



INVESTIGATION

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

AND

**ALLEGED SUBSIDISATION OF HOT ROLLED PLATE STEEL
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

VISIT REPORT

GS GLOBAL CORPORATION

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

JULY 2013

HOT ROLLED PLATE STEEL – Visit Report – GS GLOBAL CORPORATION

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ABBREVIATIONS

| | |
|---------------|---|
| \$ | Australian dollars |
| The Act | <i>Customs Act 1901</i> |
| ADN | Anti-Dumping Notice |
| The applicant | BlueScope Steel Limited |
| CFR | Cost and freight |
| COGS | Cost of goods sold |
| Commission | Anti-Dumping Commission |
| CTM | Cost to make |
| CTMS | Cost to make & sell |
| CTS | Cost to sell |
| EBIT | Earnings before interest and tax |
| EDITA | Earnings before interest, tax, depreciation and amortisation |
| FOB | Free On Board |
| GAAP | Generally accepted accounting principles |
| NIP | Non-injurious Price |
| PAD | Preliminary Affirmative Determination |
| SEF | Statement of Essential Facts |
| the goods | the goods the subject of the application (also referred to as the goods under consideration or GUC) |
| the Minister | the Minister for Home Affairs |
| USP | Unsuppressed Selling Price |

1 BACKGROUND AND PURPOSE

1.1 Background

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

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

Following consideration of the application, the Anti-Dumping Commission (the Commission) decided not to reject the application. Public notification of initiation of the investigation was made in The Australian newspaper on 12 February 2013.

Australian Customs Dumping Notice (ACDN) 2013/18 and ACDN 2013/20 provide further details of this investigation and is available at www.adcommission.gov.au

The investigation period is 1 January 2012 to 31 December 2012. The Commission will examine exports to Australia of the goods during that period to determine whether dumping and/or subsidisation has occurred.

The Commission will examine details of the Australian market from 1 January 2008 for injury analysis.

1.2 Purpose of visit

Prior to initiation of the investigation, GS Global Corporation (GSG) was identified in Australian Customs and Border Protection Service's (ACBPS's) import database as a potential supplier of plate steel from Korea during the investigation period. Consequently, GSG was invited to participate in the investigation. GSG informed the Commission that it did not operate as a manufacturer and it purchased the goods from Dongkuk Steel Mill Co., Ltd (DSM). Subsequently, GSG and DSM were invited to participate in the investigation and each company was supplied with a copy of an exporter questionnaire to complete.

GSG and DSM provided separate responses to the exporter questionnaire which were supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data.

A non-confidential version of the exporter questionnaire response from GSG and DSM was placed on the public record.

Following initial analysis of GSG and DSM's response to the exporter questionnaires, the Commission determined that the responses were reasonably complete and warranted verification. This report concerns the visit which was undertaken to verify the information provided by GSG. A separate report has been written to address the verification visit to DSM's premises.

This verification was undertaken at GSG's head office in Seoul, South Korea.

The Commission will use the information and data verified at the verification visit to make preliminary assessments of:

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

Meeting details

The verification meeting was held at GSG's head office in Seoul, South Korea.

| | |
|---------------|--|
| Company | GS Global Corporation 10 th Floor GS Tower 679, Yeoksam-dong Gangnam-gu Seoul, South Korea |
| Date of visit | 27 May 2013 |

The following were present at various stages of the meetings.

| | |
|-------------------------------|--|
| GS Global | Choon Shik Kim, General Manager, Steel Team 3 Kwun-Yun Chun, Manager, Accounting Team Sang Jun Cha, Steel Team 3 |
| Consultants – Kim & Chang | Jang-Wan Lee, Tax Attorney Ryu-Yun Tso, Consultant |
| Consultants – Moulis Legal | Daniel Moulis, Principal |
| Anti-Dumping Commission | Lydia Cooke, Manager, Operations 3 Rachel Lohan, Supervisor, Operations 3 |

1.3 Investigation process and timeframes

Prior to the verification visit, an exporter verification visit agenda was forwarded to GSG. This included a listing of sales transactions of goods exported to Australia selected for detailed verification with GSG.

A copy of the visit agenda is at **confidential attachment GEN1**.

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2012- 31 December 2012.
- The injury analysis period is from 1 January 2008 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 (15 April 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- In May 2013 the Minister granted an extension to the publication date for the statement of essential facts (SEF). The revised due date for the SEF is 1 August 2013.

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report is now due no later than 16 September 2013. The Minister's decision is due within 30 days from the date of receipt of the final report.

1.4 Visit report

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

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

2 COMPANY INFORMATION

2.1 General

GSG was established in 1954 as an import and export company. GS Global Holdings holds 54.58% ownership in GSG and is the only shareholder that holds more than 5% of the company shares. (A list of major shareholders was provided in the exporter questionnaire response at confidential attachment 1). GS Global Holdings operates a number of subsidiaries, holding interests in steel, petrochemicals, oil products, natural resources, cement material, living commodities, leisure sports business, machinery and plant, machinery imports, business development and logistics.

GSG is a public company and is primarily involved in the import, export and triangular trade of items, foreign resource development, import distribution and PDI services of imported vehicles. GSG advised that the company operates four major groups including steel and plant which includes steel division 1 and 2, resource and industrial which includes petrochemical resources and living commodities division, planning, HR and legal which includes the administrative divisions and finance and accounting.

GSG's steel and plant division performs import and export activities related to steel products, industrial plants, plant equipment and base materials. This division is involved in the activities related to the goods under consideration. GSG's steel divisions trade in three major steel product groups; flat products, long products and stainless steel and pipe. Plate products form part of the flat products group. GSG provided us with a brochure on its business which is at **attachment GEN2**.

GSG explained that they do not produce or manufacture the goods under consideration. GSG stated that the company purchased plate (the goods under consideration) from Dongkuk Steel Mill (DSM) for export to Australia during the investigation period. GSG stated that it was not related to DSM in any way.

2.2 Role in exporting the goods to Australia

GSG considers that it is the exporter of the goods under consideration to Australia because of the role it plays in this exportation. This is discussed further in chapter 4.

2.3 Accounting structure and details of accounting system

GSG maintains its accounting and financial records at its head office in Seoul. GSG operates the SAP accounting system in its ordinary course of business. This system is an integrated global ERP system. To demonstrate how the system worked, GSG provided us with the SAP document flow for a selected sale and a selected purchase. This document flow showed how the item was traced through the SAP system from sales or purchase order to the eventual flow through to the income statement. These documents are at **confidential attachment GEN3**.

GSG uses Korean Won (KRW) as its accounting currency and the company's financial year is from 1 January to 31 December. Its accounts are externally audited. As part of its response to the exporter questionnaire GSG provided its:

- Chart of accounts (confidential attachment 7 of the exporter questionnaire response)
- English language consolidated and unconsolidated financial statements for 2011 (confidential attachment 8 and 9 of the exporter questionnaire response)

- Korean language consolidated and unconsolidated financial statements for 2012 (confidential attachment 10 and 11 of the exporter questionnaire response)

At the verification visit GSG explained that the English language consolidated and unconsolidated financial statements for 2012 in their entirety would not be ready until the end of June. However, it did provide us with the English translation of the unconsolidated financial statements which contained the financial statements but not the notes to the financial statements. This is at **confidential attachment GEN4**.

GSG's financial statements were externally audited by Deloitte in accordance with International Financial Reporting Standards as adopted by the Republic of Korea.

We consider that we can regard GSG's financial statements to be reasonably accurate and to be kept in accordance with the relevant GAAP.

2.4 Related Parties

GSG advised that the company is a subsidiary of GS Holdings. GSG provided details of the company structure. (A list of associated and affiliated companies was included in the exporter questionnaire response at confidential attachment 2). The company advised that companies in the GS Group are required to pay a fee for the use of the branch name GS to GS Holdings.

2.4.1 Relationship with customer in the Australian market

GSG advised that it sells plate to its affiliated Australian based trading business, GS Global Australia (GSG Australia). GSG stated that GSG Australia is 100% owned by GS Holdings. GSG advised that all sales made to GSG Australia were at arms-length. Further details concerning GSG's relationship with GSG Australia is detailed in chapter 4.

2.4.2 Non-related parties

GSG explained that the company has a long standing relationship with a large Korean steel manufacturing company, DSM. During the investigation period it purchased steel plate from DSM for export to Australia.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1.1 The goods description

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

Flat rolled products of:

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

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

Goods excluded from the investigation are:

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

3.1.2 Tariff classification

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

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

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

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

3.2 Exports to Australia

GSG explained that to facilitate the verification, it had adopted DSM's product coding system in its exporter questionnaire response. It therefore used the same **[CONFIDENTIAL TEXT DELETED – number]** digit code which DSM used in the ordinary course of business to differentiate different characteristics of plate steel.

The [CONFIDENTIAL TEXT DELETED – number] digit code indicated the following features:

- [CONFIDENTIAL TEXT DELETED – details of sales and production system]

A list of all the product codes and their meanings are at **confidential attachment GOODS1**.

Using this system coding we found that there were [CONFIDENTIAL TEXT DELETED – number] types of plate exported to Australia. We identified that the goods exported to Australia were for [CONFIDENTIAL TEXT DELETED – details of GSG Australian sales] purposes. All Australian sales were of prime product.

As noted in the DSM visit report, we examined the pricing around the characteristics shown above and found that all characteristics but the [CONFIDENTIAL TEXT DELETED – pricing policy] had an effect on pricing. We therefore consider that product sold to Australia by GSG and sold on the domestic market by DSM with the same model code are identical goods, and that the product sold on the domestic market with the same product code with the exception of the [CONFIDENTIAL TEXT DELETED – pricing policy] can also be considered like goods.

4 SALES TO AUSTRALIA

4.1.1 General

During the investigation period GSG purchased and sold to Australia steel plate largely from DSM with a small amount from another Korean manufacturer, **[CONFIDENTIAL TEXT DELETED – name of other supplier]**. GSG considers that it is the exporter of steel plate purchased from DSM but that it performs a trader function for steel plate purchased from **[CONFIDENTIAL TEXT DELETED – name of other supplier]**. It accordingly completed its exporter questionnaire response (including the export sales spreadsheet provided in the exporter questionnaire response) for the steel plate purchased from DSM. This chapter therefore only refers to sales of product from DSM unless specified otherwise. **[CONFIDENTIAL TEXT DELETED – exports by other supplier]**.

GSG explained that since the beginning of 2012 sales volumes to Australia had steadily fallen. GSG explained that demand for steel plate was largely driven by the mining industry. GSG advised that reduced downstream demand from the mining industry due to the cancellation of projects and poor demand from other sectors of the Australian economy had resulted in falling sales volumes. GSG explained that this had also lead to decreases in profit margins on its sales of plate to the Australian market. GSG advised that **[CONFIDENTIAL TEXT DELETED – sales policy in relation to Australian market]**.

4.1.2 Pricing

[CONFIDENTIAL TEXT DELETED – pricing policy and market activities]

GSG explained that while it and GSG Australia were related entities, the prices were set on an arms length basis and each company sought to maximise its own profit. GSG stated that it did not know what price GSG Australia subsequently sold the plate steel for in Australia to its customers.

[CONFIDENTIAL TEXT DELETED – sales arrangements with GSGA]. However, GSG explained that it bears any warranty costs incurred.

[CONFIDENTIAL TEXT DELETED – pricing policy]. It explained that with DSM, **[CONFIDENTIAL TEXT DELETED – how price is determined between GSG and DSM]**

4.1.3 Ordering process and pricing

GSG advised that during the investigation period GSG exported the goods under consideration to only one customer, GSG Australia. GSG Australia is 100% owned by the GS Group. GSG explained the ordering process as follows:

- **[CONFIDENTIAL TEXT DELETED – detailed sales process]**

4.1.4 Shipping and delivery terms

GSG explained that it purchased plate steel from DSM on **[CONFIDENTIAL TEXT DELETED – inland freight arrangement]**. In practice, GSG arranged pickup of the goods from DSM's factory using a delivery company called **[CONFIDENTIAL TEXT DELETED – name of company]**. **[CONFIDENTIAL TEXT DELETED – name of company]** then delivered the goods to the port specified by GSG. **[CONFIDENTIAL TEXT DELETED – details of inland freight arrangement]**.

GSG explained that it generally sold steel plate to Australia on **[CONFIDENTIAL TEXT DELETED – sales terms]**. It explained **[CONFIDENTIAL TEXT DELETED – details of export freight arrangement]**.

4.2 Date of sale

We noted that in the Australian sales spreadsheet some sales had a difference between the date of sale and invoice date. GSG explained that the date of sale in the sales listing was extracted from its accounting system. In the accounting system sales were recorded as being made at the time of shipment. While this was usually the invoice date, in some instances, shipment may be delayed. We explained to GSG that the Commission usually uses the invoice date as the date of sale unless the company could provide reason for another date to be used. GSG stated that it did not consider that another date should be used and accepted that the invoice date was representative of the date of sale.

4.3 Upwards verification to the audited financial accounts

GSG explained that it had **[CONFIDENTIAL TEXT DELETED – number]** sales teams, **[CONFIDENTIAL TEXT DELETED – number]** of which were for steel sales. GSG provided us with a table listing the sales revenue from each team and we could reconcile the total to GSG's total sales revenue listed in its audited financial statements.

GSG explained that its sales of DSM's plate steel to Australia were made by steel sales team 3. It therefore provided us with a breakdown of the sales made by steel team 3 including its export sales, the different products exported and the value and volume of plate steel from different suppliers. The totals of these breakdowns could be reconciled to the revenue listed for steel sales team 3. GSG also provided us with printouts from its SAP system to support the figures shown.

We noted that two sets of figures were included in some of the tables and reflected in SAP, due to adjustments for exchange rates. GSG explained that **[CONFIDENTIAL TEXT DELETED – accounting practice relating to exchange rate]**.

We asked GSG to demonstrate which of steel sales team 3's sales of DSM's steel plate were made to Australia. It ran a search in SAP on sales to Australia and produced a list of sales. However, it explained that in its system, sales to Australia (and GSG Australia) included both sales to Australia and New Zealand. It explained that the sales could be differentiated because sales to Australia were made in **[CONFIDENTIAL TEXT DELETED – currency]** while sales to New Zealand were made in **[CONFIDENTIAL TEXT DELETED – currency]** and the currencies were recorded in the sales listing. We selected several of the sales made in **[CONFIDENTIAL TEXT DELETED – currency]** and confirmed that the destination ports for these sales were in New Zealand. We then totalled the Australian sales and were able to reconcile the total to the Australian sales spreadsheet.

To ensure that there were no other sales of DSM's plate steel to Australia we asked to see the sales listings for the other steel sales teams and sought the relevant SAP printouts reports. We found that steel sales team 1 sold **[CONFIDENTIAL TEXT DELETED – other sales]**. **[CONFIDENTIAL TEXT DELETED – export sales not related to Australia]**.

We were therefore satisfied that GSG's export sales listing to Australia was relevant and complete and listed all of GSG's exports to Australia of steel plate purchased from DSM.

The documents relating to the upwards verification are at **confidential attachment EXP1**.

4.4 Downward verification to source documents

Prior to the visit, the Commission selected 8 shipments and asked GSG to provide the following source documents at the verification visit:

- commercial invoices to GSG and from DSM
- freight documents
- handling charges
- bank charges
- bank documents with proof of payment to GSG by GSG Australia

In addition, GSG was asked to provide proof of payment for the exportation expenses and purchases from DSM for four of the verified shipments.

Using the documentation provided, we were able to verify the following general information:

- sales volume;
- invoice value [**CONFIDENTIAL TEXT DELETED – currency**];
- customer details;
- invoice date;
- grade
- specification;
- payment and
- date of order confirmation.

The information was verified against the data shown in the Australian export sales spreadsheet.

There were no discrepancies identified in the sample documentation.

The source documents are at **confidential attachment EXP2**.

Inland transport

As noted above, [**CONFIDENTIAL TEXT DELETED – details of inland freight arrangement**]. From the documents provided, we were able to reconcile the freight charges paid by GSG for the selected shipments to the Australian sales listing. We were therefore satisfied that the inland freight costs incurred by GSG were accurately captured in the Australian sales listing.

Handling and other charges (handling charges, broker's expense and bank charges)

GSG explained that the handling and other charges listed in the Australian sales spreadsheet included handling expenses, broker's expenses and bank charges.

It explained that handling expenses at the port included items such as wharfage and documentation fees. For each shipment it used the total handling charges to determine a unit (MT) cost and applied this to each item in the shipment. Invoices showing the handling fees incurred and the allocation calculation on a MT basis was included in the documentation for each of the selected shipments.

For the broker's expenses, GSG explained that it calculated the total broker's expense over the investigation period and the total value of the goods this expense related to. It then allocated the expense as a percentage of the value of the goods which was [**CONFIDENTIAL TEXT DELETED**

– **number**]. It provided us with documents showing the broker's fees incurred over the period which are at **confidential attachment EXP3**. GSG then allocated the broker's cost to each item on the basis of the sales value. It included a table showing this allocation in the documentation for each of the selected shipments.

GSG explained that the bank charges for each invoice were the actual bank charges incurred for that sale. It then allocated this by MT to all the items in the shipment. To demonstrate the bank charges incurred, it provided an SAP report which listed the relevant financial charges. Some of these charges it categorised as credit expenses (discussed below) and some it categorised as bank charges. It included a table showing the allocation of the bank charges in the documentation for each selected shipment.

We consider that the allocation methodologies used for the handling and other charges were reasonable. We are satisfied that these charges are accurately reflected in the Australian sales listing.

Credit

GSG identified the actual credit expense it incurred for each shipment and allocated it to each item in the shipment on the basis of MT. For the selected shipments it provided a SAP report which listed the relevant financial charges and identified which of these were credit charges and reflected the costs incurred with its payment. It also included a table showing the allocation of the costs to the items in the shipment.

We consider the allocation methodology used for the credit expense is reasonable and that the charges are accurately reflected in the Australian sales listing.

Ocean freight

GSG explained that in the Australian sales listing it recorded the actual cost of ocean freight incurred for each shipment and allocated it to different items on the basis of weight. For each of the selected sales it provided the ocean freight invoice and a table showing the allocation of the cost to each item. We noted that ocean freight was charges on MT basis in USD. GSG then converted this amount to KRW as shown in the Australian sales listing.

We consider that the ocean freight charges shown in the Australian sales listing are accurate and can be deducted from the invoice value to calculate an FOB export price.

4.4.1 Conclusion – export sales data

After our examination and verification of GSG's export sales data we consider that the Australian sales listing is complete, relevant and accurate.

4.5 Who is the exporter?

4.5.1 GSG's views

Prior to the visit GSG provided a joint submission with DSM regarding who it considered to be the exporter in the sales to Australia and why (**confidential attachment EXP4**). GSG argues that while DSM manufactures the goods and sells plate steel domestically and to other countries, in regards to sales to Australia, GSG is the exporter. GSG considers DSM's role in this process to be **[CONFIDENTIAL TEXT DELETED – characterisation of DSM as instrument of GSG so far as GSG's export to Australia concerned]**.

GSG considers itself to be the principal in the sale of the goods to Australia as it arranges and carries out all the aspect of the exportation. GSG argues that it selected the Australian market and does not sell there at the request of DSM. GSG sets the price to Australia, negotiates with customers and collects its own market intelligence. GSG argues that it, rather than DSM, is the price setter for the Australian market and that it **[CONFIDENTIAL TEXT DELETED – commercial risk position of GSG in relation to export sales to Australia]**.

GSG contrasted this pricing and sales process with its sales of plate steel from **[CONFIDENTIAL TEXT DELETED – name of other supplier]**. In these transactions GSG did not consider itself to be the exporter. In the sales of **[CONFIDENTIAL TEXT DELETED – name of other supplier]** materials, GSG confirms the price with **[CONFIDENTIAL TEXT DELETED – name of other supplier]**, adds a small commission and then confirms the price with the Australian customer. GSG notes that its profit on plate steel from **[CONFIDENTIAL TEXT DELETED – name of other supplier]** was about **[CONFIDENTIAL TEXT DELETED – number] %**, while its profit on plate steel from DSM averaged at approximately **[CONFIDENTIAL TEXT DELETED – number] %** during the investigation period.

GSG also argues that it arranges the logistics of exportation including inland transport, shipping, customs clearance, port handling charges and shipping. GSG also holds the currency risk with the shipments to Australia made in **[CONFIDENTIAL TEXT DELETED – currency]**.

4.5.2 The visit team's assessment

The Act does not contain any guidance on who in a transaction is the exporter. However, the dumping and subsidy manual states that:

The Commission will identify the exporter as:

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

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

The manual goes onto state that:

Depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will only occur where the intermediary has purchased the goods from the manufacturer; the manufacturer has no knowledge at all that the goods are destined for export to any country; and the essential role of the intermediary is that of a distributor rather than a trader and because it is acting more like a distributor intermediary may usually have its own inventory for all export sales.

We note that in this instance, DSM meets the exporter requirements of the manual in that it placed the goods knowingly in the hands of a freight company for delivery to Australia and that it owned the goods, although it was not the owner at the time the goods were shipped to Australia. It was also aware of the destination of the goods. Although GSG argues that it sets the price to Australia, at the time DSM accepts the price offer by GSG it does so knowing that the goods are

ultimately destined for export to Australia and knowing the price those same goods would attract if sold by it domestically.

GSG [**CONFIDENTIAL TEXT DELETED – commercial issue relating to sales practice of GSG**]. Therefore, GSG does not meet the Commission's requirements to be named the exporter.

We therefore consider DSM to be the exporter in relation to its manufactured goods that are sold to the Australian market.

4.6 Arms length

In respect of DSM's sales to GSG we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We consider that sales of hot rolled plate steel exported by DSM to Australia via GSG were arm's length transactions.

4.7 Export price – preliminary assessment

We consider that the export price for hot rolled plate steel purchased from DSM and exported by GSG can be determined using TAB(1)(a) using the price paid or payable by GSG to DSM, other than any part of the price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

GSG's exports to Australia are at **confidential appendix 1**.

5 COSTS

5.1 General

In the exporter questionnaire response GSG provided a cost to make and sell (CTMS) spreadsheet which listed its cost of purchasing the goods from DSM and the additional costs it incurred, including ocean freight and selling, general and administrative expenses, in its sales to Australia.

As GSG is not the manufacturer of the goods under consideration GSG costs cannot be used for any normal value purposes. However, an examination of these costs provided an additional level of certainty in the verification that all export sales have been captured and also provides information regarding potential adjustments.

5.2 Verification of purchases upwards to audited financial statements

In the CTMS spreadsheet provided by GSG in the exporter questionnaire response it listed the purchase cost of the steel plate from DSM by product model code and month. We were able to reconcile the purchase volume and value of steel plate in the CTMS spreadsheet to DSM's Australian sales listing. We were also able to reconcile the volumes in the CTMS spreadsheet to GSG's Australian sales listing.

GSG provided us with documents to reconcile its purchases from DSM, as listed in the CTMS spreadsheet to its audited financial accounts. GSG's audited financial accounts list the total cost of goods sold (COGS) for the 2012 financial year. GSG provided us with a SAP report, the total of which reconciled to the audited financial report, and showed the breakdown of COGS and sales revenue by sales team. From this report we were able to identify the COGS for steel sales team 3, which as previously mentioned was the only sales team which sold plate steel from DSM to Australia.

GSG then provided us with a SAP report which listed the sales revenue and COGS for each product type sold by steel sales team 3 and then another report which listed the sales revenue and COGS for steel plate sales made by steel sales team 3 by customer. From this list we were able to identify sales to GSG Australia.

GSG selected sales in one month (March 2012) to GSG Australia to show us the detail of what costs went into the COGS. It provided us with a report showing the breakdown in SAP and we could identify that the COGS included the purchase cost, commission where applicable and ocean freight. GSG explained that handling costs were recorded in selling expenses as was inland freight.

We were able to reconcile the COGS sold listed in the March 2012 SAP report for sales to GSG Australia to the CTMS spreadsheet.

Documents relating to the verification of purchase costs to the audited financial statements are at **confidential attachment CTMS1**.

5.3 Verification of purchases downwards to source documents

We requested that GSG provide us with the invoices for the purchase of plate steel from DSM for each of the selected shipments. These were included in the documents for the selected

shipments at confidential attachment EXP2. We were able to reconcile the value and volume of these invoices to DSM's sales listing to GSG. We were also able to reconcile the volume of these invoices to their associated invoices in GSG's Australian sales listing.

5.4 Selling, general and administrative expenses

Prior to the visit GSG provided us with a revised selling, general and administrative (SG&A) expenses worksheet (**confidential attachment SG&A1**) which showed these expenses and their allocation to steel sales team 3, hot rolled plate to Australia and hot rolled plate to other countries. Costs were allocated to products on the basis of revenue. GSG calculated that sales of hot rolled plate to Australia incurred an SG&A cost of **[CONFIDENTIAL TEXT DELETED – number]**% of the sales value of those goods.

To demonstrate these SG&A costs GSG provided us with the excerpts from its audited financial statements which showed SG&A and finance costs and the profit and loss statement for the 2012 financial year from its SAP system. While some expenses were allocated or categorised differently in SAP and in the financial statements we were able to reconcile the costs in both to the allocation worksheet used to calculate SG&A.

We consider this allocation methodology to be reasonable and consider that this accurately reflects the SG&A costs. The SG&A excerpts from the audited financial statement and the 2012 profit and loss statement is at **confidential attachment SG&A2**.

5.5 Costs – preliminary assessment

After reviewing and verifying the purchasing and cost data from GSG, we are satisfied that the Australian sales listing contains all of GSG's exports to Australia of plate steel purchased from DSM. We are also satisfied that the SG&A costs for exports to Australia are reasonable and can be used for the purpose of making adjustments to the normal value if required.

6 Normal value and adjustments

6.1 Normal value – preliminary assessment

As discussed in Chapter 5, we consider that DSM is the exporter in relation to sales of its product to Australia. As such we consider that the normal value for GSG's export sales to Australia can be determined with reference to DSM's domestic sales and costs information under s. 269TAC(1) and (2)(c). Detailed normal value calculations with adjustments are contained in the visit report for DSM.

7 APPENDICES AND ATTACHMENTS

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| Confidential Appendix 1 | Australian export sales |
| Confidential Appendix 2 | Normal value and dumping margin |
| Confidential Attachment GEN1 | Visit agenda |
| Attachment GEN2 | GSG brochure |
| Confidential Attachment GEN3 | Document flow for sales and costs in SAP |
| Confidential Attachment GEN4 | 2012 English financial statements |
| Confidential Attachment GOODS1 | Product codes |
| Confidential Attachment EXP1 | Documents relating to upwards sales reconciliation |
| Confidential Attachment EXP2 | Source documents for selected export sales |
| Confidential Attachment EXP3 | Source documents for broker's fees |
| Confidential Attachment EXP4 | Joint submission with DSM regarding who is the exporter |
| Confidential Attachment CTMS1 | Documents relating to verification of purchase costs to financial statements |
| Confidential Attachment SG&A1 | SG&A Allocation |
| Confidential Attachment SG&A2 | Documents supporting SG&A costs |