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

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**INVESTIGATION INTO THE ALLEGED DUMPING OF ZINC  
COATED STEEL AND ALUMINIUM ZINC COATED STEEL**

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA,  
THE REPUBLIC OF KOREA AND TAWAIN**

**EXPORTER VISIT REPORT**

**SHENG YU STEEL CO., LTD**

<p><b>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</b></p>
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**November 2012**

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## PUBLIC RECORD VERSION

**1 CONTENTS**

1	CONTENTS .....	2
2	BACKGROUND .....	4
2.1	Background to the current investigations .....	4
2.2	Anti-dumping investigations and measures for galvanised steel and aluminium zinc coated steel .....	5
2.3	Purpose of visit .....	5
2.4	Meeting dates and attendees .....	5
2.5	Preliminary issues .....	6
3	COMPANY INFORMATION .....	8
3.1	Company information .....	8
3.2	Accounting .....	8
3.3	Production process .....	9
4	GOODS UNDER CONSIDERATION AND LIKE GOODS .....	12
4.1	The goods the subject of the applications .....	12
4.2	Like goods .....	16
5	Completeness and relevance of sales .....	21
6	Export sales .....	24
6.1	Introduction .....	24
6.2	The Price for Export Sales .....	24
6.3	Export sales process .....	25
6.4	Export expenses .....	25
6.5	Exchange rates .....	25
6.6	Export sales – verification to source documents .....	26
6.7	The exporter .....	26
6.8	The importer .....	27
6.9	Arms length .....	27
6.10	Export price – preliminary assessment .....	27
7	COST TO MAKE & SELL .....	28
7.1	Introduction .....	28
7.2	Cost to make .....	28
7.3	Selling, general and administration costs .....	32
7.4	Finance expenses .....	32
8	DOMESTIC SALES .....	34
8.1	Domestic sales process .....	34
8.2	Domestic sales - reconciliation to financial statements .....	39
8.3	Domestic sales – verification to source documents .....	39
8.4	Arms length transactions .....	40
8.5	Volume and suitability of sales .....	40
8.6	Ordinary course of trade .....	40
8.7	Domestic sales – summary .....	41
9	THIRD COUNTRY SALES .....	42
10	ADJUSTMENTS .....	43

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

10.1	Introduction.....	43
10.2	Credit terms.....	43
10.3	Inland freight.....	43
10.4	Packaging costs .....	43
10.5	Export charges .....	43
10.6	Timing adjustments .....	44
11	<i>NORMAL VALUE</i> .....	46
12	<i>PRELIMINARY DUMPING MARGIN</i> .....	48
13	<i>LIST OF APPENDICES AND ATTACHMENTS</i> .....	49

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

**2 BACKGROUND****2.1 Background to the current investigations**

On 3 August 2012, separate applications<sup>1</sup> were lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleges that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices

On 17 August 2012<sup>2</sup> and 27 August 2012 additional information and data were received in respect of the applications. As a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications.

On 5 September 2012, following consideration of the applications, the Chief Executive Officer of Customs and Border Protection decided not to reject the applications and initiated investigations into the alleged dumping of galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at [www.customs.gov.au](http://www.customs.gov.au).

The application identified Sheng Yu Steel Co., Ltd (SYSCO) as an exporter of galvanised steel and aluminium zinc coated steel exported from Taiwan. A search of Customs and Border Protection's import database also indicated that Taiwan exported galvanised steel and aluminium zinc coated steel from Taiwan to Australia during the investigation period (1 July 2011 to 30 June 2012). Customs and Border Protection wrote to SYSCO advising them of the initiation of the investigations, requesting co-operation with the investigations and providing copies of the exporter questionnaire for them to complete.

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<sup>1</sup> *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluzinc Steel exported from China, Korea and Taiwan* (Aluzinc Steel Application) received on 3 August 2012.

<sup>2</sup> Additional information relating to minor issues was also provided on 20 and 21 August 2012.

**PUBLIC RECORD VERSION**

SYSCO completed separate exporter questionnaires for galvanised steel and aluminium zinc coated steel, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) expenses.

## **2.2 Anti-dumping investigations and measures for galvanised steel and aluminium zinc coated steel**

### **2.2.1 Investigations**

On 26 November, the Chief Executive Officer (CEO) of Customs and Border Protection has initiated investigations following separate applications lodged by BlueScope Steel Limited, a manufacturer of galvanised steel and aluminium zinc coated steel (“the goods”) in Australia. The applications seek the publication of countervailing duty notices in respect of galvanised steel and aluminium zinc coated steel exported to Australia from China.

There has been no other recent dumping or countervailing investigations in Australia in respect of galvanised steel and aluminium zinc coated steel products.

### **2.2.2 Anti-dumping measures for galvanised steel and aluminium zinc coated steel**

There are no current anti-dumping or countervailing measures on galvanised steel and aluminium zinc coated steel exported to Australia from China, Korea and Taiwan

## **2.3 Purpose of visit**

The purpose of the visit was to verify information submitted by SYSCO in its exporter questionnaire responses. The exporter questionnaire responses were supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaires. Non-confidential versions of the exporter questionnaire responses were placed on the public record.

We used the verified information to make preliminary assessments of:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

## **2.4 Meeting dates and attendees**

Verification meetings were held at SYSCO's Kaohsiung office on Monday 26 November to Wednesday 28 November 2012.

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**PUBLIC RECORD VERSION**

**PUBLIC RECORD VERSION**

The following people were present at various stages of the meeting:

<b>SYSCO</b>	
Tsan-Yu Cheng	President
Harry Lin	Executive Vice President, Market Grand Division
Edward Tsai	Section Chief, International Sales Department
Johnson Young	Assistant Section Chief, Domestic Sale Department
Milton Lo	Sales Representative
Ted Tzeng	Deputy Manager International Sales
Worthy Wu	Deputy General Manager Sales Division
Michael K. Chia	Consultant – Chia Associates and Co.
Maurie Bilston	Consultant – Staughton's
Troy Morrow	Consultant – Staughton's
<b>Customs and Border Protection</b>	
Mick Kenna	Manager, Operations 3
Eileen Liu	Supervisor, Operations 3

## 2.5 Preliminary issues

Prior to the meeting, we forwarded SYSCO an exporter visit agenda that included the sales transactions selected for detailed verification.

At the beginning of the meeting, SYSCO submitted revised Australian sales spreadsheets for galvanised and aluminium zinc coated steel (amended to include purchase order numbers) and a revised domestic sales spreadsheet for aluminium zinc coated steel (correcting some transactions that had been shown as delivered in the original version).

At the meeting Customs and Border Protection provided a summary of the investigation process and timeframes as follows (highlighting that the following process and timeframes are for both the galvanised steel and aluminium zinc coated steel investigations):

- the investigation period for both investigations is 1 July 2011 to 30 June 2012;
- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry;

**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

- initial submissions from interested parties were due by 15 October 2012 (in response to the applications and initiation notice);
- preliminary affirmative determinations (PADs) may be made no earlier than 5 November 2012 (after day 60 from the date of initiation of the investigations);
- provisional measures may be imposed at the time of the PADs or at any time after the PADs have been made, but Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of dumping duty notices;
- a statement of essential facts (SEF) for respective investigations will be placed on the public record by 24 December 2012 or such later date as the Minister allows;
- this 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 (submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister);
- Customs and Border Protection's reports to the Minister are due by 7 February 2013, unless an extension to the SEF is approved by the Minister;
- the Minister will have 30 days from the date of receipt of the final report to make a final decisions; and
- certain interested parties have the right to seek a review to the Trade Measures Review Officer in relation to the Minister's final decisions.

We informed SYSCO that anti-dumping measures may only be imposed where the Minister is satisfied that the goods were dumped and the dumped goods had caused or were threatening to cause material injury to the Australian industry. The investigations into the alleged dumping of galvanised steel and aluminium zinc coated steel will be terminated if dumping is not found.

We explained to SYSCO that we would prepare a report following our visit and that we would provide the company with a draft of the report to review its factual accuracy and to identify those parts of the report it considered confidential. We further advised that, following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

Customs and Border Protection advised that it considers the dumping margin is not itself confidential information, but rather an aggregate figure derived from confidential data. The dumping margin will be published in the public record version of the visit report.

SYSCO cooperated with the verification of the exporter questionnaire responses and provided further information when requested.

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

**3 COMPANY INFORMATION****3.1 Company information**

SYSCO is a limited liability company registered in Taiwan and is owned by two main shareholders, Yodogawa Steel Works Ltd (Yodogawa) (XXXX per cent) and Toyota Tsusho Corp. (XXXX per cent). SYSCO is primarily owned by Yodogawa which is a public listed Japanese company producing steel sheet, building materials, exterior products, rollers and gratings. SYSCO provided a list of the 10 largest shareholders of Yodogawa in Attachment Exhibit - 3 to its response to the exporter questionnaire. SYSCO had six subsidiaries in Taiwan and China during the investigation period.

SYSCO states no management fees are charged by its parent company or any other related company.

SYSCO commenced operations in 1973 and is one of the main manufacturers of galvanised steel and aluminium zinc coated steel in Taiwan, with annual capacities of galvanised steel of XXXXX MT and aluminium zinc coated steel of XXXXX MT. Its core business is the manufacture and sale of galvanised steel coils, aluminium zinc coated steel coils and pre-painted steel coils. SYSCO's production plant is located in Kaohsiung, where XXX staff are employed. SYSCO holds capital of New Taiwan Dollar (NTD) XXXXXXXXX and its sales revenue is approximate XXXXXX per annum.

During the investigation period about XXX per cent of SYSCO's total sales were exported to Australia, of which galvanised steel sales and aluminium zinc coated steel represented XXX percent and XXX per cent respectively. Of SYSCO's total sales, XXX per cent were export sales, which comprised XXX per cent of galvanised steel sales and XXX per cent of aluminium zinc coated steel sales.

**3.2 Accounting**

SYSCO's financial year is from 1 January to 31 December. SYSCO's financial accounting is on an XXXX basis. SYSCO uses XXXXXXXXXX a customised Enterprise Resource Planning (ERP) system. SYSCO uses actual costs and stated that its accounting practices do not differ from the generally accepted accounting principles in Taiwan.

In the first response, SYSCO stated that it does not set any cost centers in terms of management accounting. It then provided a rectified submission regarding the cost centres of management accounting. During the verification meeting, SYSCO provided a detailed explanation of its management accounting system. Actual costs (raw materials, labor, resource consumption, overheads) are accumulated by different production stages, namely, pickling process (acid bath), cold rolling, galvanizing (coating), chemical treatment, making different finishes and packing. The accumulated actual costs are aggregated based on eight products, Pickled and Oiled products, Full Hard products, Galvanised Steel, Aluminium Zinc Coated Steel, Pre-

## PUBLIC RECORD VERSION



**PUBLIC RECORD VERSION**

Painted Galvanised Steel, Pre-Painted Aluminium Zinc Coated Steel, Hot Rolled Galvanised Steel and Hot Rolled Aluminium Zinc Coated Steel. Actual overhead cost is allocated to the eight products based on relevant production coefficients. SYSCO then broke down the costs of the eight products to a range of different models, represented as Product Control Numbers (PCN), for the purpose of the dumping investigations. (Section 7.1 refers) SYSCO created PCNs for its previous dumping investigations from European countries, the United States of America and Thailand.

SYSCO's financial statements are audited biannually by XXXXX. SYSCO provided its 2010/11 audited financial statements and audited financial statements for the half year ending on 30 June 2012 in Attachment Exhibit -9(8) and Exhibit -9(14) to its response to the exporter questionnaire. Audited financial statements for 2011/12 were not yet available at the time of our visit.

The 2011 independent audit report provides the opinion that SYSCO's financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in Taiwan.

### **3.3 Production process**

SYSCO purchases hot rolled coil (HRC) from Taiwan suppliers and overseas suppliers. The HRC is unwound and welded to form a continuous running Hot Roll steel sheet. Sequentially, the HRC is processed by passing through hydrochloric acid baths to remove surface scale. It is then edge trimmed to the customer-specified width.

The next process is cold rolling: the HRC is passed through a series of rollers at great pressure at ambient temperature. This is where the coil is reduced in thickness to the customer requirement, generally XXXXX to XXXXXX for galvanised steel and XXXX to XXXX for aluminium zinc coated steel. SYSCO has two galvanised production lines. Galvanized line number 1 produces coated steel (both galvanized steel and aluminium zinc coated steel) of thickness from XXXX to XXXXX; Galvanized line number 2 produces coated steel of thickness from XXXX to XXXX.

#### **3.3.1 Galvanised steel process**

Cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

1. The first step is cleaning.

**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

2. This is followed by a non-oxidizing annealing process, before the cold rolled steel passes through a molten bath mixture of zinc, antimony and other trace metals.
3. The product comes out from the galvanising tank and enters in the air wiping process where pressed air passes over the surface of the coated product to wash off extra galvanizing mixture and control the thickness of the coating.
4. The product can then receive various surface treatments depending on the customer's specific requirements.

The range of options for galvanised steel include a "Skin Passed" or "un-Skin Passed" surface, chromated or un-chromated surface" or an "oiled surface" or "dry surface".

### **3.3.2 Aluminium zinc coated steel process**

The cold rolled steel coil is the input feed material to the continuous coating line and this cold rolled steel runs continuously through several key processes:

1. The first step is cleaning.
2. This is followed by a non-oxidizing annealing process before it passes through a molten bath mixture of aluminium, zinc, silicon and other trace metals.
3. The product comes out from the galvanized tank and enters in the air wiping process that the pressed air passes the surface of the coated product to wash off extra galvanizing mixture and control the thickness of the coating.
4. Once coated, the product can then receive various surface treatments depending on the customer's specific requirements.

The range of options includes a "Skin Passed" or "un-Skin Passed" surface, a "passivation treatment" or "not passivation treated", an "oiled surface" or "un-oiled" surface and a "resin coating" or "not resin coated".

Resin coating is a thin, clear or lightly tinted translucent polymer resin applied on its own over a passivation treated aluminum zinc surface (2 stage process), or applied with the passivation treatment (1 stage process).

Either resin application process delivers the required characteristics to assist the customer's further processing due to its lubricant properties and also to protect the surface during customer handling of the product. Resin coating can be referred to as Anti Finger Print ('AFP')

## PUBLIC RECORD VERSION

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PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

<b>4 GOODS UNDER CONSIDERATION AND LIKE GOODS</b>
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**4.1 The goods the subject of the applications****4.1.1 Description**(i) Galvanised steel

The imported goods the subject of the galvanised steel application are:

*“flat rolled products of iron and non-alloy steel of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc”<sup>3</sup>.*

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel, include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m<sup>2</sup>) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

(ii) Aluminium zinc coated steel

The imported goods the subject of the aluminium Zinc Coated Steel Application are:

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<sup>3</sup> Galvanised Steel Application, page 10.

## PUBLIC RECORD VERSION

*“flat rolled products of iron and non-alloy steel of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, **not painted** whether or not including resin coating”<sup>4</sup>.*

The goods the subject of this application are generically called aluminium zinc coated steel. The application stated that trade and other names often used to describe aluminium zinc coated steel, include:

- ZINCALUME® steel;
- GALVALUME® steel;
- Aluminium zinc coated, Supalume, Superlume, ZAM, GALFAN;
- Zinc aluminium coated steel;
- Aluminium zinc coated steel;
- Alu-Zinc Steel sheet in Coils;
- Al/Zn; and
- Hot Dipped 55% Aluminium-Zinc Alloy coated steel sheet in coil.

The application noted that the amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m<sup>2</sup> with the prefix being AZ (*Aluminium Zinc*). The applicant claims that the common coating masses used are: AZ200, AZ150, AZ100, and AZ70.

#### 4.12 Product standards

The applications stated that:

*“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”<sup>5</sup>.*

##### (i) Australia

The applications state that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

##### (ii) International

The applications state that there are a number of relevant International Standards for galvanised steel and aluminium zinc coated steel products (figures 1 and 2 refer) that

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<sup>4</sup> Aluminium Zinc Coated Steel Application, page 10.

<sup>5</sup> Galvanised Steel Application, page 12.

## PUBLIC RECORD VERSION

cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

International Standards	Product Grade Names
<b>General and Commercial Grades</b>	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
<b>Forming, Pressing &amp; Drawing Grades</b>	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCD, SGCD
<b>Structural Grades</b>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

Figure 1: International Standards for galvanised steel<sup>6</sup>

International Standards	Product Grades
<i>General and Commercial Grades</i>	
AS/NZS 1397	G1, G2
ASTM A792	CS, type A, B and C
EN10346	DX51D, DX52D
JIS 3321	SGLCC
<i>Forming, Pressing &amp; Drawing Grades</i>	
AS/NZS 1397	G3
ASTM A792	FS, DS
EN10346	DX53D, DX54D
JIS 3321	SGLCD, SGLCDD
<i>Structural Grades</i>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A792	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3321	SGLC400, SGLC440, SGLC490, SGLC570

<sup>6</sup> Galvanised Steel Application, page 11.

## PUBLIC RECORD VERSION

Figure 2: International Standards for aluminium zinc steel<sup>7</sup>

## 4.1.3 Tariff classifications

(i) Galvanised steel

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 2 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm <sup>2</sup> and NOT greater than 380 N/mm <sup>2</sup> ; (b) tensile strength NOT less than 440 N/mm <sup>2</sup> ; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m <sup>2</sup> and NOT greater than 65 g/m <sup>2</sup> ; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvanized, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

Figure 3: TCOs applicable to tariff subheading 7210.49.00

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

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<sup>7</sup> Aluminium Zinc Coated Steel Application, page 11.

## PUBLIC RECORD VERSION

(ii) Aluminium zinc coated steel

The application states that aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (and statistical codes 60, 61, and 62) of Schedule 3 to the Tariff Act. Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that the goods are correctly classified to this tariff subheading.

The general rate of duty is currently 5% for goods imported under this tariff subheading. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are no TCOs applicable to the relevant tariff classification subheading for aluminium zinc coated steel.

## 4.2 Like goods

### 4.2.1 General

A Product Control Number (PCN) system is established to create the models of coated steel products merely for the dumping investigation purpose. Section 4.2.2 detailed the PCN modelling method. We revised the PCN based on the thickness of the coated steel to achieve more accurate selling price comparison between models (**Confidential Appendix 1 and 4**).

(i) Galvanised steel

SYSCO categorized the galvanised steel products exported to Australia during the investigation period into XXXX models. The XXXX models exported to Australia have a thickness from XXXX to XXXXX, width above XXXX, coating mass from XXXXXXXXXXXXXXXX, made of prime quality HRC and in commercial or structural specifications.

SYSCO manufactured galvanised steel to a range of international standard, including the Japanese International Standards. Of XX models of galvanised steel SYSCO exported to Australia, it sold XX of the XX exported models and an additional XXX models on the domestic market.

(ii) Aluminium zinc coated steel

During the investigation period SYSCO categorized the aluminium zinc coated steel products exported to Australia into eight models.

The XXXX models exported to Australian are of a thickness from XXXXXXXXXXXX, width above XXX, coating mass from XXXXXXXX and XXXX, made of prime quality HRC and in commercial or structural specifications.

SYSCO manufactured aluminium zinc coated steel to a range of international standards, including the Japanese International Standards. Of XX models of

## PUBLIC RECORD VERSION



## PUBLIC RECORD VERSION

aluminium zinc coated steel SYSCO exported to Australia, it sold XX of the XX exported models and an additional XXX models on the domestic market.

#### 4.2.2 Model identification

In labelling its models in the domestic and export sales listing, SYSCO allocated PCNs to the goods that identified the thickness, width, coating mass, quality of input HRC and specifications. A PCN does not indicate whether the product is galvanised steel or aluminium zinc coated steel. There are two separate PCN coding lists for the galvanised steel and aluminium zinc coated steel. The difference between the PCN coding lists of galvanised steel and aluminium zinc coated steel are coating mass and detailed specification, which are established on a range of international standards.

The PCN started with a letter (T) and a digit (1 to 6) to represent the thickness. This was followed by a letter (W) and a numerical digit (1 to 7) which represents the width. This was then followed by a letter (C) and two numerical digits (01 to 09) which indicate the coating mass and a letter (A, B or C) which represents the HRC grades as prime, subprime and secondary respectively. Finally, the model number ends with a numerical digit (1 to 5) to indicate the specification of commercial, structural, full hard, drawing and others. SYSCO advise that all galvanised steel and aluminium zinc coated steel exported to Australia were prime products.

SYSCO used the following categories for thicknesses, widths, coating mass, grades of the input HRC and general specifications:

##### *Thickness*

T1	t<XXX
T2	XXXXXXXXXX
T3	XXXXXXXXXX
T4	XXXXXXXXXX
T5	XXXXXXXXXX
T6	XXXXXXXXXX

##### *Width*

W1	XXXXXXXXXX
W2	XXXXXXXXXX
W3	XXXXXXXXXX
W4	XXXXXXXXXX
W5	XXXXXXXXXX
W6	XXXXXXXXXX

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

W7	XXXXXXXXXX
<i>Coating Mass for Galvanised Steel</i>	
C01	XXXXXXXXXX
C02	XXXXXXXXXX
C03	XXXXXXXXXX
C04	XXXXXXXXXX
C05	XXXXXXXXXX
C06	XXXXXXXXXX
C07	XXXXXXXXXX
C08	XXXXXXXXXX
C09	XXXXXXXXXX
<i>Coating Mass for Aluminium Zinc Coated Steel</i>	
C01	XXXXXXXXXX
C02	XXXXXXXXXX
C03	XXXXXXXXXX
C04	XXXXXXXXXX
C05	XXXXXXXXXX
C06	XXXXXXXXXX
C07	XXXXXXXXXX
C08	XXXXXXXXXX
C09	XXXXXXXXXX
C10	XXXXXXXXXX
C11	XXXXXXXXXX
<i>Quality of input HRC</i>	
A	Prime
B	Subprime
C	Secondary
<i>General Specifications</i>	
1	Commercial
2	Structure
3	Full hard
4	Drawing

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

5

Others

To demonstrate how the models were coded, the model XXXXXX of galvanised steel was commercial grade with a thickness between XXXmm and XXXmm, a width of greater than or equal to XXXmm and coating mass between XX g/m<sup>2</sup> to XXX g/m<sup>2</sup> (refer to the galvanised steel PCN list for relevant international standards). It was a prime product. The PCN model does not indicate if the product is galvanised steel product or aluminium zinc coated steel product. However, SYSCO provided the separate sales spreadsheets for galvanised steel and aluminium zinc coated steel. We are able to identify the product as galvanised steel, when it was extracted from the domestic sales spreadsheet of galvanised steel.

(i) Galvanised steel

A complete listing of the galvanised steel exported to Australia is shown as below. Galvanised steel exported to Australia was greater than XXXmm wide (width category XX) and was made by prime HRC.

Galvanized Steel				
PCN	Thickness (mm)	Width (mm)	Coating mass (g/m <sup>2</sup> )	Specification (Grade)
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural

(ii) Aluminium zinc coated steel

A complete listing of the aluminium zinc coated steel exported to Australia is shown as below. Aluminium zinc coated steel exported to Australia was greater than 600mm wide (width category W2) and was made from prime HRC.

PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

Aluminium zinc coated steel				
PCN	Thickness (mm)	Width (mm)	Coating mass (g/m2)	Specification (Grade)
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Commercial
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural
XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	Structural

#### 4.3.2 'Like goods'

In its exporter questionnaire response, SYSCO claimed that for both galvanised and aluminium zinc coated steel, there is no difference between goods sold on the domestic market and goods exported to Australia when comparing the same specific model numbers sold in both markets.

We consider that both galvanised steel and aluminium zinc coated steel sold domestically are like goods to those that are exported to Australia by SYSCO during the investigation period. Both the domestically sold and exported goods are produced at the same facility with the same raw material inputs and manufacturing process. The goods manufactured for domestic consumption are not distinguished from the exported goods during production or sale. These goods have a similar metallurgical composition and are both functionally and commercially alike.

#### 4.3.3 Conclusion on like goods

We are satisfied that the both galvanised steel and aluminium zinc coated steel produced by SYSCO for domestic sale in Taiwan are like goods to those exported to Australia in terms of subsection 269T(1) of the Customs Act 1901 (the Act). For our assessment of normal values, we will focus on the goods that are most like to the goods exported to Australia that are galvanised steel and aluminium coated steel that are of the same specification (ie, commercial, structure), grade, width and thickness categories, as shown above.

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

<b>5 Completeness and relevance of sales</b>
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**5.1 Introduction**

To check the completeness and relevance of both export sales to Australia and domestic sales, we verified the information contained in SYSCO's export sales and domestic sales spreadsheets upwards through management reports to SYSCO's audited 2010/11 audited financial statements and audited financial statements for the half year ending on 30 June 2012.

SYSCO states accounting standards and reporting procedures of the sales of galvanised steel and aluminium zinc coated steel are identical. Accounting information of galvanised steel and aluminium zinc coated steel are processed exactly the same in SYSCO's accounting system. By establishing the completeness and relevance of the export sales and domestic sales of one type of coated steel, we are confident to rely on the sales data provided for the other type of the coated steel. We choose to verify the export sales and domestic sales of galvanised steel.

**5.2 Upward verification for the completeness and relevance of sales**

In order to reconcile the Australian export and domestic sales to audited financial accounts, SYSCO provided the monthly net sales figures for 18 months, from January 2011 to June 2012. (Confidential **Attachment GEN 1**). As SYSCO's financial year is from January to December, we are able to reconcile the aggregation of monthly net sales from January to December 2011 with the sales revenue figure on the 2011 audited income statement. The sum of monthly net sales from January 2012 to June 2012 matches the sales revenue figure from the audited accounting statements of the 6 month period ending on 30 June 2012. To test the accuracy of the monthly net sales provided, we sampled the monthly net sales of two months, December 2011 and June 2012. SYSCO provided the relevant general ledgers of each month to show the breakdown of the monthly sales figures. (Confidential **Attachment GEN 2**) We are satisfied the monthly net sales data for galvanised steel provided is relevant and complete.

SYSCO then broke down the monthly net sales across different steel products, namely full hard (cold rolled) products, galvanised steel, aluminium zinc coated steel, pre-painted galvanised steel, pre-painted aluminium zinc coated steel, during the investigation period, 1 July 2011 to 30 June 2012. (Confidential **Attachment GEN 3**) We sampled net sales of galvanised steel in May 2012 to test the accuracy of the data. We required SYSCO to provide a further breakdown of domestic sales and export sales of galvanised steel in May 2012. SYSCO provided the supporting documentation required. (Confidential **Attachment GEN 4**) We are satisfied as to the accuracy of the monthly net sales of the products. SYSCO then added the monthly net sales of galvanised steel to arrive at the total sales of galvanised steel for the investigation period, which verified upwards to the sales revenue figures on the audited financial statements.

## PUBLIC RECORD VERSION

**PUBLIC RECORD VERSION**

SYSCO compared the verified total sales revenue of galvanised steel in the investigation period with the aggregation of galvanised steel sales from the Australian sales spreadsheet, domestic sales spreadsheet and the third country sales spreadsheet, which resulted in a XXXXXXXX discrepancy (around XXX% of the verified total sales of galvanised steel). SYSCO states the discrepancy is caused by the accrual accounting of the discounts.

In order to reconcile the time difference of the discount payments, which are recorded in the accrual accounting accounts and reports, SYSCO add the following two types of discount payments to total galvanised steel sales for the three sales spreadsheets (Australian sales, Domestic sales and the third country sales spreadsheet):

- sales during investigation period while discount paid after investigation period, (Some discounts are allocated randomly to the sales during a whole calendar year, from January to December. Furthermore, the investigation period, 1 July 2011 to 30 June 2012, covers part of the two calendar years); and
- estimated discount in 1 July 2011. (This is the adjustment of the accrued discounts in the beginning of the investigation period).

SYSCO then subtract the following two types of discount payments to total Zinc steel sales of the three sales spreadsheets:

- sales before investigation period while discount paid in the investigation period; and
- estimated discount in 30 June 2012.

After reconciling the discount payments, the total galvanised steel sales listed in the Australian sales spreadsheet, domestic sales spreadsheet and the third country sales spreadsheet reconciled with the sales revenue of galvanised steel that was verified towards the audited financial statements during the investigation period. Only a residual rounding difference was observed and considered immaterial.

SYSCO provided accounting general ledgers and data summary for the above reconciliation of discount payments. (Confidential **Attachment GEN 5**) We verified the XXX types of discount payments down to the source documents. We only identified one discrepancy out of four samples, regarding a discount paid after the investigation period while sales occur during the investigation period. SYSCO proved the discrepancy was a typing mistake on the domestic sales spreadsheet by providing the relevant discount voucher, accounting records and commercial invoice.

SYSCO then provided a further full reconciliation of the sum of XXX types of rebates and discounts of galvanised steel listed on the domestic sales spreadsheet upwards to the discount figures from the audited financial statements. There were no discount and rebates in the export sales to Australia. We verified the supporting source

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**PUBLIC RECORD VERSION**

**PUBLIC RECORD VERSION**

document and selected several transactions to check the accuracy. We are satisfied the completeness and relevance of the discount and rebates of galvanised steel in the domestic sales spreadsheet. (Confidential **Attachment GEN 6**)

Having regard to the above, we are satisfied that the Australian sales and domestic sales of galvanised steel during the investigation period are complete and relevant. As explained in the introduction section 5.1, by establishing the completeness and relevance of the export sales and domestic sales of galvanised steel, we are confident to rely on the sales data provided for aluminium zinc coated steel. Therefore, we consider the Australian sales and domestic sales of the goods provided by SYSCO for the investigation period are complete and relevant.

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**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

## 6 Export sales

### 6.1 Introduction

In the investigation period, SYSCO exported galvanised steel and aluminium zinc coated steel to XXX unrelated Australian customer, XXXXXXXXXXXXXXXXXXXX. XXXX is described by SYSCO as a distributor. The quantity of galvanised steel and aluminium zinc coated steel exported to XXX in the investigation period is shown in the following table:

	MT
Galvanised steel	XXXX
Aluminium zinc coated steel	XXXX
<b>Total</b>	<b>XXXX</b>

As discussed previously in SYSCO's exporter questionnaire response it provided. To assist in the testing for completeness, SYSCO included in its listing of aluminium zinc steel sales to Australia, six transactions (totalling XXX MT) involving aluminium zinc steel of a width of less than XXmm. Aluminium zinc coated product with a width of less than 600mm are not subject to this investigation.

SYSCO classified the goods it exported to Australia according to PCNs as described in Section 4 of this report. All sales were at Free On Board (FOB) incoterms and at credit terms of at sight and were shipped to Australia as breakbulk cargo.

### 6.2 The Price for Export Sales

SYSCO advised that its export pricing to Australia is calculated on a base price offer plus a coating surcharge according to product thickness and various other extras (size extra, width extra etc.). SYSCO provided a document showing its base price offer to XXX for July 2011 (**Confidential Attachment EXP1**), its coating surcharge table in place during the investigation period (**Confidential Attachment EXP2**) and its extras table (**Confidential Attachment EXP3**). It also provided a copy of its extra guidelines or regulations that provide its sales people with more technical detail relating to export sales (**Confidential Attachment EXP4**).

We requested and SYSCO supplied all invoices for exports to Australia in the investigation period for galvanised steel and aluminium zinc coated steel. This allowed us to see the actual thickness, width and standard for each sale to Australia in the period. Galvanised steel invoices are at **Confidential Attachment EXP5**. Aluminium zinc coated steel invoices are at **Confidential Attachment EXP6**.

We noted some discrepancies between the description of the grade (commercial or structural) in the Australian sales spreadsheet and the invoice documents for both

PUBLIC RECORD VERSION



**PUBLIC RECORD VERSION**

galvanised steel and aluminium zinc coated steel. SYSCO explained that in some instances the relevant letter of credit had been issued with the incorrect description of the goods (e.g. included a structural grade rather than the actual commercial grade).

SYSCO stated that it had a policy of using the terms of the letter of credit on the invoice to ensure there were no difficulties with receiving payment. SYSCO provided the order documents and relevant letters of credit for some of the transactions involving discrepancies (**Confidential Attachment EXP7**). On this basis we are satisfied that the information recorded on the Australian sales spreadsheets is correct.

### 6.3 Export sales process

SYSCO described the ordering process as follows:

- SYSCO announces revised prices for various products each month;
- The offer remains open for approximately one to two weeks during which XXX placed its purchase order for its requirements. Sometimes XXX proposes prices different to those offered by SYSCO, which are either accepted or subject to further negotiation;
- SYSCO places the order in its production schedule and notifies XXX when the goods are ready for shipment.

### 6.4 Export expenses

In relation to export shipments, SYSCO incurs expenses for the following items:

- bank charges;
- receiving, storage and delivery (RSD);
- harbour duty;
- promotion fee (similar to port charges)
- customs broker's fees;
- document fee
- certification fee.

### 6.5 Exchange rates

In its Australian sales spreadsheet, SYSCO included an exchange rate used to convert its US dollar invoice amounts to NTD on its export declaration document.

We tested the exchange rates used by SYSCO against Reserve Bank of Australia published rates and found them to be reasonable.

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**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

## 6.6 Export sales – verification to source documents

The export sales spreadsheets provided by SYSCO included line by line information relating to its exports of galvanised steel and aluminium zinc coated steel to Australia with an invoice date in the investigation period:

We selected four galvanised steel and four aluminium zinc coated steel invoices for detailed verification.

For each selected transaction SYSCO provided the following documents:

- purchase order;
- commercial invoice;
- export documentation;
- documents evidencing each of the export charges listed above;
- credit advice from bank relating to letter of credit.

We examined each of the document sets and retained copies for two of the selected transactions. These documents for the selected invoices are **Confidential Attachment EXP8**.

We ensured that information from the source documents was accurately recorded in the Australian sales spreadsheets provided by SYSCO. We are satisfied that the information provided by SYSCO in its Australian sales spreadsheets is accurate.

## 6.7 The exporter

Customs and Border Protection will generally identify the exporter as:

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

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

We consider that SYSCO is the exporter of the goods as it:

- manufactures the goods;
- arranges for the goods to be taken to the port and loaded for shipment;

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PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

- appears as the shipper on the Bill of Lading; and
- receives payment for the goods.

## 6.8 The importer

According to subsection 269T(1) of the act, the importer is the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed.

XXXX negotiated the purchases and entered into sales contracts with SYSCO. On the information available, it appears that XXX was the importer of the galvanised steel and aluminium zinc coated steel exported to Australia by SYSCO.

## 6.9 Arms length

SYSCO advised that it has no relationship to its Australian customer other than that of buyer and seller. In respect of SYSCO's galvanised steel and aluminium zinc coated steel exports to Australia in the investigation period we found no evidence of:

- any consideration payable for or in respect of the goods other than their price; or
- the price being 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; or
- any direct or indirect reimbursement, compensation or other benefit in respect of the whole or any part of the price.

Accordingly, we consider SYSCO's export transactions to be arms length in terms of s. 269TAA of the Act.

## 6.10 Export price – preliminary assessment

Based on the information provided in SYSCO's exporter questionnaire responses, and information verified at its premises, we consider that SYSCO was the exporter of galvanised steel and aluminium zinc coated steel to Australia in sales to XXX and that the sales to these parties were arms length transactions.

Therefore, we are satisfied that export price for exports by Sysco should be established under s. 269TAB(1)(a) of the Act using its invoiced prices for sales to Australia. Preliminary export price calculations are at **Confidential Appendix 1A** (galvanised steel) and **Confidential Appendix 1B** (aluminium zinc coated steel).

PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

<b>7 COST TO MAKE &amp; SELL</b>
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**7.1 Introduction**

In its exporter questionnaire response, SYSCO provided separate costs to make and sell (CTMS) galvanised steel and aluminium zinc coated steel for the domestic market and for exports to Australia for the investigation period. It also provided schedules of costs for galvanised steel and aluminium zinc coated steel by PCN for the investigation period.

Prior to the verification visit, Customs and Border Protection requested that SYSCO provide quarterly CTMS by PCN for the investigation period. SYSCO provided schedules of these costs for domestic sales and for exports to Australia.

As discussed at section 3.2, SYSCO explained that in its accounting system, cost centres are maintained for each main type of product sold (e.g. cold rolled galvanised steel, cold rolled aluminium zinc coated steel, pre-painted steel, hot rolled galvanised steel). SYSCO calculated CTMS by PCN for the dumping investigation only.

**7.2 Cost to make****7.2.1 Reconciliation to audited financial statements**

SYSCO started by providing a worksheet showing its profit and loss statement for all products for the investigation period (**Confidential Attachment CTMS1**). The worksheet also shows profit and loss statement broken down into its major product groupings (uncoated cold-rolled coil, coated coil and pre-painted coil). The worksheet also shows the breakdown of coated coil products into aluminium zinc coated steel, galvanised steel and by-product sales (zinc and aluminium dross).

We selected galvanised steel for detailed verification. SYSCO provided quarterly income statements showing the various costs making the cost to make and sell galvanised steel including HRC, zinc, direct labour, manufacturing overheads, scrap income and selling, general and administration expenses (**Confidential Attachment CTMS2**). The quarterly income statements agree with the summary statement for the investigation period.

We selected quarter 4 of 2011 and SYSCO provided its finished goods stock reconciliations for the months of October, November and December 2011 showing for each product type, the volume and value of opening finished goods, production in the month, sales and closing balance (**Confidential Attachment CTMS3**). The addition of the sales values for the two galvanised steel lines and the hot-rolled galvanised steel lines for the three months matches the cost of finished goods sold (excluding other costs) shown in the quarter 4 2011 profit and loss statement for galvanised steel. SYSCO also provided a printout of its cost of goods sold account from its general ledger showing the entries for galvanised steel for each month of

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

quarter 4 2011 (**Confidential Attachment CTMS4**). The entries match the amounts in the finished goods stock reconciliation and support the amounts shown in the quarterly profit and loss statement for galvanised steel. SYSCO also provided copies of the vouchers showing the volume and value of transfers from the galvanised steel finished goods account to the cost of goods sold account (**Confidential Attachment CTMS5**).

We then asked SYSCO to reconcile its cost of production to its audited financial statements for 2011. SYSCO provided a quarterly profit and loss summary for the calendar year 2011 and the first half of 2012 (**Confidential Attachment CTMS6**). SYSCO provided a printout of its cost of goods sold ledger for calendar year 2011 (**Confidential Attachment CTMS7**). SYSCO also provided its ledgers for 2011 for tolling costs and other costs (**Confidential Attachment CTMS8**). The addition of the three ledgers reconciles to the cost of goods sold amount in the audited financial statements for 2011 (taking into account a journal entry for a small amount arising from a reclassification of a cost made by the auditors - **Confidential Attachment CTMS9**).

SYSCO also provided the ledger accounts supporting the amounts included as other cost items in the cost of goods sold for galvanised steel. The major component of these items is scrap income. SYSCO provided a worksheet to show how scrap steel income has been allocated to galvanised steel and aluminium zinc coated steel according to sales quantity. We are satisfied that the scrap income has been reasonably allocated. Scrap income represents about XXX of the cost to production and is deducted from the production costs.

SYSCO provided a copy of its general ledger showing credit amounts for scrap steel sales. SYSCO also demonstrated how amounts for HRC discounts, employee vacation and bonus expenses and losses from inventory price write down and retirement of inventory could be traced to the general ledger. The documents relating to other costs are at **Confidential Attachment CTMS10**.

## 7.2.2 HRC and zinc/aluminium costs

SYSCO purchases the majority of its HRC requirements from the unrelated suppliers, XXXXXXXXXXXX and its related entity, XXXXXXXXXXXXXXXXXXXXXXXX. XXXXXXXXXXXX is located adjacent to SYSCO's factory. SYSCO also imports a small quantity of HRC, mainly from Japan, for grades and thicknesses it has trouble sourcing in Taiwan.

In the investigation period, SYSCO purchased a small amount (XXX) of its HRC requirements from its related Japanese trading company, XXXXXXXXXX XXXXXXXX. SYSCO explained that XXXXXXXXXXXXXXXXXXXXXXXX sources the HRC from unrelated manufacturers in Japan and sells it to SYSCO in arms length transactions. A comparison of unit prices of SYSCO's various suppliers supported that the sales transactions were arms length.

## PUBLIC RECORD VERSION

**PUBLIC RECORD VERSION**

SYSCO explained that there was typically a XXXXXXXX variation between the grades and sizes of HRC it purchased to produce galvanised steel. SYSCO provided an example offer document from XXXXXXXXXXXXXXXXXXXX showing the offer quantity to SYSCO for the month, the base price and the grade, width and gauge extras applying to the sales (**Confidential Attachment CTMS11**). It also provided a schedule of the types of HRC purchased during the investigation period (**Confidential Attachment CTMS12**). SYSCO imports its zinc and aluminium requirements, usually from suppliers in the Republic of Korea.

SYSCO provided a schedule showing the amount of HRC, zinc and aluminium consumed in goods sold in the investigation period (**Confidential Attachment CTMS13**). The document shows that for quarter 4 2011, the weighted average cost of raw materials were as follows:

- HRC – XXXXXXXX ;
- Zinc – XXXXXXXX; and
- Aluminium – XXXXXXXX.

SYSCO provided its ledgers for the consumption of HRC and zinc for October 2011 (**Confidential Attachment 14**). The ledger totals match the amounts in the schedule of raw materials used. We selected two purchases of HRC and two of zinc for further verification. SYSCO provided a screen print from its system showing information allowing us to trace the purchases of HRC and zinc to the receiving report, supplier ledger and supplier invoice (**Confidential Attachment 15**).

On the basis of our verification, we are satisfied that the amounts used for raw materials in the CTMS galvanised steel and aluminium zinc coated steel are accurate.

### **7.2.3 Calculation of PCN costs**

As explained above, SYSCO calculated its CTMS according to PCNs. The PCNs incorporate factors set out by other anti-dumping administrations that have investigated SYSCO's exports (SYSCO specifically mentioned the European Union). SYSCO stated that where models or grades are not specified as being required by an anti-dumping administration, it has the policy of following the PCN system accepted in previous cases.

We selected the PCN XXXXXXXXXXX (galvanised steel) and asked SYSCO to demonstrate how the total CTMS was calculated. SYSCO provided a worksheet showing how the CTMS for each PCN was calculated for quarter 4 2011 (**Confidential Attachment CTMS16**).

Within each PCN there are a number of products according to thickness, width and coating mass. SYSCO provided a schedule showing the accumulation of information

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**PUBLIC RECORD VERSION**



**PUBLIC RECORD VERSION**

for all products within the XXXXXXX PCN. The schedule shows the sales quantity of each detailed product type within the PCN and the standard amount of HRC and zinc or zinc and aluminium used in the production of the each product. The totals of the standard raw material usages are carried forward to the PCN cost worksheet. The zinc or aluminium zinc coating mass in grams per square metre is converted using the standards to an amount of zinc/aluminium zinc consumption per MT according to the thickness of the base metal. SYSCO provided a schedule of coating mass consumption for each of its coating mass standard descriptions (**Confidential Attachment CTMS17**).

Having calculated total standard costs for HRC and zinc and aluminium zinc, SYSCO allocated actual raw material costs to each PCN according to the ratio between the standard for the PCN and the total standard for all PCNs.

SYSCO calculated a production coefficient for each product sold within a PCN and calculated an average of these for the PCN to allocate direct labour and factory overheads to each PCN. The production coefficient is the ratio between the standard production quantity per hour for the particular product and the standard production quantity per hour for all products in the coating line (based on an historical figure).

SYSCO multiplied the coefficient by the total sales quantity for the PCN to weight the PCN by the various production rates for the various products. SYSCO then used the factor calculated using the coefficient to allocate total actual direct labour and factory overheads to the PCNs. We are satisfied that the allocation method used by SYSCO appears to be reasonable.

#### **7.2.4 Packaging**

SYSCO uses a variety of packaging variations according to customer requirements. In its REQ, SYSCO provided tables showing the materials used for each packing code (14 for galvanised steel and 18 for aluminium zinc coated steel). Additional tables provide the cost per coil and the cost per MT of each packaging type for each quarter of the investigation period.

The major difference between domestic packaging and export packaging is a steel skin used to protect export consignments. Normal domestic packaging includes steel inner and outer edge protectors, waterproof paper and steel bands.

We selected two product codes and asked SYSCO to demonstrate the calculation of the packaging costs for each code. One of the selected packaging types was D1 for quarter 2 2012 (cost of NTDXXX/MT). D1 indicates product packaged with an inner and outer coil protector, two types of waterproof paper and steel retaining bands.

SYSCO provided a schedule showing, for each type of coil with the D1 packaging, the standard volume and value of each type of packaging material used (**Confidential Attachment CTMS18**). SYSCO provided another schedule to show

**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

the standard value of all packaging materials used in the quarter (**Confidential Attachment CTMS19**). SYSCO demonstrated how it used the ratio between standard costs for the packaging type D1 and the total standard packaging costs to allocate actual packaging costs to each packing type (including labour, subcontracted labour and packaging materials).

SYSCO provided its general ledger showing packaging material purchases in April to June 2012 (**Confidential Attachment CTMS20**) and its receiving report for all materials purchased in the month. We selected a purchase of XXXXX m<sup>2</sup> of waterproof paper and SYSCO was able to provide the relevant purchasing documents and supplier invoice evidencing the purchase.

Similar documents evidencing the calculation of packaging costs for the code H8 in Quarter 1 2012 (NTDXXX/MT) are at **Confidential Attachment CTMS21**.

### 7.3 Selling, general and administration costs

In its quarterly CTMS expenses, SYSCO included amount for variable selling expenses, fixed selling expenses and administration/research and development costs for each PCN.

We asked SYSCO to demonstrate that all selling, general and administration costs had been appropriately allocated to galvanised and aluminium zinc coated steel. In the course of the verification, SYSCO realised that variable selling expenses, which all relate to exports, had been allocated in part to domestic sales.

We asked SYSCO to demonstrate that the variable selling expenses related only to exports, which it did by providing the various general ledger accounts which make up the variable selling expense amount included in the 2011 audited financial statements (**Confidential Attachment CTMS22**). We were able to see that the amounts related to export costs including export freight, insurance, commission, export inland freight, port charges and bank charges. On this basis, we have deducted variable selling expenses from the domestic CTMS amounts.

SYSCO was able to demonstrate, by reference to its audited financial statements, that amounts for fixed selling expenses and administration costs had been allocated to galvanised steel and aluminium zinc coated steel according to sales revenue. The amounts were further allocated to each PCN on the same basis. We are satisfied that SYSCO has accurately and reasonably allocated its selling, general and administration costs to the cost of selling galvanised and aluminium zinc coated products. The relevant documents are at **Confidential Attachment CTMS23**.

### 7.4 Finance expenses

SYSCO advised that it has no financial expenses and is funded through capital investment. This is supported by SYSCO's audited financial statements.

## PUBLIC RECORD VERSION



PUBLIC RECORD VERSION

Conclusion

We consider the CTMS (including the deduction of variable selling expenses from domestic costs as set out above) are a reasonably complete, relevant and accurate reflection of the actual costs of SYSCO to make and sell galvanised steel and aluminium zinc coated steel during the investigation period.

We consider these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

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PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

<b>8 DOMESTIC SALES</b>
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**8.1 Domestic sales process**(i) Galvanised steel

During investigation period, SYSCO supplied the galvanised steel directly to distributors.

(ii) Aluminium zinc coated steel

During the investigation period, SYSCO supplied aluminium zinc coated steel to:

- manufacturers/end users - who further process aluminium zinc coated steel into finished goods;
- stockists/distributors – who on-sell aluminium zinc coated and provide simple cutting and slitting service to end users.

We examined the prices recorded against the different levels of trade and observed no consistent pattern in pricing according to the distribution channel. This analysis can be found in **Confidential Appendix 2 – Levels of Trade Analysis**.

SYSCO commented that its main competitor in Taiwan is XXXXXXXXXXXXXXXX. SYSCO also competes with imported galvanised steel and aluminium zinc coated steel from China. SYSCO commented the product imported from China is very cheap.

**8.1.1 Sales to related parties**

SYSCO advised that it had no agency or distribution contracts with its customers.

(i) Galvanised steel

SYSCO advised that it did not sell galvanised steel to related parties.

(ii) Aluminium zinc coated steel

In the investigation period, SYSCO sold XXX % of total domestic sales of aluminium zinc coated steel to one related company, XXXXXXXXXXXXX is XXXX% owned by SYSCO.

SYSCO considers that there is no price difference in its sales to the related company compared to sales to unrelated companies. We examined SYSCO's domestic sales to the above related company and compared the sales to unrelated companies. We did not find any evidence of the related company receiving preferential pricing for their purchases. We also noted that the proportion of domestic sales of aluminium

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

zinc coated steel supplied to the related entity was not significant. This analysis can be found in **Confidential Appendix 3 – Related Sales Analysis**.

### 8.1.2 Sales Process

SYSCO advised that the domestic sales process for galvanised steel and aluminium zinc coated steel were the same unless otherwise noted.

SYSCO summarised its domestic sales process for galvanised steel and aluminium zinc coated steel as follows:

- SYSCO announce monthly general offer at the beginning of each month;
- customers submit purchase orders with detailed specifications and required quantities;
- SYSCO states most domestic customers are long-term customers. After negotiating the price, SYSCO will issue a contract to the customer and then arrange production. No deposits are required prior to arrangement of the production;
- the general payment method for domestic sales is irrevocable letter of credit (LC) at sight. SYSCO requires the receipt of LC before delivery;
- after the LC and delivery are completed, a value added tax invoice will be issued by SYSCO's accounting department.

### 8.1.3 The Price for Domestic Sales

SYSCO advised that domestic prices of galvanised steel and aluminium zinc coated steel are determined by SYSCO's domestic sales department and a general monthly offer is sent to domestic customers via telephone. The general offer is valid for a month since the publication of the price and is subject to negotiation. The general price offer is based on delivery term, ex-work (EXW).

The price is the sum of a monthly base price and an additional price adjustment of certain specifications, which is named as specification extras hereafter. The monthly base price is determined by the sales department. SYSCO states the domestic specification extras remains the same in the investigation period. Unlike the export sales, when zinc price fluctuates, SYSCO adjust the domestic monthly base price to reflect the price change of the raw material, Zinc. We observed base price changes during the investigation period. SYSCO provide the Internal Monthly Base Price Proposals which are at the confidential **Attachment DOM 1**. The monthly price proposal also report on the market environment, order and delivery status of major domestic customers, quantity rebates, monthly rebates, annual rebates and special rebates and discounts of major domestic customers.

SYSCO provided us with copies of the specification extras price list of both galvanised steel and aluminium zinc coated steel which are at confidential

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## PUBLIC RECORD VERSION

**Attachment DOM 2.** We observed that the extras are set based on the thickness and coating mass. We enquired whether the grade of input HRC would affect the extras. SYSCO states that the grade of input HRC is irrelevant to any addition cost adjustments. SYSCO provided several examples to demonstrate different grades of the input HRC have the same monthly base price. The examples are at the confidential **Attachment DOM 3**.

Domestic orders are received by phone, fax or email. SYSCO stated as most of LC is paid at sight, credit adjustment is not applicable. SYSCO advised that the invoice price is generally based on the negotiated contract price. SYSCO offers quality discounts, price discounts, sales return, quantity rebate, monthly rebates and annual rebates where applicable. These discounts and rebates are subtracted from invoice price to arrive at the net invoice price of domestic sales.

Arrangement of production is generally one or two weeks after the customs' order. SYSCO receives customer orders, keys them into the internal ordering system and sends the orders to the production department. The average time from customer order to order fulfilment is approximately XX days. The order contains information about the product type, quantity, thickness, coating mass, specifications, finishes, package, and usage of the coated steel.

#### 8.1.4 Delivery

If a customer requires delivery within Taiwan, SYSCO will surcharge the customer for the delivery cost.

- For galvanised steel, SYSCO deliver approximately XX% of domestic sales to its customers within Taiwan.
- For aluminium zinc coated steel, approximately XX% of domestic sales require delivery.

SYSCO's domestic sales listed a figure for the transactions require delivery in the column entitled 'in land transport'.

SYSCO arranges transportation of finished orders via an external transportation company, XXXXXXXXXXXXXXXXXXXX and pass on these transport costs to the customer. SYSCO charge the inland transportation fees based on the different domestic cities. XXXXXXXXXXXXXXXXXXXX provides annual transportation rates to SYSCO. SYSCO provided copies of the transportation rates for 2011 and 2012 calendar year. (Confidential **Attachment DOM 4**)

#### 8.1.5 Packaging

SYSCO use a range of different packaging materials, including steel sheet, cardboard, steel band, packing paper, inner and exterior metal corner protector,

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

paper corner protector, wooden board, water proof Vinyl, inner metal ring and plastic board, with the cost of the packaging included in the price charged to the customer.

Different packages are represented as package codes. SYSCO provided two Package Code lists for galvanised steel and aluminium zinc coated steel, which demonstrate the packaging materials and components of each type of package. (Confidential **Attachment DOM 5**)

SYSCO provide two separate packaging cost forms for galvanised steel and aluminium zinc coated steel which are at confidential **Attachment DOM 6**. The Packaging Cost form outlines the unit package cost of each package code for four quarters within the investigation period and for the entire investigation period. The unit package costs are calculated in a cost per coil basis and a cost per MT basis.

SYSCO multiply the unit package cost, namely AUD/MT of the investigation period, with the quantity of a transition to arrive at the package cost.

During the verification, we are able to identify the package codes from the Notification of Production documents provided by SYSCO for the 20 sampled transactions, 10 transactions each for galvanised steel and aluminium zinc coated steel.

After verification of the sampled transactions for both galvanised steel and aluminium zinc coated steel, we are satisfied that the package costs for domestic sales are accurate and the information provided is sufficient.

### 8.1.6 Discounts, rebates and allowances

At the verification visit, SYSCO explain the XXX different discounts and rebates listed on the domestic sales spreadsheet.

- Quality discounts compensate the quality defects claimed by clients and then examined and confirmed by SYSCO.
- SYSCO provides price discounts considering the market environment and movements and the customer's circumstance.
- Sales return is a refund or compensation of returned coils, which are not usable by clients due to various reasons. (E.g. quality defects, incorrect specification and grade, etc.). SYSCO states sales return is for the return of whole coils.
- Quantity rebates are provided when clients' order reaches certain quantity (e.g. XXXMT, XXXXMT). Quantity rebates can vary along with the market fluctuation. Based on the Internal Monthly Base Price Proposal provided by SYSCO, we have observed the quantity rebates changed during the investigation period.

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## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

- Domestic customers are eligible to monthly rebates when the delivery of monthly ordered products is carried out on time for the month. As all payment terms are LC at sight on the condition of completing delivery by a settled date, SYSCO can only cash the LC after the delivery of the goods. Monthly rebate discourage hoarding and shortening the time of cashing the LC. Monthly rebates are also labelled as 'delivery rebates' in the internal monthly base price proposal provided by SYSCO.
- Annual rebates are provided at the end of the year to the major customers. Annual rebates are allocated randomly to the coated steel coils sold in the current year. SYSCO outlined how a committee decides upon the annual rebates for each customer based on a number of factors:
  - Different products have different annual rebate. However galvanised steel and aluminium zinc coated steel has the same annual rebates rates.
  - Different profit margin from the customer. If SYSCO earns a big margin from a customer, it is more likely SYSCO will offer more annual rebates to this customer.
  - Total delivered products to customers from January to November of the year.
- The annual rebate is also labelled as annual bonus. SYSCO provides the Guidelines of 2012 Annual Bonus to Domestic Customers, which is at confidential **Attachment DOM 7**.

We identified another defect discount displayed on the invoice, which is not recorded correctly on the domestic sales spreadsheet. The defects general related to part of the coil, referring as defected coated steel hereafter. The defects are identified by SYSCO before the delivery. SYSCO do not charge the defected coat steel based on its weight. The unit price of the whole coil is multiplied by the weight of the defected coated steel to arrive at the value which is subtracted from the original invoice value. The weight and value of the defected coated steel are listed on the invoice.

SYSCO input the value that is the difference of original invoice value and value of the defected coated steel in the domestic sales spreadsheet. However SYSCO includes the original weight of the whole coil in the domestic sales spreadsheet. The treatment that SYSCO does not subtract the weight of the defect coated steel from the original weight of the whole coil reduces the unit price of the coated steel coil on the domestic sales spreadsheet. We consider it is not correct treatment in terms of calculating domestic price. As required, SYSCO provides further information regarding the weight of the defected coated steel on a line by line basis. (Confidential **Attachment DOM8**). We updated the domestic sales and found the defect discount is only accounts for XXX% of the domestic sales for both galvanised steel and aluminium zinc coated steel, which is immaterial.

## PUBLIC RECORD VERSION

**PUBLIC RECORD VERSION****8.1.7 Date of sale**

SYSCO advised that the invoice date should be used as the date of sale. Customs and Border Protection usually regards the invoice date as the date of sale (that is, the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate.

**8.2 Domestic sales - reconciliation to financial statements**

Section 5.3 of this report sets out the reconciliation of both export and domestic sales of galvanised steel and aluminium zinc coated steel to SYSCO's audited financial statements. We consider the domestic sales information provided by SYSCO is complete.

**8.3 Domestic sales – verification to source documents**

The domestic sales spreadsheets provided by SYSCO included line by line information relating to:

- customer;
- level of trade;
- product specifications;
- invoice date and number;
- order number;
- shipping and payment terms;
- packaging cost;
- sales quantity (tonnes);
- gross and net invoice value; and
- inland transport.

Prior to the visit, we requested that SYSCO provide supporting documents for twenty selected domestic sales, ten transactions each for galvanised steel and aluminium zinc coated steel. SYSCO provided the following documents for each of these sales during the verification visit:

- sales contract;
- customer order confirmation;
- notification of production;
- commercial invoice;
- delivery list; and
- Letter of Credit to SYSCO by its domestic customer.

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**PUBLIC RECORD VERSION**

PUBLIC RECORD VERSION

These documents are at confidential **Attachment DOM 9**.

We verified the volume and value of sales for the selected domestic sales transactions to the domestic sales spreadsheet.

We identified the same mistake of the model codes of three transactions. The commercial specification was mistakenly coded as other specification. We consider this error is not material.

We requested proof of payment for two transactions. SYSCO provided the relevant bank statements and we verified the payments of the two transactions.

We consider that the domestic sales data provided by SYSCO is accurate.

#### **8.4 Arms length transactions**

In respect of SYSCO's domestic sales of galvanised steel and aluminium zinc coated steel, notwithstanding, a minor proportion of domestic sales were to related entity, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- 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.

We therefore consider SYSCO's domestic sales during the investigation period were arms length transactions.

#### **8.5 Volume and suitability of sales**

Domestic sales cannot be used to establish normal values if the volume of domestic sales is less than 5 % of the volume of comparable goods exported to Australia. We compared the volume of SYSCO's export sales for each PCN type with comparable domestic sales over the investigation period. The volume of domestic sales for each PCN and overall is more than 5 % of the volume of comparable goods exported to Australia. The sufficiency of sales tests are at **Confidential Appendix 4A** for galvanised steel and **Confidential Appendix 4B** for aluminium zinc coated steel.

#### **8.6 Ordinary course of trade**

We compared the unit invoice price paid for each domestic sale with the fully absorbed CTMS of the PCN for the corresponding quarter. We found that greater than 20% of sales of each type of product were not sold profitably (XXX% for galvanised steel and XXX% of aluminium zinc coated steel).

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PUBLIC RECORD VERSION



**PUBLIC RECORD VERSION**

We then compared the selling prices of the loss making sales with the weighted average CTMS for the relevant PCN for the investigation period to test whether some of those sales may be taken to be recoverable within a reasonable period of time. We used only profitable and recoverable domestic sales of like goods to establish normal values.

The PCNs used to test profitability were those originally proposed by SYSCO, and not the revised PCNs used for model matching.

**8.7 Domestic sales – summary**

We found a sufficient volume of sales in the domestic market that were arms length and sold at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by SYSCO, and the verification processes conducted on site, we consider that prices paid in respect of domestic sales are suitable for assessing normal value under s. 269TAC(1).

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**PUBLIC RECORD VERSION**

## PUBLIC RECORD VERSION

**9 THIRD COUNTRY SALES**

SYSCO provided a summary of sales to third countries. We consider we have sufficient verified information to establish normal values using domestic sales or costs.

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PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

**10 ADJUSTMENTS****10.1 Introduction**

We considered the following adjustments to ensure normal values for both galvanised steel and aluminium zinc coated steel were fairly comparable with export prices.

**10.2 Credit terms**

All export sales of galvanised steel and aluminium zinc coated steel to Australia in the investigation period were made at no credit terms. SYSCO required LC for the invoiced amounts which were redeemable upon the shipping documents being issued.

Payment for domestic sales was also made through a letter of credit system. The LC are drawn down on a particular day of each month, meaning that domestic customers are usually extended some credit period between receiving the goods and the letter of credit being drawn down. However, SYSCO advised that it does not regard the period between sale and receipt of funds from the letters of credit as offering credit on domestic sales. Accordingly we made no adjustment to domestic prices for credit terms.

**10.3 Inland freight**

A small volume of domestic sales are delivered to the customer. For such sales we deducted the verified cost of delivery.

Export sales are delivered to the port of shipment. We added the verified weighted average inland transport amount for export shipments to the normal value.

**10.4 Packaging costs**

As discussed above, SYSCO has a range of packaging variations. Export packaging is typically more expensive than domestic packaging due to the extra protection required. We verified the actual packaging costs for each line of both domestic and export sales. We have deducted domestic packaging costs from domestic selling prices and added the weighted average export packaging cost.

**10.5 Export charges**

SYSCO incurs a range of charges associated with its exports to Australia. We added the weighted average total of these charges to domestic selling prices to make them comparable with export prices.

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

**10.6 Timing adjustments**

Where no suitably comparable model was sold in the same quarter in the ordinary course of trade in sufficient quantities we used the weighted average selling prices in another quarter. To adjust the weighted average selling prices in another quarter to compare with export prices in the quarter of export, we calculated the ratio between domestic costs to make and sell in the two quarters. We used the ratio to adjust the domestic selling prices.

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PUBLIC RECORD VERSION

PUBLIC RECORD VERSION

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PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

**11 NORMAL VALUE**

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under s. 269TAC(1). We have made adjustments to the normal value under s. 269TAC(8) for:

- 1 domestic inland transport (deduct);
- 2 export inland freight (add);
- 3 domestic packaging(deduct);
- 4 export packaging (add);
- 5 export expenses (add); and
- 6 timing differences (deduct or add as appropriate).

As discussed above, SYSCO provided its export sales, domestic sales and CTMS according to PCNs requested by other anti-dumping administrations. Our examination of domestic pricing arrangements indicated that there was considerable variation in pricing within the PCNs attributable to the range of thicknesses within each PCN. Having obtained the actual thickness of the goods in each sales transaction, we reclassified the sales according to revised PCNs that reflected pricing categories used by SYSCO on the domestic market. Other elements of the PCN (width, coating mass, quality and grade remained unchanged).

The revised PCNs were used to match models on the domestic market. Where sales in the ordinary course of trade of the identical model were not made in the quarter of the export sales, where possible we selected a model with the same thickness range, coating mass and quality. Based on our examination of SYSCO's domestic sales, we do not consider that width and grade have a material impact on the price of coated steel sold by SYSCO in Taiwan (although these factors were also matched where possible). Where no sale of a comparable PCN was made in the relevant quarter, we used a comparable PCN in another quarter and made a timing adjustment (10.6 refers).

We calculated normal values for each quarter of the investigation period using sales in the domestic market that were arms length transactions and sold at prices that were in the ordinary course of trade. A summary of normal values is at **Confidential Appendix 5A** for galvanised steel and **Confidential Appendix 5B** for aluminium zinc coated steel.

## PUBLIC RECORD VERSION

PUBLIC RECORD VERSION

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PUBLIC RECORD VERSION

PUBLIC RECORD VERSION

## 12 PRELIMINARY DUMPING MARGIN

We calculated product preliminary dumping margins by comparing export prices with quarterly adjusted unit normal values multiplied by export quantities.

We calculated preliminary weight average product dumping margins as follows:

Galvanised steel – negative 1.0% (**Confidential Appendix 6A**).

Aluminium zinc coated steel – positive 1.9% (**Confidential Appendix 6B**).

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PUBLIC RECORD VERSION



## PUBLIC RECORD VERSION

**13 LIST OF APPENDICES AND ATTACHMENTS**

Confidential appendix 1A	Preliminary export price calculations – galvanised steel
Confidential appendix 1B	Preliminary export price calculations – aluminium zinc coated steel
Confidential appendix 2	Level of Trade Analysis
Confidential appendix 3	Related Sales Analysis
Confidential appendix 4A	Sufficiency test – galvanised steel
Confidential appendix 4B	Sufficiency test – aluminium zinc coated steel
Confidential appendix 5A	Normal value summary – galvanised steel
Confidential appendix 5B	Normal value summary – aluminium zinc coated steel
Confidential appendix 6A	Dumping margin calculation – galvanised steel
Confidential appendix 6B	Dumping margin calculation – aluminium zinc coated steel
Confidential attachment GEN 1	Summary of 18 month Sales from January 2011 to June 2012
Confidential attachment GEN 2	Supporting Documents of Sampled Monthly Sales
Confidential attachment GEN 3	Monthly Sales Breakdown by Products
Confidential attachment GEN 4	Supporting Documents of Sampled Monthly Sales of Galvanised Steel
Confidential attachment GEN 5	Discount Reconciliation
Confidential attachment GEN 6	Reconciliation of Rebates and Discounts for Domestic Sales
Confidential attachment EXP 1	Base price offer to CMC – July 2011
Confidential attachment EXP 2	Coating surcharge
Confidential attachment EXP 3	Export extras table
Confidential attachment EXP 4	Extra guideline and regulations
Confidential attachment EXP 5	Galvanised steel export invoices
Confidential attachment EXP 6	Aluminium zinc coated steel export invoices
Confidential attachment EXP 7	Order documents and letters of credit
Confidential attachment EXP 8	Selected export sales documentation (two transactions)
Confidential attachment CTMS1	Profit and loss worksheet for all products
Confidential attachment CTMS2	Quarterly income statements
Confidential attachment CTMS3	Finished goods stock reconciliations
Confidential attachment CTMS4	Cost of goods sold account from general ledger
Confidential attachment CTMS5	Transfer vouchers from COGS to finished goods
Confidential attachment CTMS6	Quarterly profit and loss summary
Confidential attachment CTMS7	Cost of goods sold ledger printout
Confidential attachment CTMS8	Tolling and other cost ledgers

## PUBLIC RECORD VERSION

## PUBLIC RECORD VERSION

Confidential attachment CTMS9	Auditor reclassifications
Confidential attachment CTMS10	Supporting documents for other costs
Confidential attachment CTMS11	China Steel Corporation hot rolled coil offer
Confidential attachment CTMS12	Types of hot rolled coil purchased
Confidential attachment CTMS13	HRC, zinc and aluminium consumption
Confidential attachment CTMS14	HRC and zinc consumption ledgers
Confidential attachment CTMS15	Printouts for HRC and zinc purchases
Confidential attachment CTMS16	Worksheet showing cost fo T5W7C05A2
Confidential attachment CTMS17	Schedule of coating mass consumption
Confidential attachment CTMS18	Standard volume and value of packing material D1
Confidential attachment CTMS19	Standard value of packing materials
Confidential attachment CTMS20	General ledger account – packing material purchases
Confidential attachment CTMS21	Packing cost documents for H8 packing type
Confidential attachment CTMS22	Variable selling expense documents
Confidential attachment CTMS23	Selling, general & administrative expenses
Confidential attachment DOM 1	Internal Monthly Base Price Proposals
Confidential attachment DOM 2	Specification Extras List
Confidential attachment DOM 3	Documents provided to demonstrate the same monthly base price of coated steel made by different grades of Hot Roll Coil
Confidential attachment DOM 4	Transportation Rates
Confidential attachment DOM 5	Package Code Lists
Confidential attachment DOM 6	Packaging Cost Forms
Confidential attachment DOM 7	Guidelines of 2012 Annual Bonus to Domestic Customers
Confidential attachment DOM 8	Defected Discounts provided by SYSCO
Confidential attachment DOM 9	Source Documents of the Sampled Transactions

## PUBLIC RECORD VERSION