [supplier] and [REDACTED] [supplier] are traders of plate steel. We note that bill of lading documentation states the goods sold by [REDACTED] [supplier] were supplied by [REDACTED] [supplier and [REDACTED], [supplier] Hebei province, China.

We have insufficient information to identify the supplier for shipments from [REDACTED] [supplier].

Further enquiries with these entities should be undertaken to ascertain the exporter of goods supplied through these traders.

8 ARMS LENGTH TRANSACTIONS

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.

Section 269TAA of the Act 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.

As discussed above, Mitsubishi stated that it has no relationship with its customers other than being buyer and seller in arms length transactions. It stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Mitsubishi advised that the invoice price was the price paid.

During our examination of the selected shipments we did not find any evidence, in respect of the purchase of plate steel, that:

- there is any consideration payable other than price;
- the price was influenced by the commercial relationship between Mitsubishi and its suppliers; and
- subsequent to the purchase, Mitsubishi received or will receive a benefit in respect of any part of the price.

We found that overall the selected shipments were profitable.

We are satisfied that transactions between Mitsubishi and its suppliers and Mitsubishi and its customers are arms length.

9 RECOMMENDATIONS

9.1 [REDACTED], [REDACTED] and [REDACTED] [suppliers]

From our investigations with Mitsubishi, we are of the opinion that, for the goods imported by Mitsubishi directly from [REDACTED], [REDACTED] and [REDACTED]:[suppliers]

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

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

9.2 [REDACTED] and [REDACTED] [suppliers]

We are of the opinion that, for the goods imported by Mitsubishi from [REDACTED] and [REDACTED],[suppliers] the goods have been exported to Australia otherwise than by the importer, Mitsubishi.

However, we do not have sufficient information to determine which entity in the export transaction should be considered the 'exporter' and hence whether the goods are purchased from the exporter by the importer.

Subject to further inquiries in relation to these shipments, we recommend that the export price for plate steel imported by Mitsubishi from [REDACTED] [supplier] and [REDACTED] [supplier] can be established under s.269TAB(1)(c) or s.269 TAB(3) of the Customs Act 1901.

10 LIST OF ATTACHMENTS

Confidential Attachment 1	Part A – Importer Questionnaire Response
Confidential Attachment 2	Verification visit agenda
Confidential Attachment 3	Revised importer transaction form
Confidential Attachment 4	Part C – Sales data
Confidential Attachment 5	Mitsubishi organisation chart
Confidential Attachment 6	Metal One company profile
Confidential Attachment 7	Audited income statement and balance sheet
Confidential Attachment 8	Spreadsheet demonstrating date or order and forex rate
Confidential Attachment 9	Source documents for selected shipments (of the goods)
Confidential Attachment 10	SAP sales report
Confidential Attachment 11	SAP profit and loss report
Confidential Attachment 12	Shipment 4 documents
Confidential Attachment 13	Metal One importation documents
Confidential Attachment 14	JFE Everhard specifications
Confidential Attachment 15	Commercial database download and analysis
Confidential Attachment 16	████████ [supplier] offers
Confidential Attachment 17	Insurance rate documentation
Confidential Attachment 18	Interest rate documentation