PUBLIC RECORD

Australian Government
Anti-Dumping Commission

INVESTIGATION 234

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

VISIT REPORT - EXPORTER

RUUKKI METALS OY

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 ANTI-DUMPING COMMISSION

June 2014

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ABBREVIATIONS

$ or AUD	Australian dollars
the Act	*Customs Act 1901*
ADN	Anti-Dumping Notice
the Applicant	Bisalloy Steels Pty Ltd (also referred to in this report as Bisalloy)
[redacted]	[redacted]
[redacted]	[redacted]
COGS	Cost of goods sold
the Commission	Anti-Dumping Commission
the Commissioner	Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
[redacted]	[redacted]
€	Euros
EQR	Exporter Questionnaire Response
EXW	Ex-works – direct from the factory
FIFO	First in first out
[redacted]	[redacted]
[redacted]	[redacted]
GAAP	Generally accepted accounting principles
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	Minister for Industry
MPa	Mega Pascal
OCOT	Ordinary course of trade
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Q&T steel plate	Quenched and Tempered steel plate
Q&T greenfeed	Quenched and Tempered steel plate greenfeed
R&D	Research and Development
Rautaruukki	Rautaruukki Oyj
Ruukki	Ruukki Metals Oy
SG&A	Selling, general and administrative
SEF	Statement of Essential Facts
[redacted]	[redacted]
TCS	Technical Customer Support
TMCP	Thermo mechanically controlled process
USD	US dollars

1 BACKGROUND AND PURPOSE OF VISIT

1.1 Background

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application for the publication of a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

On 10 December 2013, Bisalloy provided further information and data in support of its application. As a result, the Anti-Dumping Commission (the Commission) restarted the 20 day period for considering the application.

Following consideration of the application, the Commissioner of the Anti-Dumping Commission (the Commissioner) decided not to reject the application and the Commission initiated an investigation on 8 January 2014. Public notification of initiation of the investigation (public notice) was made in *The Australian* newspaper on that day.

Anti-Dumping Notice (ADN) No. 2014/01 provides further details of the investigation and is available on the Commission's website at www.adcommission.gov.au.

There have been no previous dumping investigations into Q&T steel plate in Australia.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service import database indicated that Ruukki Metals Oy (Ruukki) exported Q&T steel plate to Australia from Finland during the investigation period (1 January to 31 December 2013). The Commission wrote to Ruukki advising it of the investigation and requesting its co-operation by completing an exporter questionnaire.

Ruukki completed the exporter questionnaire and provided relevant attachments. A confidential version of the exporter questionnaire response (EQR) is at **Confidential Attachment GEN 1**. A non-confidential version of the EQR is available on the public record.

1.2 Purpose of visit

The purpose of the visit was to verify information submitted by Ruukki in its EQR. The EQR was supported by confidential appendices and attachments, including confidential spreadsheets containing domestic and export sales data, and cost to make and sell (CTMS) data requested in the exporter questionnaire.

The Commission has used the information verified at the visit to make a preliminary assessment regarding:

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

1.3 Meeting details

Company	Ruukki Metals Oy Suolakivenkatu 1 00810 Helsinki Finland
Dates of visit	Tuesday 27 May 2014 to Monday 2 June 2013

The following were present at various stages of the meetings:

Ruukki	Vesa Ruokonen - Senior Legal Counsel Ryan Sanders - Country Manager, Australia Marko Saarela - Business Unit Controller Kari Salin - Director, Products & Applications Juha Heikkinen - Vice President, Sourcing
Anti-Dumping Commission	Christie Sawczuk - Acting Director, Operational Policy Matthew Williams - Assistant Director, Operations 4

1.4 Investigation process and timeframes

The visit team advised Ruukki of the investigation process and timeframes as follows:

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (10 March 2014).
- In accordance with section 269TD(4)(a) of the *Customs Act 1901* (the Act), on 15 May 2014, the Commissioner made a PAD that there appears to be sufficient grounds for the publication of a dumping duty notice in respect of Q&T steel plate exported to Australia from Finland, Japan and Sweden. Securities will be taken in respect of any interim dumping duty that may become payable in respect of the goods entered for home consumption on or after 19 May 2014.
- The decision-maker for the investigation is the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary).
- The Parliamentary Secretary has granted an extension to the date for issuing the Statement of Essential Facts (SEF) for the investigation, under section 269ZHI of the Act. The SEF is now due to be placed on the public record by 28 July 2014, or such later date as the Parliamentary Secretary allows under section 269ZHI of the Act.
- The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised in the SEF.

- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide a final report and recommendations to the Parliamentary Secretary.
- This final report is now due no later than 10 September 2014, unless a further extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

The verification visit team explained to Ruukki that a report of the visit (this report) would be prepared and provided to Ruukki to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The verification visit team explained that, in consultation with Ruukki, a non-confidential version of the report would be prepared, and placed on the investigation's public record.

2 COMPANY INFORMATION

2.1 Company background

Ruukki is a Finnish limited liability company and is an integrated manufacturer of steel products which are sold globally. Ruukki manufactures flat steel, tubes and profiles, special steels (including high strength, wear resistant and special coated steels) and stainless and aluminium steel. Ruukki's products are predominately sold to export markets.

Ruukki's steel and plate mill production capabilities in Raahe, Finland commenced operations in 1967. In 2013, Ruukki produced approximately 2.2 million tonnes of steel (at an utilisation rate of 80%) and its net steel sales revenue was approximately €[1]1,679 million.

Ruukki's production capabilities were expanded to include direct quenched steel strip products and direct quenched steel plate products in 2002 and 2008 respectively.

Ruukki advised that it's key corporate strategy is to provide its customers with energy-efficient steel solutions for "*better living, working and moving*". Ruukki stated that it predominantly focused on developing specialty steels with high abrasion resistance and high strength to weight ratios. Part of this commitment involves heavy investment in research and development (R&D). In 2013, Ruukki invested approximately €21 million in R&D.

During the visit, Ruukki provided a general company background PowerPoint presentation. A copy of this presentation forms **Confidential Attachment GEN 2**.

2.2 Corporate, organisational and ownership structure

Ruukki is 100% owned by Rautaruukki Oyj Corporation (Rautaruukki), a publicly listed company on the Finnish stock exchange. Rautaruukki was established in 1960. Rautaruukki's operations have since expanded into approximately 30 countries including the Nordic countries, Russia and elsewhere in Europe and emerging markets such as India, China and South America. Rautaruukki has approximately 8,600 employees globally.

Rautaruukki's operations broadly consist of the following divisions:

- *Ruukki Metals* – standard steel products, special steel products (including Q&T steel plate), tubes and profiles, stainless steels and aluminium.
- *Ruukki Building Products* – residential roofing, building components, infrastructure construction/components.
- *Ruukki Building Systems* – design, manufacture and installation of foundation, frame and envelope structures.

[1] Euro

Ruukki forms part of the Ruukki Metals division and is the entity responsible for manufacturing, selling and distribution the goods under consideration (the goods). The word "Ruukki" is also used as a marketing name for the Rautaruukki's operations.

Ruukki provided a copy of Rautarukki's ownership structure as at 31 December 2013 (**Confidential Attachment GEN 3** refers). The ownership structure shows that Rautaruukki's shareholders (including the Finnish Government as the 100% owner of Solidium Oy) are as follows:

- Solidium Oy (39.7%);
- Other Finnish institutions (23.8%);
- Finnish households (23.7%); and
- Non-Finnish and nominee registered owners (12.8%).

Rautaruukki has a 100% shareholding in a substantial number of Finnish and foreign subsidiaries. Ruukki provided a copy of its legal structure as at 1 May 2014 (**Confidential Attachment GEN 4** refers).

2.3 Commercial Operations

Ruukki advised that it is the sole manufacturer of Q&T steel plate in Finland. In 2013, as a proportion of Ruukki's total sales of all products, Q&T sales represented [redacted] based on volume, and [redacted] based on net sales revenue.

Ruukki's head office is located in Helsinki and its steel production facilities (including coking coal and steel plants) are located at Raahe (Raahe works). The Raahe works is extensive and covers 500 hectares, encompassing 30 kilometres of railway lines, and includes a harbour (the Rautaruukki port). Ruukki stated that the Raahe works currently employs approximately 2,400 employees.

Ruukki produces Q&T steel plate at the Raahe works, through an integrated manufacturing process. The Raahe works also incorporates a hot rolling mill that produces strip and heavy steel plate products (this is discussed at Section 3.3.3).

Steel manufactured at the Raahe works is also supplied to Ruukki's:

- cold rolling steel plate and coil production facilities in Hameenlinna (production capacity is [redacted] tonnes); and
- metal/colour coated steel sheet and coil production facilities in Hameenlinna, Kankaanpaa, Andeerslov and Antratsyt (production capacity is [redacted] tonnes).

Ruukki's tube production facilities are located at Hameenlinna, Lappohja, Pulkkila, Toijala and Oulainen.

Ruukki provided a presentation on its production facilities, which forms **Confidential Attachment GEN 5.**

Ruukki operates an extensive network of metals steel service centres, including for special steels which are located at several locations in Finland and in Oborniki (Poland), Parnas (Russia) and Shanghai (China). Ruukki also manages domestic and foreign sales offices (including in Australia). Ruukki provided a PowerPoint presentation highlighting the company's sales network, including metal service centres (**Confidential Attachment**

GEN 5 refers). The service centres provide prefabrication, logistics, technical customer service support services and storage services.

2.4 Relationship with suppliers and customers

2.4.1 Relationship with suppliers of raw materials

Ruukki stated that it has normal commercial relationships (of buyer and seller) with its suppliers of raw materials used to manufacture Q&T steel plate. It advised that it does not purchase any of its major raw materials from related companies and all sales transactions are arm's length.

Based on Ruukki's EQR and the information verified at the visit, the verification team is satisfied that Ruukki is not related to its raw material suppliers.

2.4.2 Relationship with customers

Ruukki advised that it has normal commercial relationships (of buyer and seller) with Australian importers, and its Finnish domestic customers, in relation to Q&T steel plate sales. Ruukki advised that all sales transactions are arm's length.

Based on Ruukki's EQR and the information verified at the visit, the verification team is satisfied that Ruukki is not related to its Q&T steel plate customers.

2.5 Accounting structure and details of accounting system

Ruukki's accounting period is the calendar year 1 January to 31 December. For accounting purposes Ruukki utilise Euro as its currency.

As part of its EQR and at the verification visit, Ruukki provided copies of the following:

- Rautarukki's 2012 and 2013 consolidated audited financial statements, and annual reports (**Confidential Attachment GEN 6** refers).
    - Rautaruukki's financial statements are prepared in accordance with generally accepted accounting principles in Finland and International Financial Reporting Standards;
    - Rautarukki's (and Ruukki's) financial statements are audited annually by KPMG.
- Ruukki's 2013 unconsolidated financial statements (**Confidential Attachment GEN 7** refers);
- Ruukki's Chart of Accounts (and associated guidelines)(**Confidential Attachment GEN 8** refers);
- Ruukki's Corporate Finance and Control guidelines for inventory accounting (**Confidential Attachment GEN 9** refers);
- Ruukki's Corporate Finance and Control guidelines for tangible and intangible asset reporting (**Confidential Attachment GEN 10** refers); and
- Ruukki's Management Reporting Guidebook for sales and profitability reporting (**Confidential Attachment GEN 11** refers).

Ruukki advised that it utilises several software systems for financial management accounting [redacted] management accounting and internal profitability reporting purposes [redacted]. During the verification visit the visit team sighted numerous reports being extracted from these systems.

Ruukki advised that Rautaruukki charges corporate service fees to Ruukki for human resources, finance, legal, marketing, and information technology services. These corporate service fees are attributed to Ruukki's selling, general and administrative (SG&A) expenses.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

3.1.1 Description

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

> *Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered ("Q&T") steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).*
>
> *Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.*

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:[2]

- *High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as 'Wear' Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as 'Structural/High Tensile' Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as 'Armour' Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000)".*

For further details regarding the goods, refer to ADN 2014/01, available on the public record.

3.2 Tariff classification

Goods identified as Q&T steel plate are classified to tariff subheading 7225.40.00 in Schedule 3 to the *Customs Tariff Act 1995*.

Tariff subheading 7225.40.00 refers to flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils.

[2] These properties are indicative and not determinative of the goods.

The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to tariff subheading 7225.40.00, statistical codes 22 and 24.

For tariff subheading 7225.40.00, the general rate of duty is 5% for goods imported from Finland, Japan and Sweden.

3.3 Product range and manufacturing facilities

3.3.1 Product range

Ruukki manufactures a broad range of steel products, including hot rolled steel, cold rolled steel, metal and colour coated steel, tubes, bars, beams and profiles. Ruukki also produces wear resistant and high strength structural grades of steels, which includes the goods.

Ruukki manufactures wear resistant and high strength structural grades of Q&T steel plate, under the following registered brands:

- Raex ® - wear resistant steels with applications such as tipper bodies, excavator bodies, cutting edges for earthmoving machines, wear parts for mining machines, concrete mixers and wood processing machines, various base structures, feeders and funnels;
- Optim ® - high strength steels with applications such as fitting equipment, booms, vehicle frame structures, tipper bodies, steel structures, bridges and containers; and

[redacted]

Product sheets for these registered brands are at **Attachment GOODS 1**.

During the period of investigation, Ruukki did not export [redacted] steel plate to Australia. Therefore Ruukki's export and domestic sales and cost data only covered Raex and Optim products. However, Ruukki advised that not all products sold under the Raex ® and Optim ® brands are the goods. Ruukki advised that certain products sold under these brands do not meet the description of the goods, and are manufactured utilising a substantially different production processes. This issue is discussed at Sections 3.4.1 and 3.4.2.

3.3.2 Manufacturing facilities

As discussed at Section 2.2, Ruukki manufactures Q&T steel plate at the Raahe works. Ruukki provided a presentation of the Raahe works and related production processes (**Confidential Attachment GOODS 2** refers).

3.3.3 Production process

During the verification visit, the visit team inspected the Raahe works, including the Q&T steel plate production facilities (and sited the production of Q&T steel plate). Ruukki advised that is it a global leader in developing new technology, including a [redacted] Given this technology is not readily available; Ruukki requested that this information be considered commercial-in-confidence.

Ruukki's production process for Q&T steel plate is detailed below.

Iron Making

- Coking coal is heated in coking ovens to produce coke.
- Iron ore pellets, limestone and coke are transferred to one of two blast furnaces and heated to around [redacted] to produce molten iron.

Steel Making

- The molten iron is transferred from the blast furnace to a converter (basic oxygen furnace). The molten iron is refined by blowing pure oxygen directly onto the molten iron for around [redacted] This process reduces the carbon content of the molten iron and removes impurities to convert the molten iron into liquid steel. A [redacted] is added to the converter to aid the [redacted] and maintain a desired temperature inside the converter.
- Additional [redacted] are added to produce a desired [redacted] depending on the steel's final use. The liquid steel is then transferred to a continuous casting machine and cast into steel slabs.
- The steel slabs are allowed to [redacted]

Rolling [redacted]

- The steel slabs are reheated to around [redacted] in a furnace, cut into smaller sections and transferred to the one of two hot rolling mills:
    - **Strip rolling** – the reheated slabs pass through a roller operating in a single direction a number of times to produce a thin gauge steel "strip". The strip is coiled to control the length of the strip. The coil is uncoiled and passed through a number of additional rollers which reduce the final thickness of the strip to a thickness of between [redacted] The strip may go through a [redacted] before again being coiled. The strip product has a maximum [redacted] The coils can be sold as [redacted] the customer requires. Alternatively the coil is [redacted] By nature strip products are [redacted] than plate products and [redacted].
    - [redacted]**Plate rolling** - the reheated slabs pass through a roller. The plates are then [redacted] The process is repeated until the [redacted]. The plate is [redacted] and if required, the plate can also undergo a further [redacted] The plate is [redacted] and cut to size. The plate rolling process produces a product of thickness between [redacted]

Ruukki advised that its manufacturing processes differ substantially from the processes utilised by Bisalloy. Ruukki stated that as an integrated producer, its ability to control the steel making process from start to the finished product provides significant advantages (in relation to cost, product quality and production efficiencies) compared to Bisalloy's production methods.

Ruukki advised that [redacted] minimises production costs and [redacted] Q&T steel plate. These efficiencies are achieved, as [redacted] (that is utilised by Bisalloy). Ruukki stated that process also enables shorter and more precise delivery lead times.

3.4 Australian exports - Ruukki's Q&T steel plate

3.4.1 Q&T steel plate covered by the investigation

As discussed at Section 3.3.1, Ruukki advised that during the investigation period it manufactured and exported to Australia, a range of products under its Raex ® and Optim ® brands that it considered were outside the investigation scope.

Ruukki stated that it manufactures Q&T steel plate through substantially different production methods compared to the Australian industry. Ruukki strongly emphasised that its unique production methods enable Ruukki to manufacture certain Q&T steel plate that does not meet the description of the goods. Ruukki contended that these products are substantially different compared to the Q&T steel plate produced by the Australian industry (Ruukki's submission dated 14 February 2014 refers). These include; a thinner gauge [redacted] product (in the Raex range), and various products (in the Raex and Optim ranges) that are produced through a thermo mechanically controlled process (TMCP), which do not require [redacted].

Ruukki stated that it can control the final properties of its Raex and Optim [redacted] products through three different production methods related to; [redacted].

Method 1: TMCP – Ruukki's claims

Ruukki advised that utilising the TMCP production method, [redacted] is applied in the slab production and the slab is rolled through the strip rolling mill. The final mechanical properties of the strip are achieved by controlling the temperature of the steel as it is rolled [redacted]. Ruukki explained that this is a fine-tuned process and a different way of reaching [redacted].

Ruukki advised that utilising this TMCP production method, it produces Optim products with thickness between [redacted]. Specific products in this range include Optim 500 MC, Optim 600 MC, Optim 700 MC and Optim MC Plus.

Ruukki claimed that TMCP products should not be included in the investigation scope, as they are not quenched and tempered products.

Method 1: Preliminary assessment

Given TMCP products are not quenched and tempered during the production process, at this stage, the verification team has preliminary assessed that TMCP products are not the goods (and are not within the investigation scope). This assessment is supported by evidence provided by Ruukki. Given this assessment, the verification team also considers that these goods are not like goods.

Method 2: [redacted]

Ruukki advised that utilising the [redacted], slab is rolled into a plate, or a strip, and [redacted]. Ruukki advised that utilising this production method it produces Optim 900 QC to 1,100 QC tensile strength structural grade steel products and Raex 400, 450 and 500 Brinell wear grade strip products.

Ruukki explained that there is some overlap between its strip and plate products in terms of [redacted]. For example, Ruukki produce a [redacted].

However, Ruukki explained that the differences in production methods for plate and strip products result in different surface quality, end-use, bendability, weldability, cost to make (CTM) and pricing. Ruukki stated that the strip and plate products are manufactured to different thickness and width tolerances based on [redacted]. Ruukki also explained that its customers have specific end-use requirements which determine the type of product recommended within the Optim and Raex range. In this respect, Ruukki stated that this flexibility is a competitive advantage over a company such as Bisalloy who manufacture through a traditional quench and tempering process.

Subsequent to the verification visit, the verification team sought Bisalloy's views regarding whether Q&T strip steel products were covered by its application. Reflecting similar reasoning to the views expressed by Ruukki, Bisalloy confirmed that strip products were not intended to be covered.

Method 2: Preliminary assessment

At this stage, based on Ruukki's supporting evidence and initial support by the Australian industry, the verification team has preliminary assessed [redacted] strip products that are manufactured utilising [redacted] production method, **and** from strip steel, are not the goods (and are not within the investigation scope). This includes Optim 900 QC and Raex 400, 450 and 500 Q&T steel strip products. Given this assessment, the verification team also considers that these goods are not like goods.

Method 3: [redacted]

Ruukki advised that utilising the [redacted] production method, slab is rolled into a plate and [redacted]. The plate is then [redacted]. Ruukki advised that it produces Optim 700 QL and Optim 960 QL utilising this production method. Ruukki advised that this production method is different to the method utilised by the Australian industry. However, Ruukki acknowledged that as the goods were still quenched and tempered, that they would fall within the investigation scope.

The verification team identified that during the investigation period Ruukki did not export [redacted] to Australia.

Method 3: Preliminary assessment

At this stage, based on Ruukki's supporting evidence, the verification team has preliminary assessed that Q&T steel plate products that are manufactured utilising the [redacted] quenching and tempering production method, are the goods (and are within the investigation scope). This includes Optim 700 QL and [redacted] Q&T steel plate products (notwithstanding that there were no export sales of [redacted]. Given this assessment, the verification team also considers that these goods are like goods.

3.4.2 Goods covered by the investigation – preliminary assessment

At the verification visit Ruukki explained that for the Optim range there is an identifier which assists to distinguish the production process and additional features of the product. For example "M" denotes mechanically controlled, "Q" denotes quenched or accelerated cooling, "C" denotes cold formable and "L" denotes impact toughness in low temperature.

Ruukki also explained that its Optim range is branded according to yield strength, e.g. 700 Mega Pascal (MPa), whereas some of its competitors brand their products based on tensile strength, which results in higher number e.g. typically 780 MPa.

Given the preliminary assessments detailed at Section 3.4.1, the following table summarises Ruukki's Raex and Optim products which the verification visit team considers are and are not the goods:

Rolling mill	Production process	Model	The goods (Yes/no)
[redacted]			

Table 1: Ruukki's Q&T steel plate products - summary

3.4.3 Goods exported to Australia

During the period of investigation, Ruukki manufactured and exported the following Q&T steel plate products (that were the goods) to Australia:

[redacted]

The above Q&T steel plate products represented approximately [redacted] of Ruukki's total export sales to Australia by volume. [redacted] that are exported to Australia by Ruukki are sold in [redacted].

3.5 Like goods – sold in the domestic market in Finland

Q&T steel plate products

Ruukki stated that in relation to the Q&T steel plate models exported to Australia, it sold identical goods in the Finnish domestic market. In relation to [redacted], Ruukki stated it sold an additional product in the domestic market called [redacted] which is essentially the same as [redacted] but with additional testing.

During the period of investigation, Ruukki manufactured and supplied the following Q&T steel plate products (that were like goods) to the domestic market in Finland:

[redacted]

Ruukki stated that the goods manufactured for domestic consumption are not distinguished from the exported goods during production or sale. Both the domestically sold and exported goods are produced at the same facility with the same raw material inputs and manufacturing processes. These goods have the same metallurgical composition and are both functionally and commercially alike.

Notwithstanding this advice, Ruukki strongly emphasised that there were substantial differences between its position in the Finnish and Australian markets. Ruukki stated that as the [redacted] Q&T steel plate in Finland, and reflecting that the Finnish Government is a principal shareholder of its parent company, that it holds a unique position in the domestic market. Ruukki advised that its "Ruukki" brand is well established in the domestic market, which enables it to charge a premium price for its Q&T steel plate products (Ruukki's submissions dated 17 February 2014 and 6 March 2014 also refer).

The verification team considers that these factors are not relevant to determining whether the goods sold domestically are like goods. However these issues are considered in Section 9.2, which relates to whether adjustments should be made to normal value of the goods to ensure they are comparable to export prices.

The verification team's preliminary assessment in relation to like goods is at Section 3.5.2.

Other products – [redacted]

Ruukki stated that during the investigation it also sold minor volumes [redacted]. The verification team advised [redacted] is not the subject of this investigation (and was captured previously during the Commission's anti-dumping investigation for plate steel exported from several countries (excluding Finland) that was conducted in 2013).

3.5.1 Ruukki's claims in relation to like goods produced by Bisalloy - exemptions

At the verification visit, and in its submissions, Ruukki highlighted that the *Bisalloy Industry Verification Visit Report* specified production limitations for Bisalloy. Specifically, that Bisalloy can only produce Q&T steel plate to a maximum length of 9.5 metres. Ruukki advised that it has the capacity to produce Q&T steel plate to a maximum length of [redacted]. Ruukki contended that goods unable to be produced by Bisalloy should be excluded from the investigation scope. The verification team reiterated that all Q&T steel plate that meets the description of the goods is under the investigation scope. However that in certain circumstance, an exemption of specific types of Q&T steel plate from anti-dumping measures (if imposed) may be sought. Ruukki indicated that it would be making a submission to the investigation on this issue (see Section 11.1).

3.5.2 Like goods – preliminary assessment

The verification team considers that the Q&T steel plate produced and sold domestically by Ruukki has characteristics closely resembling those of the goods exported to Australia and are therefore "like goods" in terms of subsection 269T(1) of the Act.

4 RECONCILIATION OF SALES TO FINANCIAL STATEMENTS

4.1 General

As part of the verification process, to verify the completeness and relevance of Ruukki's Australian export, domestic, and third country sales[3] of Q&T steel plate, the verification team verified the information provided in Ruukki's EQR through its internal sales reporting, management accounting reporting to audited financial statements (the relevant audited financial statements are at **Confidential Attachment GEN 6** and **Confidential Attachment GEN 7**.

As part of its EQR Ruukki provided Australian export sales and domestic sales of Q&T steel plate made during the investigation period. These contained line-by-line sales listings. The methodology used to reconcile the Australian export sales and domestic sales spreadsheets to Ruukki's audited financial accounts was the same, and this Chapter covers both reconciliations.

4.1.1 General verification process for all sales – for the investigation period

Sales revenue - value

In completing upwards verification of sales the following three general processes were completed:

- matching the total revenue recorded in Ruukki's EQR (including *Appendix A-6 Sales Turnover* spreadsheet and Q&T steel plate export sales and domestic sales spreadsheets) to internal management accounting ([redacted]) detailed product level reports;
- matching total revenue for respective regions in these reports to Ruukki's official financial and management accounting reports; and
- matching total revenue recorded for Ruukki in its audited financial statements.

Sales revenue - volume

Utilising the reports (as relevant) provided as part of the upwards verification process, the verification team was able to verify the total sales volumes of Q&T steel plate Ruukki exported to Australia and sold domestically during the investigation period (that was recorded in Ruukki's EQR).

4.1.2 Actual verification of net sales revenue - Australian export and domestic sales

The verification team sighted Ruukki extract a detailed product report from its internal management [redacted] system for Ruukki's total sales by region for the investigation period. This report also showed freight, cost of goods (COGs), SG&A expenses and profit. The net sales revenue in this report matched to the amount record in Ruukki's official financial accounting ([redacted]) report and Ruukki's audited financial statement.

[3] Third country sales verification is discussed at Section 8.1.

Ruukki then provided the following which the verification team worked through to verify to total sales revenue for Australian and domestic Q&T steel plate sales:

- a detailed sales report for products by country (including Australia and Finland) – *summary A*;
- a report summarising Australian sales by product group (including "RM flat steel", "RM tubes and profiles", "RM SS coated and others" and "SS Optim and Raex") – *summary B*;
- a report summarising Finnish sales by product group (including "RM flat steel", "RM tubes and profiles", "RM stainless and aluminium", "RM admin", "RM others", "RM SS coated and others" and "SS Optim and Raex" and "RM Ramor") – *summary C*;
- a report summarising Australian and Finnish sales of Optim and Raex by product type (i.e. "HR plate", "HR strips", Other" and Parts" – *summary D* (the net sales revenue in this report matched the report showing all product groups (*summary B* refers));
- a report summarising Australian and Finnish sales of Optim and Raex by product type that is covered by the investigation – *summary E* (the verification team noted that the net sales values recorded in this report did not match the figures included in Ruukki's EQR. Ruukki stated that this reports still included certain sales that its system recorded under Australia and Finland that should not be included (i.e. sales to two distributers that supply the goods to New Zealand had been included); and
- a report by customer that showed total volume, net sales revenue and COGs (the verification team was able to verify the net sales revenue in these reports to the county product summary (*summary E* refers), and to the detailed export sales and domestic sales spreadsheet and *A-6 Sales Turnover Appendix* in Ruukki's EQR).

Copies of financial accounting reports and internal detailed product (management accounting) reports that were used as part of the verification process are at **Confidential Attachment REC 1**.

The verification team was also able to use these reports to verify the total volume of Q&T steel plate exported to Australia and sold domestically in Finland by Ruukki.

The verification team also verified the total net sales value for Q&T steel plate exports sold to third countries (which is discussed at Section 8).

4.2 Upwards verification – completeness and relevance of sales preliminary assessment

Through the process described at Section 4.1.2, the verification team was able to trace the net sales value for Q&T steel plate provided in Ruukki's EQR through Ruukki's audited financial statements to management accounting reports and down to internal detailed product level reports. The verification team is satisfied that the information provided in Ruukki's EQR for Q&T steel plate sales are relevant and complete.

5 SALES TO AUSTRALIA

5.1 General

During the investigation period, Ruukki exported Q&T steel plate [redacted] Ruukki claimed that these Australian [redacted] and are unrelated parties. Ruukki advised that over the last twelve months its sales to [redacted] Ruukki stated that the Q&T steel plate [redacted] was predominately used in the [redacted].

As discussed at Section 4.1, in its EQR, Ruukki provided a detailed spreadsheet listing its Australian export sales of Q&T steel plate (also referred to as the export sales listing) on a line by-line basis. The export sales listing included Ruukki's total Australian export steel sales, which Ruukki filtered to the goods. This export sales listing is at **Confidential Attachment EXP 1**.

The export sales listing included the following information:

- Customer name;
- Level of trade;
- Model;
- Product family;
- Invoice number;
- Invoice date/date of sale;;
- Shipping terms;
- Payment/credit terms;
- Quantity (in tonnes);
- Currency;
- Ocean freight;
- Net invoice value; and
- Free-On-Board (FOB) invoice value.

Prior to the visit, the verification team requested that Ruukki provide additional information in the export sales spreadsheet, where anomalies were apparent, or data was missing (such as marine insurance). Ruukki subsequently provided this information.

The export sales listing showed that during the period of investigation Ruukki sold [redacted] of Q&T steel plate [redacted], and [redacted] Q&T steel plate to [redacted].

From the export sales listing, the visit team observed that all sales were listed as:

- Delivery terms of [redacted]
- Currency of [redacted] and
- Payment terms of [redacted]

[4] [redacted]

The verification visit team noted that there were no amounts recorded for marine insurance, inland freight, packing/handling, discounts or rebates in the export sales spreadsheet.

At the verification visit it was identified that the order numbers listed in the export sales spreadsheet [redacted] Ruukki advised that this was a result of its [redacted] where the [redacted] number were different. Subsequently, Ruukki provided an updated export sales spreadsheet with the correct order numbers (see **Confidential Attachment EXP 2**).

The verification team was able to verify the updated order numbers throughout the downwards verification process, which is discussed at Section 5.2.1.

[redacted]

Ruukki stated that it has a [redacted]. A copy of the [redacted] (which covers the investigation period) was provided by Ruukki at the verification visit (**Confidential Attachment EXP 3** refers). [redacted]. ***[Confidential Information – Customer Agreements]***

Ruukki stated that it does not have a [redacted]. The verification team found no evidence to dispute this claim.

5.1.2 Discounts, rebates and commissions

At the verification visit, Ruukki stated that it [redacted].

The verification team did not find any evidence that disputed this claim.

5.1.3 Export sales process

Ruukki explained the export sales process in relation to Q&T steel plate as follows:

- the Australian customer contacts [redacted] with an order requirement;

  [redacted] and agree on a price (refer to discussion on pricing at Section 5.1.4);

  [redacted]; ***[Confidential Information – Internal Process]***

- after the price is agreed upon, Ruukki sends an order confirmation to the Australian customer;

  [redacted] ***[Confidential Information – Assignment of Goods]***

[redacted] they are dispatched onto a ship at [redacted], bound for Australia [redacted];

- Ruukki invoices and provides shipping documentation to the Australian purchaser;

[redacted] Ruukki stated that the typical lead time for goods to arrive in Australia is [redacted] from [redacted] (reflecting [redacted]; and

- the Australian purchaser pays Ruukki according to the agreed terms of sale.

5.1.4 Pricing

Ruukki stated that generally [redacted] were a driving factor in settling prices for Q&T steel plate. Ruukki advised that it maintains [redacted]

Ruukki advised that in setting the price of the goods it considers [redacted] Ruukki stated that during the investigation period, [redacted]. As discussed above, Ruukki advised that these [redacted]

Ruukki advised that it [redacted] The export sales [redacted] (**Confidential Attachment EXP 4**). The [redacted] However, Ruukki explained that this was merely [redacted] (explaining why there were some variations in the prices of the goods sold to its respective Australian customers).

Ruukki explained that it [redacted] in the Australian market for certain thickness, [redacted] The verification visit team observed [redacted] in [redacted] for different [redacted].

5.2 Downwards export sales verification - accuracy

5.2.1 Downwards verification to source documents

As part of its EQR, Ruukki provided supporting source documentation for two Australian export sales. The verification team was able to reconcile these documents to Ruukki's export sales spreadsheet.

Prior to the visit, the verification visit team selected an additional seven export transactions (covering multiple products over different quarters during the investigation period) from the export sales listing for verification down to source documents. The selected export transactions related to invoices with more than one line item (and covered multiple sales of different Q&T steel plate products).

Ruukki were requested to provide the following commercial documents in relation to each selected export sales transaction:

- purchase order;
- order confirmation;
- commercial invoice;
- evidence of payment;
- inland freight costs;
- packing list;
- Bill of lading;
- ocean freight;
- associated port, handling, [redacted] and
- evidence of payment for the exportation costs.

These documents were provided and are at **Confidential Attachment EXP 5**.

In relation to export sales of the goods, the verification visit team verified the product, customer, date of sale, prices and quantities of each selected transaction using the revised order numbers (Section 5.1 refers), purchase orders, commercial invoices and packing lists provided to the export sales listing.

The visit team identified one discrepancy in relation to the volume for an invoice which had been credited and reissued. The visit team selected this invoice for verification on the basis that the invoiced [redacted] on a per tonne basis was higher than other export sales. The visit team adjusted the export sales listing to rectify the issue and is reasonably satisfied it was an isolated error.

The verification process for exportation expenses and evidence of payment for the goods is discussed below (Sections 5.2.2 to 5.2.6 refers).

5.2.2 Inland freight

Ruukki did not record any inland freight expenses in its export sales spreadsheet. Ruukki stated that as it operates its own port at the Raahe works, that there are no inland freight charges for the goods that are exported to Australia.

At the visit the verification team identified that for several of the selected sales there were costs incurred in getting the goods from the factory to the ship (and in certain cases inland freight costs (i.e. delivery to the ship via truck) were incurred) based on the source documentation. However, the team identified that if any additional costs were incurred that these costs (which was only in several instances) had been recorded as a bulk amount as ocean freight in Ruukki's EQR (Section 5.2.3 refers).

5.2.3 Ocean freight

As Ruukki's Australian export sales of Q&T steel plate [redacted], these sales incurred ocean freight. As discussed at Section 5.2.2, the verification team identified that the ocean freight amounts recorded in Ruukki's export sales spreadsheet includes handling, inland transportation (only if relevant), and loading expenses. The verification team sought to verify the ocean freight amounts recorded in Ruukki's EQR to the source documentation provided for the selected consignments. Initially the verification team was not able to verify these figures, as the source documentation provided covered ocean freight and other expenses for other goods.

In order to ensure that the correct amounts were recorded in the export sales spreadsheet, we viewed Ruukki extract internal financial reports and general ledger - freight - accounts payable reports from its accounting system. We were able to view the expenses and the amounts paid related to each consignment by customer, and volume of the goods (that were identified by order number, customer reference and location). We matched the amounts recorded to the source documentation, which matched the amounts recorded in Ruukki's Australian export sales spreadsheet.

5.2.4 Marine insurance

As discussed at Section 5.1, Ruukki did not provide marine insurance in its Australian export sales spreadsheet (notwithstanding that export sales terms were [redacted]).

At the verification visit, Ruukki provided a copy of its global [redacted] (**Confidential Attachment EXP 6** refers). This insurance policy showed the total insurance amounts by country, including Australia. The verification team considers it appropriate to derive an insurance amount for Ruukki's Q&T steel plate export sales, using the total insurance paid for export sales to Australia as a proportion of the total insurance payable. The verification team was able to calculate a weighted average marine insurance of [redacted] per tonne and adjusted Ruukki's Australian export sales spreadsheet accordingly.

5.2.5 Credit terms

Ruukki advised that the credit terms for its Australian export sales was [redacted]. Ruukki's Australian export sales listing showed all sales to [redacted] and [redacted] as [redacted] However at the visit, Ruukki confirmed that [redacted] sales are actually [redacted] and credit terms for sales to [redacted] were [redacted]. Utilising the source documentation for the selected consignments, the verification team was able to verify these adjusted payment terms (by customer). Subsequently, the verification visit team adjusted Ruukki's Australian export sales spreadsheet accordingly.

5.2.6 Evidence of payment for the goods

The verification team requested that Ruukki provide evidence of payment for the selected export consignments. Ruukki advised that payments to Australian customers usually included a total payment related to several export sales (that also included other steel products). Therefore the verification team sighted Ruukki extract from records from its SAP and accounts payable systems to verify payment for specific Q&T steel plate exports (where payment accounts included several invoices). Ruukki was able to provide records by customer, invoice, date, sales value and bank account details. The verification team was able to use these records to verify the total amount paid to a customer and the individual invoices and sales amounts that were included in the payments. The verification team was then able to verify that the sales amounts recorded in Ruukki's export sales spreadsheet (also as shown on export sales invoices).

The verification visit team is satisfied that the price paid for the goods is the amount shown on the commercial invoices.

5.2.7 Currency – export price

At the verification visit, Ruukki stated that up until [redacted], export prices for Australian Q&T steel plate sales were invoiced in [redacted] However, during the investigation process, the currency of [redacted].

Ruukki advised that for purchase orders received after this date, the goods were invoiced [redacted] The verification visit team observed that sales in the export sales listing were recorded in [redacted]. Ruukki explained that for the purpose of its original export sales listing it used the exchange rate [redacted] convert sales from [redacted] To reflect the correct currency, the visit team adjusted the export sales listing accordingly (to show the export price of the goods in [redacted]

[redacted]

[redacted] ***[Confidential Information – Sales Term]***

5.2.9 Accuracy of export sales – preliminary assessment

The verification team considers that taking into account adjustments to Ruukki's export sales spreadsheet (as discussed at in the preceding sections), that the spreadsheet is an accurate record of Ruukki's Australian export sales of the goods during the investigation period.

5.3 The exporter – preliminary assessment

The verification team considers that for all Q&T steel plate export sales made during the investigation period, Ruukki was the exporter of the goods because it:

- is the manufacturer of the goods;
- sets price for the sale of the goods;
- owns the goods at the time prior to export;
- arranges delivery to the port of export (and is listed as the supplier on the Bill of lading);
- is the principal in the country of export from where the goods and knowingly placed the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

5.4 The importer - preliminary assessment

The verification team considers that [redacted] of the goods at the time of importation, and therefore are the importers of the goods exported by Ruukki during the investigation period.

5.5 Arm's length

In respect of Ruukki's Q&T steel plate export sales to Australia during the investigation period, the visit team 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; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification visit team therefore consider that all Q&T steel plate export sales to Australia, during the investigation period, were arm's length transactions.

5.6 Export price – preliminary assessment

The verification visit team considers that:

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

In relation to Q&T steel plate exports by Ruukki [redacted] the verification team recommends that the export price be determined under subsection 269TAB(1)(a) of the Act, as the price paid by the importer less transport and other costs arising after exportation.

The verification visit team's preliminary export price calculations are at **Confidential Appendix 1**. These take into account adjustments made by the verification team in relation to marine insurance, currency and payment terms.

For the purposes of ensuring comparability of the export price to the normal value, the verification team derived an Ex-Work (EXW) export sales price at cash terms.

6 COST TO MAKE & SELL

6.1 General

In its EQR, for the investigation period Ruukki provided an Australian export CTMS spreadsheet (**Confidential Attachment CTMS 1** refers). Ruukki stated that the CTM the goods did not vary between goods exported to Australia or sold on the domestic market, and therefore did not provide a domestic sales CTMS spreadsheet. In addition, Ruukki advised that it utilised standard costing for the CTMS (which reflects its cost reporting methodology). In its EQR, Ruukki provided CTMS data provided included standard direct and indirect costs, with SG&A costs, however no variances had been allocated.

Prior to the visit, the verification visit team asked Ruukki to provide revised CTMS appendices that highlighted cost data by product, month and cost component (i.e. to show cost components that were included in "direct" and "indirect" costs). Ruukki were also asked to provide cost variances relevant to the standard costs for Q&T steel plate (to ensure that actual costs had been provided). Subsequently, Ruukki provided revised CTMS appendices which incorporated the additional information (noting that the cost component breakdown was shown on an annual basis) (**Confidential Attachment CTMS 2** refers).

The visit team sought to verify the completeness, accuracy and relevance of the information in the revised CTMS spreadsheets upwards to the audited financial statements and downwards to source documents (this is discussed in Sections 6.4 and 6.5).

6.2 Standard costs and variances

6.2.1 Standard costs

At the verification visit Ruukki provided a PowerPoint presentation on standard costs (that addressed how standard costs were derived for its CTM data) (**Confidential Attachment CTMS 3** refers).

Ruukki advised that it uses set standard costs in management accounting reporting for country and product level sales. Ruukki advised that standard costs are reported on product family, grade and dimensions.

Ruukki explained that standard costs are used for:

- management accounting (including Business Unit controlling and product profitability reporting);
- financial management accounting (including inventory valuations);
- pricing; and
- product portfolio management support and supply chain management.

Ruukki provided its Management Reporting Guidebook for sales and profitability reporting, which included information on calculating standard costs (**Confidential Attachment GEN 11** refers). Ruukki advised that the detailed standard cost calculation phases for COGs include:

[redacted]

The following figures provide a high level summary and a more detailed depiction of the process for calculating standard costs for COGs.

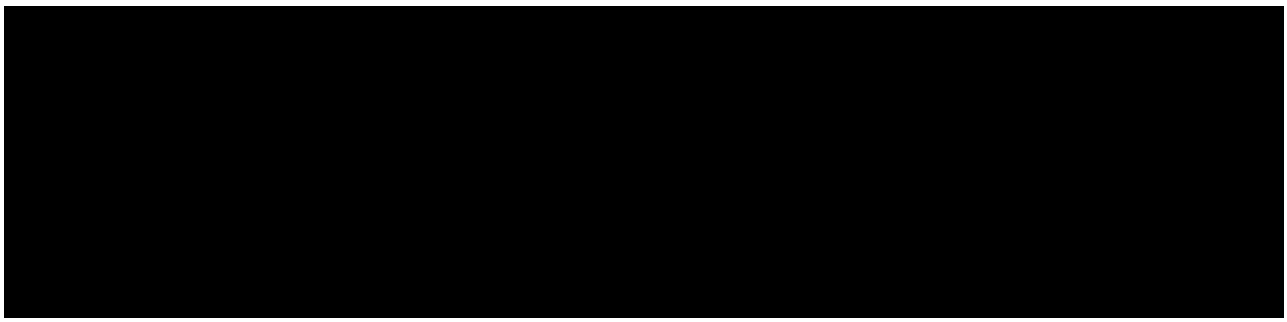

Figure 1: Standard cost setting – high level summary[5]

Figure 2: Detailed - standard cost setting[6]

Product unit costs are calculated as [redacted] To calculate product unit costs that form the basis for detailed standard cost Ruukki calculates:

[redacted]

[5] Management reporting guidebook Ruukki Metals division level sales and profitability reporting, page 13.
[6] Management reporting guidebook Ruukki Metals division level sales and profitability reporting, page 13.

[Confidential Information – Basis of Cost Allocation]

Ruukki advised the detailed calculated standard cost informs the basis for standards costs that are set [redacted]. Ruukki advised that the CTM standards set for its management accounting purposes may vary from the detailed standards calculated (and that the detailed standard costs are used to derive set standard costs). Ruukki advised that the calculated standards costs are on a more detailed product and cost element levels but that these standards costs are not used for management accounting purposes. The [redacted] set standard costs are based [redacted], Ruukki advised that given set standard costs are used for management accounting purposes that it is appropriate to use the set standard for the CTM, with variances to obtain the CTM the goods. Given this reflects Ruukki's accounting methodology, in accordance with Finnish general accounting principles, the verification team consider this approach is reasonable.

Ruukki stated that standard costs are [redacted] to ensure that they reflect up-to-date production and cost levels. Cost centres related to the goods are for [redacted] Ruukki explained that each mill in the process is treated as a "calculation model". Ruukki advised that at the end of actual calculation processes the models are linked through using Bill of Material (BOM) source data (to reflect the actual cost of production).

Ruukki advised that cost standards are calculated for [redacted] Ruukki maintains "Standard Setting Teams" for each product family. On a semi-annual basis in setting product standards these teams (including Product Portfolio Managers) meet to discuss standards. These teams set and accept base and option standards by product groups. Once the final standards are agreed they are used in all product and Business Unit reporting and for inventory valuation.

Ruukki advised that during the investigation period, the same standard cost was used for the COGs for the goods. The cost base for the COGs includes fixed costs (which are derived from SAP and include personnel costs, depreciation and other fixed costs) and variable costs (which are derived from SAP and are calculated on a first in first out basis, or from cost lists). Ruukki advised that SG&A costs are not included in COGs.

At the verification visit Ruukki demonstrated how standard costs for COGs for the goods over the investigation period and for quarter four 2013 were calculated (reflecting the methodologies listed above). To facilitate this verification, Ruukki extracted a provided management accounting report which showed the standard cost breakdown which was used for the CTMS appendices in its EQR (**Confidential Attachment CTMS 3** refers) (this is discussed at Section 6.4.1).

6.2.2 Variances

Ruukki advised that in relation to costs the standard variance is calculated as the difference between financial accounting costs (i.e. actual costs) and management accounting costs (i.e. standard costs). Ruukki advised that in relation to the CTM the

[7] Standard costs are usually set for period one from September to February and period two from March to August.

goods any variances calculated are attributed to the iron and steel making process. Ruukki advised that these variances are generated from difference [redacted].

At the verification visit Ruukki demonstrated how standard costs for COGs for the goods for the investigation period, and for quarter four, 2013 were calculated. To facilitate this verification, Ruukki extracted a provided management accounting report which showed the standard cost breakdown which was used for the CTMS appendices in its EQR (**Confidential Attachment CTMS 4** refers) (this is discussed at Section 6.4.2).

6.3 Production volume

In its EQR, for 2012 and 2013 for Q&T steel plate Ruukki provided:

- normal production volumes;
- actual production volumes; and
- capacity utilisation rates.

At the verification visit Ruukki provided a report extracted from its [redacted] system that showed [redacted] Q&T steel plate [redacted] (this report also showed absorption variances) (**Confidential Attachment CTMS 5** refers). Using this report the verification visit team was able to verify actual production volume of Q&T steel plate for 2013, and is satisfied that these volumes have been accurately recorded in Ruukki's EQR.

The verification visit team also verified the inventory levels for the goods during the investigation period. At the verification visit Ruukki provided a [redacted] showing inventory levels for "[redacted]. The verification team was able to reconcile the inventories reported to Ruukki's detailed inventory spreadsheet showing opening, consumption/usage and closing inventory balances for the goods (**Confidential Attachment CTMS 6** refers).

6.4 Upwards verification of costs to audited financial statements

6.4.1 COGs – for the investigation period

In completing upwards verification of COGs the following three general processes were completed:

- matching the total COGs recorded in Ruukki's EQR (including *Appendix A-5 Income Statement*) to internal management ([redacted]) detailed product level reports;
- matching COGs for respective regions in these reports to Ruukki's official management and financial accounting reports; and
- matching COGs recorded for Ruukki in its audited financial statements.

As discussed at Section 4.1.2, the verification team sighted Ruukki extract a detailed product report from its internal management [redacted] system for Ruukki's COGs for the investigation period. This COGs report and the reported COGs figure matched to the amount record in Ruukki's official financial accounting ([redacted]) report and Ruukki's audited financial statement.

Ruukki then provided the following which the verification team worked through to verify to COGs for Australian and domestic Q&T steel plate sales:

- financial ([redacted]) accounting report containing a breakdown of "direct" [redacted] and "indirect" [redacted] included in COGs – *summary A* (total COGs in this report matched COGs in Ruukki's audited financial statement);
- an internal management accounting report detailing COGs by region [redacted] – *summary B* (total COGs in this report matched the amount shown in *summary A,* with a slight discrepancy to reflect variances);
- a report summarising COGs for Australian sales by product group [redacted];
- a report summarising COGs for Finnish sales by product group [redacted] – *summary D*;
- a report summarising Australian and Finnish COGs of [redacted] – *summary E* (the COGs in this report matched the report showing all product groups (*summary C* refers));
- a report summarising Australian and Finnish COGs of [redacted] that is covered by the investigation – *summary F* (similar with sales verification, the verification team noted that the COGs recorded in this report did not match the figures included in Ruukki's EQR. Ruukki stated that this reports still included certain costs that its system recorded under Australia and Finland that should not be included (i.e. COGs for goods sold to two distributers that supply the [redacted]; and
- a report by customer that COGs (the verification team was able to verify the COGs in these reports to the county product summary (*summary F* refers), and to Ruukki's CTMS appendices (as relevant) and *A-5 Income Statement Appendix* in Ruukki's EQR).

Copies of financial accounting reports and internal detailed product (management accounting) reports that were used as part of the verification process are at **Confidential Attachment CTMS 7**.

Through the process described above, the verification visit team is satisfied that COGs have been accurately recorded in Ruukki's EQR.

Direct and indirect costs – part of COGs

Using the reports and financial statements provided for COGs verification, the verification team followed the process described above to verify "direct" and "indirect" cost components that are used to calculate total COGs. This included direct labour, manufacturing overheads and depreciation etc.

Through the process described above, the verification visit team is satisfied that "direct" and "indirect" costs have been accurately recorded in Ruukki's EQR.

Raw material purchases

For the investigation period, the verification visit team sighted a complete list of all raw material purchases as shown in Ruukki's relevant general ledger for raw material. The list of these purchases matched the total cost of raw material reporting in Ruukki's management accounting report. We selected one commercial invoice for a raw material in June 2013, from the detailed list and requested that Ruukki provide the related invoice, which matched.

6.4.2 SG&A expenses – for the investigation period

Ruukki advised that for financial accounting purposes it does not report on SG&A expenses by [redacted]. SG&A expenses include selling expenses, marketing expenses, and general and administration expenses (i.e. Real Estate, sourcing, IT and human resources). Ruukki advised [redacted] costs or finance expenses were not included in SG&A expenses (and were accounted for separately). In completing upwards verification of SG&A expenses the following general processes were completed:

- matching the total SG&A expenses recorded in Ruukki's EQR (*including Appendix A-5 Income Statement*) to internal management ([redacted]) detailed product level reports – *summary A*;
- matching SG&A expenses recorded for Ruukki in its audited financial statements to the management reports – *summary B;*
- matching SG&A expenses for product groups in Ruukki's official management accounting reports to financial accounting reports – *summary C* (the total SG&A expenses in this report matched the amount recorded in the financial accounting report (*summary B*));
- matching SG&A expenses for [redacted] in a management accounting report to the product group report – *summary D* (the total SG&A expenses for these two reports matched for the two products).

Copies of financial accounting reports and internal detailed product (management accounting) reports that were used as part of the SG&A expense verification process are at **Confidential Attachment CTMS 8**.

Through the process described above, the verification visit team is satisfied that total SG&A expenses have been accurately recorded in Ruukki's EQR. The calculation of SG&A for Ruukki CTMS appendices is discussed at Section 6.7.

6.4.3 Variances – for the investigation period

Ruukki advised that for financial accounting purposes it does not report on variances by cost element or by country. Ruukki advised that for these reports the variance is calculated as a lump sum that can be allocated to output.

In order to verify variances included in Ruukki's EQR, the following was completed:

- screen dumps from Ruukki's financial accounting system were sighted (to show total variances, reflecting the difference between actual and set standard costs) – *summary A*;

- a detailed internal management accounting report variances by product group (i.e. "RM – Optim and Raex") – *summary B* (the total variance figure for this report was close to the amount shown in the [redacted] report); and
- a detailed internal management accounting report showing variance for "Optim" and "Raex" sales by region – *summary C* (i.e. Asia Pacific (including Australia) and Finland) (the total variance reported for these products matched the total variance for the goods recorded in the report for all products (*summary B*).

Copies of financial accounting reports and internal detailed product (management accounting) reports that were used as part of the variance verification process are at **Confidential Attachment CTMS 9**.

Ruukki stated that as variances were not reported by [redacted] that in its revised CTMS appendices it had included a variance calculated based on all product groups (of [redacted] per tonne). This variance was calculated by dividing the total variance divided by sales volume. Ruukki advised that it did not consider it appropriate to use the variance calculated for the [redacted] as the variances reported for this region were predominantly related to goods that were [redacted].

The verification team considers that it is more appropriate to use the variance ([redacted] per tonne) calculated for "Optim" and "Raex" products for Finland (which is considered a region for Ruukki's accounting purposes) for the investigation period in the CTMS the goods (that will be used in order to conduct the ordinary course of trade test (OCOT)). This is considered appropriate given that for OCOT, the CTMS the goods should be reflective of the cost of the goods that are sold on the domestic market in Finland. The verification visit team has revised the CTMS appendices accordingly.

6.5 Upwards verification – completeness and relevance of costs

Through the processes described through Sections 6.4.1 to 6.4.3, the verification team was able to trace COGs ("direct" and "indirect"), standards, variances, SG&A, finance expenses and depreciation for Q&T steel plate provided in Ruukki's EQR (as relevant) through Ruukki's audited financial statements to management accounting reports and down to internal detailed product level reports. The verification team is satisfied that the information provided in Ruukki's EQR for CTMS the goods is relevant and complete.

6.6 Downwards verification of costs to source documents - accuracy

6.6.1 Raw material costs

At the verification visit, the visit team sought to verify major raw material costs used to manufacture the goods to source documentation. As Ruukki utilises set standard costs (for the COGs), and only reports on these costs at [redacted] the verification visit team asked Ruukki to demonstrate how the standard costs were derived. The verification visit team advised Ruukki that the purpose of the verification process was to test the accurate and reasonableness of the standards costs as reported in Ruukki's EQR.

As discussed at Section 2.4.1, Ruukki advised that it is unrelated from its raw material suppliers, and that all purchases were arm's length. During the verification visit no evidence was identified to dispute this claim.

Ruukki advised that the verification visit team could site commercial invoices and evidence of payment related to raw material purchases, but that hard copies of the documentation could not be provided. Ruukki advised that it is under certain legal obligations to not disclose contractual arrangements to third parties. Given that the verification team was able to site the relevant documentation to verify purchases and payments, the verification team considers that this is reasonable.

Coal

In order to be satisfied that the standard cost for coal used to manufacture the goods (especially as an integrated manufacturer) we selected coal costs (used in the iron making process) for verification purposes. Coal coats that were verified down to source documents were for the fourth quarter of 2013 for Raex 400.

At the verification visit, Ruukki provided a detailed presentation on coal costs, which included an overview of how the standard for coal costs were set and how it related to actual purchases of coal during the investigation period (**Confidential Attachment CTMS 10** refers).

Ruukki explained that in the production of the goods coal costs are filtered through [redacted] processes (as described below):

[redacted]

The following describes the actual verification process for coal costs for the fourth quarter of 2013 (which involved working through how iron standard unit costs were derived (and how this compared to actual costs) and how this is passed through to the cost of the goods[8]):

- viewing Ruukki's first in first out (FIFO) accounting system, purchase prices of coal (for use at the Raahe works) – that included volumes to be delivered and used;
- coal usage price – through Ruukki's general ledger and inventory accounts (trial balances);
- production reports by mill (from Ruukki's Maco system) that showed (for [redacted]):

[8] Reflecting the three processes described above.

  - coal purchases – showing usage price for coal purchased from [redacted] (which matched the inventory general ledger account), and cost per tonne;
  - coke produced internally – showing internal energy credits and by-product credits;
  - costs for own coke used to manufacture iron (hot metal) (including usage prices and costs per tonne) (this is used to calculate hot metal variable costs);
  - hot metal variable costs (based on usage of hot metal from blast furnaces in mixers) used to calculate coal unit cost on iron from blast furnaces.
- viewing iron standard unit costs (showing that the variable cost matches to the Maco report); and
- viewing a report extracted from Ruukki's management accounting system that shows iron usage slabs used to produce [redacted].

To support the process described above the verification team sighted opening, work-in-progress and closing inventory balances and related general ledger accounts for the period. The verification team was able to verify information in the reports provide able to these accounts (and trial balances).

For December 2013, the verification visit team sighted commercial invoices for coal purchases from [redacted] (listed in Ruukki's Maco report). Ruukki advised that it has entered into [redacted] commercial arrangement with this supplier (with purchases [redacted] The verification visit team found that the unit (per tonne) price for the coal was reasonable when compared to the standard cost, and also to the price listed in Ruukki's FIFO system.

Iron ore and steel production costs

Given that the verification visit team is satisfied that Ruukki's standard costing methodology is based on weighted average cost derived from actual costs for iron ore and steel costs the verification visit team sighted:

- monthly (2013) general leger accounts (reflecting actual costs record derived from activity based costing) showing opening balance consumption and ending balance value of the steel used in production (to match raw material used in production to general ledger); and
- commercial invoices (and evidence of payment) for November 2012 and February 2013.

Carbon ferro manganese, manganese and pellets

For the fourth quarter of 2013, the verification visit team sighted commercial invoices, supply contracts and evidence of payment (including bank statements and SAP reports) for purchases of ferro manganese, manganese and pellets. These were sighted to test the reasonableness of standard costs included in the "direct" CTMS component of Ruukki's CTMS. The verification team found that during the relevant period:

[9] Ruukki advised that it sourced coal from several suppliers and that the currency of the sales is usually in USD.

- [redacted] carbon ferro manganese was purchased from [redacted]
- [redacted] manganese was purchased from a [redacted] company at [redacted]
- pellet was purchased from a [redacted] and
- coking coal purchased from [redacted] suppliers.

The verification visit team found that for the raw material purchases listed above, all matched the invoiced amounts. Ruukki also provided general ledgers for accounts that showed these purchases. For these raw materials the verification visit team, was able to verify the actual raw material cost (per tonne) to reasonable when compared to the standard cost recorded in Ruukki's CTMS appendices.

6.6.2 Manufacturing overheads

The verification visit team sought to reconcile manufacturing overhead costs and selected energy and reducing agent cost. The verification visit team identified that Ruukki included [redacted] costs in its standard cost calculations. Ruukki advised that is sources its energy from external providers, including Raahen Energia Oy and also internally (generated through the production process). The verification team selected these costs included in the iron making process for [redacted] for fourth quarter of 2013. Using the documentation provided for coal cost verification (**Confidential Attachment CTMS 10),** the verification visit team was able to identify energy usage price and cost for the goods. The verification visits team was able to confirm that "[redacted] for accounting purposes.

Following the process described at the "*Coal*" section above, the verification visit team was able to use production reports and inventory accounts to trace the actual energy costs used to base the standard cost that is then attributed to the [redacted]

6.6.3 Depreciation

The visit team sought to verify depreciation costs. From the standard costs provided for Ruukki's CTMS the visit team identified the depreciation costs related to Raahe works and for the goods. Ruukki provided a report of the relevant depreciation costs for the investigation period (**Confidential Attachment CTMS 11**). From this the visit team identified and reconciled the depreciation cost. In its EQR Ruukki provided its assets register relevant for the goods which listed each asset allocated to that cost centre, the value and rate of depreciation and overall deprecation value for the investigation period. The visit team reconciled this total to the total depreciation cost listed in the plate mill cost centre report. The visit team was satisfied that depreciation costs were recorded accurately.

6.7 SG&A expenses

For its CTMS appendices, Ruukki derived an SG&A amount as a proportion of net sales revenue. As discussed previously, as SG&A expenses are not allocated by country level, Ruukki was not able to derive an SG&A expenses for its Australian CTMS (noting [redacted] Ruukki advised that it was possible to calculated SG&A at the

company aggregate level or for "Raex" and "Optim" products. For its EQR, Ruukki calculated SG&A expenses as a proportion of net sales revenue for "Optim and "Raex" products (of [redacted]%).

To assess the reasonableness of the SG&A allocations, SG&A allocated by Ruukki was compared to the amount of SG&A that would be allocated to the goods if:

- Ruukki's total SG&A costs were allocated to the total domestic and Australian export sales of Q&T steel plate on the basis of revenue; and
- these amounts were then allocated on a per tonne basis using the sales volumes of domestic and Australian export sales.

Source documents that were used to inform these calculations are at **Confidential Attachment CTMS 8.**

The visit team found the SG&A amounts calculated using any of these methods to be similar to the amounts calculated by Ruukki (although both of the options above result in a lower SG&A cost). While the SG&A expenses for the CTMS for the goods submitted by Ruukki appear reasonable, for the CTMS of the domestic goods the verification visit team considers it is appropriate to use SG&A expenses for "Optim" and "Raex" products derived as a proportion of net domestic sales revenue [redacted]. The verification visit team has adjusted Ruukki's CTMS appendices accordingly.

6.8 CTMS – accuracy

In verifying Ruukki's CTMS data, the verification visit team found that standard costs in relation to specific models can be traced from the CTMS spreadsheet through source documents, internal management accounting reports, to the trial balance (and financial management accounting reports) and to the audited financial statements.

While this method meant there were difficulties in reconciling standard, variable and actual costs at the model level, the visit team is satisfied that total standard and variable costs had been captured by Ruukki. After assessing the variances captured by Ruukki, the visit team also consider that the costing methodology used reasonably reflects competitive market costs associated with the production of the goods.

On this basis the visit team consider that sufficient information was obtained and verified to determine:

- the cost of goods to assess OCOT under section 269TAAD of the Act; and
- a constructed normal value under section 269TAC(2)(c) of the Act for the investigation period if required.

The verification team's revised CTMS spreadsheets form **Confidential Appendix 2**.

7 DOMESTIC SALES

7.1 General

Ruukki stated that the domestic market for Q&T steel plate in Finland is driven predominately by demand in the [redacted].

Ruukki advised that it is the sole producer of Q&T steel plate in Finland. Reflecting this position, and the company's long standing history as a producer of high quality (and energy efficient) products, Ruukki stated that there is a strong customer awareness of the "Ruukki" brand. Ruukki stated that customer knowledge and trust in the "Ruukki brand" enables it to charge a price premium for Q&T steel plate (sold in the domestic market). Ruukki considered that this "brand premium" should be factored into adjustments to ensure the comparability of export prices and normal values. This issue is discussed at Section 9.3.2.

Ruukki stated that the domestic market for Q&T steel plate is supplied predominately [redacted] Ruukki estimated that it held approximately [redacted] of the domestic Q&T steel plate market share. Ruukki stated that small volumes of less expensive product from the [redacted] were starting to emerge in the market. Ruukki described the current conditions in the Finnish market for Q&T steel plate as [redacted]). Ruukki stated that as demand and supply for Q&T steel plate was relevantly constant (especially compared to the Australian market), that the [redacted].

At the verification visit, Ruukki provided a document which provided an overview of Ruukki's domestic sales, including its sales and sales support and service centres (location and staff), customers, payment terms, delivery terms and distribution and pricing arrangements (**Confidential Attachment DOM 1** refers).

Ruukki maintains domestic sales offices in Helsinki, Turku, Kouvola, Tampere, Seinajoki, Oulu, Hameenlinna and Hyvinkaa. [redacted].

Ruukki also has processing and stock centres in Hyvinkaa, Jarvenpaa, Naantali, Uusikaupunki, Raahe, Seinajoki, Hameenlinna and Toijala. At these stock centres, processing capabilities include cutting and bending (etc.) steel products to meet customer specific specifications. Ruukki advised that it also provided technical customer support (TCS) to domestic customers, [redacted]

Ruukki advised that it has a strong customer focus. Ruukki advised that over the years it has invested substantially to develop a strong domestic sales team, which proactively seeks to identify new customers. Ruukki stated that in total its domestic sales team consists of [redacted]. This sales team also conducts on-site customer visits to match customer requirement to appropriate products.

Ruukki advised that the extensive sales support [redacted]. Ruukki considered that this differential customer service support should be factored into adjustments to ensure the comparability of export prices and normal values.

During the investigation period Ruukki sold [redacted] of the goods domestically to [redacted]. In its domestic sales spreadsheet, Ruukki identified that during the investigation period all domestic Q&T steel plate sales were made [redacted].

As part of its EQR, Ruukki provided a spreadsheet detailing all domestic sales of Q&T steel plate it made during the investigation period (also referred to as the domestic sales listing)(**Confidential Attachment DOM 2** refers).

The domestic sales listing included the following information:

- customer name;
- level of trade;
- model;
- invoice number;
- month;
- quantity (in tonnes);
- net invoice value;
- warranty expenses;
- inland transport expenses; and
- invoiced price.

At the verification visit it was identified that the order numbers listed in the domestic sales spreadsheet were not accurate. Ruukki advised that this was a result of its SAP system where the "order" number and not the "invoice" number were different. Subsequently, Ruukki provided an updated domestic sales spreadsheet with the correct order numbers (see **Confidential Attachment DOM 3**).

The verification visit team identified that Ruukki had not provided delivery terms and payment terms for the domestic sales. Ruukki subsequently provided a revised domestic sales spreadsheet which incorporated delivery terms. The verification visit teams' treatment of credit terms is discussed at Section 7.2.4.

[redacted]

During the investigation period, [redacted] Q&T steel plate [redacted] Ruukki advised that it did not have any [redacted].

Prior to the verification visit, Ruukki provided a document outlining its general conditions of sale dated 2006 (**Confidential Attachment DOM 4** refers). Ruukki advised that this document is not a contract or agreement with its domestic customers, but provides general guidance on conditions of domestic sales.

Ruukki advised that subsequent to the investigation period it entered into a [redacted] with a [redacted] in relation to sales of several products, including the goods. Ruukki provided its first domestic invoice for sales to [redacted]

which included sales of the goods (**Confidential Attachment DOM 5** refers). These distribution [redacted] and were outside of the investigation period.

7.1.2 Discounts, rebates and commissions

At the verification visit, [redacted]

The verification team found that Ruukki provided [redacted] during the investigation period. During the investigation period only a limited number of [redacted] (and were incorporated in the [redacted] of the goods).

Excluding the [redacted], the verification team did not find any evidence that any [redacted] were provided in respect of domestic sales of the goods.

7.1.3 Domestic sales process

Ruukki explained its domestic sales process for Q&T steel plate is similar to export sales, and is detailed below:

- [redacted] the domestic customer contacts [redacted] with an order. Orders are placed predominately by [redacted] however orders can be [redacted]

[redacted] agree on price [redacted]

[redacted] ***[Confidential Information – Customer Requirements]***

[redacted]

- the customer is sent an order confirmation;

[redacted] ***[Confidential Information – Distribution Terms]***

[redacted] ***[Confidential Information – Freight Terms]***

- [redacted] an invoice is sent to the customer within [redacted]d
- the customer pays Ruukki for the goods in accordance with the specified payment terms.

7.1.4 Domestic pricing

As discussed at Section 5.1.4, Ruukki stated that generally [redacted] were a driving factor in settling prices for Q&T steel plate. Ruukki advised that it [redacted].

Ruukki advised that it maintained [redacted] Q&T steel plate [redacted]. Any deviation from [redacted] requires approval from product group head.

At the visit Ruukki provided its [redacted] steel plate products at [redacted] (**Confidential Attachment DOM 6** refers). The [redacted] provides a [redacted] for these products at specific widths [redacted] and thicknesses [redacted]. The [redacted] shows [redacted] if the customer requires specific volumes, dimensions and customer service support.

Ruukki advised that the majority of its [redacted] Q&T steel plate. This reflects that the goods are readily accessible in Finland, with short lead times required to meet orders (given Ruukki's Raahe works and service centres holding stock close proximity to customers).

The verification visit team found that there were no significant deviations in the domestic sales listing during the period of investigation when compared to the prices in the [redacted].

7.2 Domestic sales verification - accuracy

7.2.1 Downwards verification of domestic sales to source documents

As part of its EQR, Ruukki provided supporting documentation for two domestic sales of Q&T steel plate. The verification team was able to reconcile these documents to Ruukki's domestic sales spreadsheet.

Prior to the visit, the verification visit team selected ten domestic sales for verification to source documents (covering multiple products over different quarters during the investigation period). Ruukki was requested to provide the following source documents for the selected domestic sales:

- purchase order;
- sales contract;
- commercial invoice;
- evidence of payment;
- inland freight invoice and evidence of payment (where applicable); and
- discount and rebate source documents (where applicable).

At the verification visit Ruukki provided copies of the following documents which form **Confidential Attachment DOM 7**:

- order confirmation;
- commercial invoice;

- delivery note;
- evidence of payment;
- inland freight invoices;
- evidence of payment of these costs.

The verification team was able to verify and match, with the exception of some minor discrepancies discussed below, the sales information in the source documents to the domestic sales listing. This verification process is described at Sections 7.2.2 to 7.2.8.

7.2.2 Customers

During the downwards verification process, the visit team identified that one sale of the goods [redacted] selected for verification was erroneously included [redacted] The verification team identified that this sale was not a domestic sale [redacted] Ruukki stated that it was likely that this sale was entered incorrectly into its SAP and [redacted] systems. Given the remainder of the selected sales were to domestic customers, based on source documentation, the verification visit team is satisfied that this was an isolated error.

The verification visit team removed sales to [redacted] from Ruukki's domestic sales spreadsheet.

7.2.3 Delivery terms

Prior to the verification visit, Ruukki stated that [redacted] to its domestic customers are delivered by truck and that customers are generally not able to pick up goods. The delivery terms of the goods had been recorded as [redacted].

At the verification visit Ruukki stated that the sales which are not delivered will not have a corresponding amount for domestic transport in the domestic sales listing.

The verification team requested that Ruukki provide a revised domestic sales spreadsheet that identified domestic sales that were mill [redacted] or delivered to [redacted] Ruukki provided the requested information and the revised domestic sales spreadsheet forms **Confidential Attachment DOM 8**. During the investigation, of total domestic sales of Q&T steel plate [redacted] (i.e. stock sales) [redacted] (produced to order).

The source documentation provided for the selected domestic sales was used to verify that the correct delivery terms were recorded in the revised spreadsheet.

7.2.4 Credit terms

In its EQR, Ruukki stated that domestic sales credit terms for the goods [redacted]. The verification visit team identified that Ruukki did not specify credit terms in its domestic sales listing.

At the visit, the verification visit team advised that an adjustment is required to account for differences in credit terms for domestic sales and Australian export sales. Ruukki stated that it offers flexibility in payment terms for its domestic customers and it does not record payment terms for individual sales transactions in its accounting systems.

However, at the verification visit Ruukki provided a list of the credit terms (varying from [redacted] for its largest domestic customers of Q&T steel plate (**Confidential Attachment DOM 9** refers). The verification team identified that sales to these customer [redacted] of total domestic sales during the period of investigation.

From the source documents for selected domestic sales, the verification visit team verified that the credit terms to the major customer specific on the list were accurately recorded.

The verification visit team identified that Ruukki's remaining customers [redacted]. Therefore in the absence of any other information, the verification visit team considers it reasonable to apply an average credit term to these remaining customers. The visit team applied an average [redacted] calculated by reference to credit terms provided to major customers of the goods (during the investigation period). The source documentation provided for minor customers show that this average credit term is reasonable.

7.2.5 Evidence of payment for domestic sales

The verification tem requested that Ruukki provide evidence of payment for the selected domestic sales. Similar to export sales, Ruukki advised that payments to domestic customers usually included a total payment related to several domestic sales (that also included other steel products).

Therefore the verification team sighted Ruukki extract from records from its SAP and accounts payable systems to verify payment for specific Q&T steel plate domestic sales (where payment accounts included several invoices). Ruukki was able to provide accounts payable records by customer, invoice, date, sales value and bank account details. The verification team was able to use these records to verify the total amount paid to a customer and the individual invoices and sales amounts that were included in payments. The verification team was then able to verify that the sales amounts recorded in Ruukki's domestic sales spreadsheet (also as shown on domestic sales invoices).

The verification visit team is satisfied that the price paid for the goods is the amount shown on the commercial invoices.

7.2.6 Inland freight

As discussed previously for [redacted] the goods were delivered directly to the customer (usually by truck deliveries). Ruukki advised that it did not provide its own logistics and that this was out-sourced to unrelated Finnish companies (i.e. [redacted] These domestic sales predominately included sales made from stock maintained in Ruukki's warehousing and service centres.

The verification team sought to verify the inland freight amounts recorded for relevant domestic sales in Ruukki's EQR to the source documentation provided for the selected sales. Initially the verification team was not able to verify these figures, as the source documentation provided covered inland freight for several deliveries to multiple customers (and included a broad range of steel products).

In order to ensure that the correct amounts were recorded in Ruukki's domestic sales spreadsheet, Ruukki provided a summary table (from its [redacted] system) showing total inland freight by specific domestic order. These documents form **Confidential Attachment DOM 10**. Ruukki also provided evidence of payment for the inland freight services (i.e. Ruukki's bank statements). The verification visit team was able to reconcile the freight invoices (and the amounts paid) to the summary table and to Ruukki's domestic sales spreadsheet.

7.2.7 Warranty

Ruukki advised that it provided [redacted], but that this is incorporated in the TCS charges (Section 7.2.8 refers).

7.2.8 Warehousing/stock holding and TCS

Ruukki advised that it provided warehousing (and stock holding) for Q&T steel plate domestic sales during the investigation period (as relevant). Ruukki advised that it provides these services by renting warehouses in Finland (from unrelated companies), that also form part of its service centre network.

Ruukki advised that warehousing and stockholding expenses are only relevant to the Finnish domestic market and are not incurred for Australian export sales.

To substantiate these warehousing costs, Ruukki provided general ledger accounts showing warehousing rents for "Raahe plate distribution" which relates to domestic sales of the goods. Ruukki also provided a consolidated [redacted] financial management report showing "Raahe plate distribution" warehousing costs for the investigation period. Ruukki explained that [redacted] of total warehousing costs relates to sales of the goods during the investigation period. We sought to verify these costs for December 2013; Ruukki provided general ledger accounts showing these costs, related commercial agreements (showing rent calculations) and commercial invoices. Ruukki also provided a copy of a stock lease agreement with a warehouse provider (Raahen kaupunki) for the investigation period.

Using these reports and the source documents the verification visit team was able to verify warehousing rents for the goods for December 2013 (and as it related to the annual figure). The source documents related to warehousing expenses form **Confidential Attachment DOM 11**.

Ruukki also advised that it provided TCS for domestic sales of Q&T steel plate during the investigation period for stock deliveries. To substantiate this expense, Ruukki provided a consolidated [redacted] financial management report showing the general ledger for TCS expenses for Raex and Optim products for the investigation period. The report showed total TCS expenses by region (including Finland and Australia). Ruukki's EQR had not mentioned the TCS service for Australian export sales. A supporting cost centre report was provided to show how the TCS costs from the general ledger related to costs attributed to the TCS cost centre (and showed costing allocation region specific staff were involved). Ruukki used the 2013 TCS expense to calculate a TCS cost per tonne for Australia and Finland sales (based on sales volumes). The source documents related to TCS expenses form **Confidential Attachment DOM 12**.

Ruukki had not allocated warehousing/stockholding and TCS expenses in its domestic sales spreadsheets. However in its submission dated 6 March 2014, indicated that these expenses should be factored in adjustments to normal values to ensure comparability to export prices. Ruukki stated that an adjustment should only be made to domestic sales. These issues are discussed at Section 9.2.3.

7.2.9 Accuracy of domestic sales – preliminary assessment

The verification team considers that taking into account adjustments to Ruukki's domestic sales spreadsheet (as discussed at in the preceding sections), that the spreadsheet is an accurate record of Ruukki's sales of the goods on the domestic market in Finland.

7.3 Arm's length

In respect of domestic sales during the investigation period, the visit team 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; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification visit team therefore consider that all domestic sales during the investigation period were arm's length transactions.

7.4 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the OCOT.

The verification visit team compared the net sales value (the net invoice sale value minus any applicable rebates) for each domestic sale of Q&T steel plate to the CTMS for each quarter.

The verification visit team found that sales of Q&T steel plate in the Finnish market were profitable. The verification visit team therefore considers that all sales of Q&T steel plate made by Ruukki in the Finnish domestic market were made in the OCOT.

7.5 Volume of domestic sales

7.5.1 General

Section 269TAC(2) of the Act provides that certain domestic sales may be unsuitable for use in determining normal value because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in section 269TAC(14) of the Act as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The verification visit team found that there were sufficient volumes of domestic sales made in the OCOT for all Q&T steel plate exported to Australia.

The verification visit team's OCOT and sufficiency test calculations are at **Confidential Appendix 3**.

7.5.2 Ruukki's submission – conditions in the domestic market

In its submission dated 17 February 2014, Ruukki claimed that due to its company reputation and well established brand in the domestic Finnish market, that domestic prices of the goods are not comparable to Australian export selling prices of the goods (where the Australian market is significantly more competitive). Ruukki also claimed that the markets were not comparable due to differences in market conditions (such as shorter delivery times etc.).

The verification visit team explained that these circumstances are not relevant for the purposes of determining whether a market situation existed under section 269TAC of the Act (which relates to whether domestic selling prices are rendered unsuitable due to significant distortions in the market, such as Government intervention).

7.6 Normal value

The visit team found sufficient volumes of domestic sales of Q&T steel plate by Ruukki that were arm's length transactions and at prices that were in OCOT. The visit team is therefore satisfied that prices paid in respect of domestic sales of Q&T steel plate are suitable for assessing normal values under section 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in Section 9.

8 THIRD COUNTRY SALES

8.1 Third country sales verification

In its EQR, Ruukki provided a summary of its Q&T steel plate sales to third countries. This spreadsheet did not contain a line-by-line sales listing.

Following the upwards verification process discussed at Chapter 4, the verification team reconciled the total net sales value and volume of third country export sales of Q&T steel plate through its internal sales reporting, management accounting reporting to audited financial statements.

The verification team considers that it was in possession of sufficient verified information from the EQR and the visit to calculate normal values for Q&T steel plate using domestic sales (as discussed at Section 6.7). If needed, normal values could also have been calculated using a construction method based on CTMS.

For this reason, the verification team did not undertake a detailed verification of third country sales data.

9 ADJUSTMENTS

9.1 General

In calculating dumping margins, the Commission will make adjustments to ensure that the normal value was comparable to the export price.

The verification visit team considers that, while Ruukki exported Q&T steel plate to Australia at [redacted] that it was most appropriate to calculate the export price and corresponding normal value at an EXW level. This approach is considered appropriate as the ocean freight figures nominated in Ruukki's export sales spreadsheet included handling and port loading expenses, and these costs could not be separated. Therefore it is not possible to add the handling and port loading expenses to [redacted].

The verification team also recommends that normal values should be calculated based on Ruukki's Q&T steel plate sales to unrelated customers in the Finnish domestic market, [redacted] at EXW terms.

Prior to the verification visit, in its submission dated 6 March 2014, Ruukki claimed that several adjustments related to level of trade [redacted] should be made to ensure comparability of the normal value to the export price **Confidential Attachment ADJ 1**. These issues have been discussed in preceding sections.

To ensure that the normal value is comparable to the export price, the verification team have made certain adjustments, as detailed below.

9.2 Adjustments to the normal value based on domestic sales

9.2.1 Domestic - inland freight

The verification team considers a downward adjustment for domestic inland freight expenses for Q&T steel plate sales delivered to the customer, is required to ensure fair comparison to the EXW export price.

Ruukki provided inland freight costs for [redacted] in its domestic sales spreadsheet and these freight costs were verified by the visit team, as discussed at Section 7.2.6. The verification team has used these inland freight amount for the downwards adjustment.

9.2.2 Domestic - warehousing/stockholding

The verification team considers a downward adjustment for warehousing/stock holding expenses for Q&T steel plate sales delivered to the customer, is required to ensure fair comparison to the EXW export price.

As discussed at Section 7.2.8, Ruukki provided warehousing/stock holding expense calculations (although these were not incorporated in Ruukki's domestic sales spreadsheet) that were verified by the visit team.

The verification visit team has calculated a warehousing/stockholding expense of [redacted] per tonne for the goods delivered to the customer during the investigation period. The verification team has used this amount for the downwards adjustment and has revised Ruukki's domestic sales spreadsheet accordingly.

9.2.3 Domestic - TCS

The verification team considers a downward adjustment for TCS expenses incurred for Q&T steel plate sales delivered to the customer, is required to ensure fair comparison to the EXW export price.

As discussed at Section 7.2.8, Ruukki provided a TCS expense calculation in relation to Raex and Optim domestic sales in Finland (although these were not incorporated in Ruukki's domestic sales spreadsheet) that were verified by the visit team.

However based on the evidence submitted to the verification team, it is apparent that TCS expenses were incurred in relation to Raex and Optim export sales to Australia. Ruukki did not provide a TCS expense in its export sales spreadsheet, and had not claimed that this adjustment be made.

The verification visit team has calculated a TCS expense (for the investigation period) of:

- [redacted] per tonne for domestic sales delivered to the customer; and
- [redacted] per tonne for the exported goods.

The verification team considered that it is appropriate to make a downwards adjustment, calculated as the difference between the TCS expense for domestic and export sales (of [redacted] per tonne).

9.2.4 Export and domestic - credit terms

The verification team considers a credit adjustment should be applied to domestic sales and export sales of Q&T steel plate, to ensure fair comparison of the export price and normal value at cash terms.

Ruukki confirmed that its short term borrowing rate was equivalent to the [redacted]. The verification visit team was able to calculate an average borrowing rate [redacted] during the investigation period (**Confidential Attachment ADJ 2** refers).

The verification team has applied a credit cost adjustment based on the borrowing rate of [redacted] to the domestic and export sales (based on credit terms (i.e. number of days) to align them to cash terms).

9.3 Adjustments that were not made to the normal value

9.3.1 Level of trade – domestic and export

During the investigation period, Ruukki supplied the goods to [redacted]. In its submission dated 6 March 2014, Ruukki stated that domestic customers [redacted] (that can be [redacted] for goods sold from existing stock) [redacted] Ruukki stated that based on internal market intelligence that the [redacted]

[redacted] is [redacted] per tonne. However, the verification visit team does not consider it appropriate to include "profit" on sales as an adjustment to the normal value. Furthermore, the visit team found that this adjustment could not be verified.

Notwithstanding the consideration above, the verification visit team is satisfied that the different level of trade of domestic and Australian export sales customers has been addressed though adjustments related to delivery terms, credit terms, warehousing/stock holding and the TCS support (that were quantifiable and verified).

9.3.2 Ruukki's brand – domestic sales

In its submission dated 6 March 2014, Ruukki strongly emphasised that a "brand/reputation" adjustment should be made to reflect Ruukki's position in the Finnish domestic market. The verification team sought evidence to use as a basis to calculate this adjustment. Ruukki advised that the adjustment could not be quantified, but that it was just accepted by the market that a premium can be charged by Ruukki due to its brand and positioning in the domestic market.

The verification visit team discussed this adjustment at the visit, and Ruukki strongly contended that this domestic "brand/reputation" adjustment should be made to the normal value.

The verification visit team was not able to identify a price premium based on Ruukki's [redacted] information and documentation. In the absence of any quantifiable evidence the verification team has not made an additional "brand/reputation" adjustment. The verification visit team considers that the premium that Ruukki may be able to charge in the domestic prices is captured by adjustments made to make account of enhanced TCS services and warehousing/stockholding support.

9.3.3 Packing

Ruukki did not make any adjustment claims in relation to packing of the goods [redacted].

9.4 Adjustments – Conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with section 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices.

Adjustment type	Deduction / addition
Domestic inland freight	**Deduct** the actual cost of inland freight where applicable.
Domestic warehousing/stockholding expenses	**Deduct** an amount for domestic warehousing/stockholding where applicable.
Domestic TCS expenses	**Deduct** an amount for domestic TCS where applicable.
Credit cost adjustment	**Deduct** to get domestic sales to get to cash credit terms.

Table 3: Adjustments made to ensure comparability of the normal value to the export price

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

10 DUMPING MARGIN

10.1 Dumping margin – preliminary assessment

Dumping has been assessed by comparing the weighted average export prices to corresponding weighted average normal values for the investigation period. The dumping margin in respect of Q&T steel plate exported by Ruukki for the investigation period is **21.7%**.

The verification visit team's preliminary dumping margin calculations are at **Confidential Appendix 5.**

11 OTHER COMMENTS

11.1 Exemptions

As discussed at Section 3.5.1, Ruukki stated that as it is an integrated steel producer, it can control the quality and composition of its steel through all stages of the production process.

Ruukki stated that Bisalloy could not produce the specific range and dimensions of Q&T steel plate products that it was capable of manufacturing. Ruukki stated that it would consider applying for exemptions for products or dimensions that Bisalloy did not manufacture. In particular, Ruukki stated that, depending on the outcomes of the investigation, it would seek exemptions for:

[redacted]

12 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export Price
Confidential Appendix 2	CTMS
Confidential Appendix 3	OCOT and Sufficiency Test
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin Calculations
Confidential Attachment GEN 1	Exporter Questionnaire Response
Confidential Attachment GEN 2	General Company Background
Confidential Attachment GEN 3	Rautaruukki Ownership Structure
Confidential Attachment GEN 4	Rautaruukki Legal Structure
Confidential Attachment GEN 5	Ruukki's Production Facilities
Confidential Attachment GEN 6	Rautaruukki 2013 Financial Statements
Confidential Attachment GEN 7	Ruukki 2013 Financial Statements
Confidential Attachment GEN 8	Ruukki Chart of Accounts
Confidential Attachment GEN 9	Ruukki's Corporate Finance and Control Guidelines for Inventory Accounting
Confidential Attachment GEN 10	Ruukki's Corporate Finance and Control Guidelines for Tangible and Intangible Asset Reporting
Confidential Attachment GEN 11	Ruukki's Management Reporting Guidebook for Sales and Profitability Reporting
Attachment GOODS 1	Product Specification Sheets
Confidential Attachment GOODS 2	Raahe Works and Production Process Presentation
Confidential Attachment EXP 1	Export Sales Listing
Confidential Attachment EXP 2	Updated Export Sales Listing
Confidential Attachment EXP 3	[redacted]
Confidential Attachment EXP 4	Export Sales Price List

Confidential Attachment EXP 5	Export Sales Source Documents
Confidential Attachment EXP 6	Global Marine Insurance Policy 2013
Confidential Attachment CTMS 1	Australian Export CTMS Spreadsheet
Confidential Attachment CTMS 2	Updated Australian Export CTMS Spreadsheet
Confidential Attachment CTMS 3	Standard Cost Presentation
Confidential Attachment CTMS 4	Management Accounting Report Showing Standard Cost Breakdown
Confidential Attachment CTMS 5	[redacted] Monthly Production Volume Report
Confidential Attachment CTMS 6	Raahe Plate Distribution Report
Confidential Attachment CTMS 7	Financial Accounting Reports And Internal Detailed Product (Management Accounting) Reports - COGs
Confidential Attachment CTMS 8	Financial Accounting Reports And Internal Detailed Product (Management Accounting) Reports - SG&A
Confidential Attachment CTMS 9	Financial Accounting Reports And Internal Detailed Product (Management Accounting) Reports - Variances
Confidential Attachment CTMS 10	Coal Cost Presentation
Confidential Attachment CTMS 11	Depreciation Cost Report
Confidential Attachment DOM 1	Domestic Sales Presentation
Confidential Attachment DOM 2	Domestic Sales Listing
Confidential Attachment DOM 3	Updated Domestic Sales Listing
Confidential Attachment DOM 4	General Terms of Sale
Confidential Attachment DOM 5	[redacted]
Confidential Attachment DOM 6	Domestic Price List
Confidential Attachment DOM 7	Domestic Sales Source Documents
Confidential Attachment DOM 8	Revised Domestic Sales Listing
Confidential Attachment DOM 9	[redacted]

Confidential Attachment DOM 10	Inland Freight Summary
Confidential Attachment DOM 11	Warehouse Expenses Source Documents
Confidential Attachment DOM 12	TCS Expense Source Documents
Confidential Attachment ADJ 1	Ruukki Confidential Submission on Adjustments
Confidential Attachment ADJ 2	Borrowing Rate Calculations