



Australian Government
Australian Customs and
Border Protection Service

**INVESTIGATION INTO THE ALLEGED DUMPING AND
SUBSIDISATIONS OF CERTAIN HOLLOW STRUCTURAL
SECTIONS**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA, MALAYSIA, THE
REPUBLIC OF KOREA, TAIWAN AND THAILAND**

IMPORTER VISIT REPORT

STEMCOR AUSTRALIA PTY LTD

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

March 2012

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2 BACKGROUND AND PURPOSE**2.1 Background to the current investigation**

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd (ATM, the applicant) an Australian manufacturer of HSS, lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of HSS exported to Australia from The People's Republic of China (China), The Republic of Korea (Korea), Malaysia, Taiwan and Thailand and a countervailing duty notice in respect of HSS exported to Australia from China.

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

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011.

Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at www.customs.gov.au.

The investigation period is 1 July 2010 to 30 June 2011. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 July 2007 for injury analysis.

Prior to initiation of the investigation, Stemcor Australia Pty Ltd (Stemcor) was identified as a potential large importer of HSS from China, Korea, Malaysia and Taiwan in the investigation period in Customs and Border Protection's commercial database. Consequently, Stemcor was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

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

2.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Stemcor is the importer of HSS attributed to it within the commercial database and to obtain information to assist in establishing the identity of the exporter(s) of this HSS;
- verify information on imports of HSS to assist in the determination of export prices;
- establish whether the purchases of HSS by Stemcor was in arms length transactions;

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- establish post-exportation costs incurred by Stemcor in importing HSS;
- identify Stemcor's sales and customers and verify sales volume, selling prices and selling costs;
- recommend how export price for importations of HSS by Stemcor may be determined under s. 269TAB of the *Customs Act 1901* (the Act)¹; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

2.3 Meeting

2.3.1 Introduction

At the meeting, Customs and Border Protection gave a general outline of the investigative process and reporting timeframes. Stemcor was also advised of the following:

- we would prepare a confidential report on the visit (this report), and before finalisation of the report, Stemcor would be given an opportunity to review the report for accuracy;
- Customs and Border Protection is required to maintain a Public Record of the investigation containing non-confidential copies of all reports, submissions, correspondence and other documents relevant to the case - we advised that the Public Record is available to interested parties; and
- a non-confidential version of this visit report would be prepared in consultation with Stemcor and placed on the Public Record.

2.3.2 Meeting Details

COMPANY	Stemcor Australia Pty Ltd
ABN	33 000 345 308
ADDRESS	Level 13, 15 Blue Street North Sydney, NSW 2060
TEL NO	02 9959 3088
FAX NO	02 9925 9844
DATE	1 December 2011

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

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PRESENT	
Stemcor	Selvam Balu, Director Luke McKay, Trader Tubular Products
Howard Consulting P/L	Merton Howard, Consultant
Customs and Border Protection	Andrea Stone, Case Manager, Operations 3 Michelle Gibson, Manager, Operations 3 Rebecca Higgins, Supervisor, Operations 3

Prior to the meeting, Customs and Border Protection forwarded an agenda to Stemcor. A copy of the agenda is at **Confidential Attachment 2**.

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

2.4 Documents provided by Stemcor

As part of the Importer Questionnaire, Customs and Border Protection provided Stemcor a copy of a download from the Customs and Border Protection commercial database, and selected a line from 12 selected shipments from this listing for further examination and verification.

As its response to Part B of the Importer Questionnaire, Stemcor completed a 'Cost to Import and Sell' importer transaction form for the selected lines for 10 of the selected shipments. Stemcor explained that the remaining 2 shipments were not the goods under consideration (see Chapter 3), namely stainless steel tubular pipe and steel bars. Stemcor provided commercial invoices for these 2 shipments which it claimed were not the goods. From these invoices Customs and Border Protection was able to verify that goods contained in these shipments did not fall within the description of goods under consideration (these invoices form **Confidential Attachment 3**).

The importer transaction form included information for the import transaction itself to the sale of that shipment to Stemcor's Australian customer. The importer transaction form has been revised following the verification to make corrections that we consider to be reasonable (as discussed throughout this report). The revised importer transaction form is at **Confidential Attachment 4**.

Within the visit agenda, we requested that Stemcor prepare packages of source documents to verify the data within the importer transaction form for each of the 10 selected shipments identified as being the goods. As requested, Stemcor prepared and supplied these documents during the verification visit (**Confidential Attachment 5**).

In addition, as Part C of its response to the Importer Questionnaire, Stemcor provided a complete transaction by transaction list of its sales of HSS for the

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investigation period (**Confidential Attachment 6**). The listing includes the customer order number, producer, quantity, invoice value and customer for each transaction.

Within the visit agenda, we requested Stemcor prepare and supply supporting documentation (invoices and proof of payment) for 10 sampled sales transactions that were selected from Stemcor's provided sales listing (Part C of the Importer Questionnaire), in addition to the sales attributed to the 10 selected shipments in the importer transaction form. Stemcor provided these documents, which form **Confidential Attachment 7**.

Stemcor provided further relevant documentation during the verification, discussed throughout this report.

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3 THE GOODS**3.1 Description**

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

certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.

Sizes of the goods are, for circular products, those exceeding 21mm up to and including 165.1mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.

The application includes the following information to clarify the nature of the goods.

Finishing

All HSS regardless of finish is included in the application.

Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

Standards

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS).

HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

Excluded goods

The following categories are excluded from the goods subject of the application:

- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);

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- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS.2556.

3.2 Tariff classification

At initiation, Customs and Border Protection understood the goods to be classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

Since initiation, the statistical codes related to these relevant subheadings have been altered, and the goods are now classified to the following tariff subheadings:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 25); and
- 7306.69.00 (statistical code 10).

The goods exported to Australia:

- from Korea and Taiwan are subject to a 5% rate of duty;
- from China and Malaysia are subject to a 4% rate of duty; and
- from Thailand using Thailand Free Trade Agreement rates are free from duty as of 1 January 2010.

There are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

4 COMPANY DETAILS**4.1 Commercial operations****4.1.1 Organisational structure of company**

Stemcor is part of the international Stemcor Group of steel trading companies, the parent company being Stemcor Holdings Ltd (Stemcor Holdings), based in London.

Stemcor described itself as an independent steel trader involved in steel trading and trading of raw materials for the production of steel

The 2010 annual report and statutory accounts for Stemcor Holdings (**Confidential Attachment 8**) describe the Stemcor Group as 'a value adding service provider whose services in the steel supply chain comprise four core competencies, in the areas of steel trading, raw materials trading, distribution and stockholding'. Stemcor Holdings' annual report also states that the company provides some financial services to the trade sector including hedging services.

Stemcor Holding's 2010 annual report also stated that the Stemcor Group traded in excess of 16.9 million tonnes of steel and raw materials and its turnover was estimated at over as 5 billion pounds sterling in 2010. Stemcor Holdings is estimated to have a network of 125 offices in 45 countries.

Stemcor advised that it has HSS, line pipe (including HSS and wire products) division, stainless steel division, long products division (plate, beams and angles) and flat products division the raw materials exports division and scrap export division as well as a New Zealand sales division.

Stemcor advised that the North Sydney office, comprising [REDACTED] staff, is Stemcor office in Australia.

4.1.2 Functions of company

Stemcor describes itself as an importer and trader of steel products. We calculated from Stemcor's management accounts for the period January to June 2011 (provided during verification and included in this report as **Confidential Attachment 9**), that HSS accounted for approximately [REDACTED]% of Stemcor's total revenue for that period.

4.1.3 Accounting

Stemcor operates on a 1 January to 31 December financial year, in line with that of its parent company. Stemcor stated that it uses [REDACTED], financial management package.

Stemcor provided its audited financial report for the year ending December 2010, and management accounts for the period January to June 2011 (**Confidential Attachment 10**). These reports indicate that for the 2010 financial year (January to December 2010) and the period January to June 2011, both Stemcor overall, and the department responsible for tubular product group, were profitable. Stemcor's audited financial report for 2010 is at **Confidential Attachment 11**.

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4.1.4 Product range

Stemcor advised that it imports a range of HSS products including rectangular, square and circular products in a variety of grades, sizes, gauges and finishes (including hot-dipped galvanised (HDG), pre-galvanised, painted, and black HSS in lightly oiled, clear coating and no outside protective coating finishes).

Stemcor advised that its HDG HSS is circular HSS (CHS).

Stemcor provided specification listing for the HSS product range it imports including, size range at **Confidential Attachment 12**.

Stemcor advised that it sources/supplies HSS to [REDACTED] grades.

Stemcor also advised that it imports/supplies HSS to [REDACTED] standards ([REDACTED]) [standards information].

4.1.5 Like goods

Stemcor confirmed that the products identified in the import list provided to them (for the 10 shipments that were not made from stainless steel) were like goods to the HSS manufactured in Australia, with the exception of HDG HSS.

Stemcor advised that it does not consider that HDG CHS should be considered collectively with other finishes of HSS and is effectively a different product.

Stemcor explained that it understands that ATM has mothballed its only HDG HSS facility at Acacia Ridge. Stemcor stated that mothballing such a facility is a major undertaking and indicates a more permanent shift towards importing HDG HSS.

Stemcor claimed that ATM's Duragal and Supergal (in-line and pre-galvanised) HSS are not substitutable for HDG HSS, having significantly different galvanised coating levels (Duragal range is only exterior coated).

When queried whether it was considered viable for Australian Industry members to outsource the HDG of Australian-produced CHS, Stemcor advised that CHS is generally air blown and chromated and requires a dedicated facility and not a general purpose hot dip galvanised facility used by fabricators for HDG fabricated structures. Stemcor advised that without air blowing and chromating, the galvanised surface on CHS is not uniform and lasting. Stemcor suspects that inadequate HDG facilities in Australia to HDG complete CHS galvanised requirements.

Stemcor asserted that the Australian Standards AS1163 (structural grade) and AS1074 (non-structural grade) were not substitutable as many non structural applications and accessories are made to compliment the AS1074 dimensions, for example, farm gate and panels, fire fighting fittings and signpost caps etc and are therefore not substitutable for AS1163. Stemcor advised that each of these specifications have different wall thickness and tolerances.

4.2 Relationship with suppliers of the goods

Stemcor advised that it purchased GUC from multiple suppliers over the investigation period. Stemcor provided a listing of its suppliers of HSS, identifying its [REDACTED] at **Confidential Attachment 13**.

5 AUSTRALIAN MARKET

5.1 General

Stemcor submitted that HSS market in Australia has not recovered since the global financial crisis (GFC), this is largely due to weak activity in the construction sector.

Stemcor noted the entrance of Independent Tube Mills (ITM) in the Australian market during the investigation period, and claimed that the lost sales experienced by ATM, can be attributed to the market share gained by ITM.

Stemcor also stated that the appreciation of the Australian dollar and increases of imports of pre-fabricated products have impacted the Australian HSS market over the investigation period.

5.2 Stemcor's sales

5.2.1 Ordering and sales process

Stemcor advised that it has no long-standing contracts or agreements with its Australian customers for the goods. It stated that it does not maintain price lists and that it negotiates prices for each sale. All pricing is offered on a shipment-by-shipment basis.

Stemcor's pricing is based on product offers received from overseas steel mills plus its costs and a margin. Based on these prices, Stemcor makes offers to Australian customers. Once orders are confirmed, Stemcor places orders with the mills, arranges importation of goods, delivers and sells the goods to its Australian customers under agreed terms.

Stemcor's purchases from the overseas steel mill are in \$ [redacted] and this is set at the date of order. If the currency moves between the offer and the date of order by customer, Stemcor advises the customer of this variation. [redacted]

[redacted] [confidential pricing arrangement].

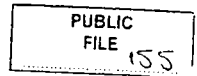
Stemcor delivers the goods to its customers [redacted]. Stemcor explained that most of its imported HSS is contractually pre-sold to customers and that it rarely holds stock for its customers. Stemcor informed that payment terms vary between customers [redacted].

5.2.2 Date of sale

Stemcor stated that the price between it and its customers (as well as between Stemcor and its suppliers) is set at the date of order confirmation not at the date of invoice.

[redacted] [confidential pricing arrangement].

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We consider that further consideration of this issue is warranted by case management.

5.2.3 Sales verification

Accuracy – verification to source documents

As discussed at Section 2.4, Stemcor provided:

- source documents for 10 selected shipments detailed within its importer transaction form, which included Stemcor's invoices to its Australian customers (within Confidential Attachment 5); and
- invoices and proof of payment (in the form of remittance advices and bank statement extracts) for 10 sales selected by Customs and Border Protection from Stemcor's sales listing (Confidential Attachment 7).

We matched the invoice details (value, quantity, invoice date, delivery terms and credit terms) for the selected sales to Stemcor's sales listing. We observed that one of the selected sales varied in volume and value to the sales listing. We noted that Stemcor's sales listing rounded volumes and values, to whole numbers resulting in some variation to the invoiced volume and value. We matched the amounts invoiced to remittance advices (where provided) to the provided bank statement extracts that displayed the payment of these invoices to Stemcor's account.

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

Completeness and relevance – verification to Stemcor's accounts

We requested Stemcor provide us with documents to conduct an upwards reconciliation by adding other sales (non-HSS sales) to Stemcor's Part C sales listing submitted in the importer questionnaire response (Confidential Attachment 6).

Stemcor provided:

- a general ledger statement for the period January to June 2011, showing details for all accounting departments of total income, cost of goods sold, overheads and gross profit at Confidential Attachment 9;
- a detailed sales listing for the period January to June 2011 for the for the product lines 'gas & water tube' and 'hollow sections' (i.e.HSS) of Department [REDACTED] (Confidential Attachment 14); and
- a detailed sales listing for all other products attributed to accounting HSS Department [REDACTED] (Confidential Attachment 15).

We noted that Stemcor's detailed sales listing for HSS with Department [REDACTED] (Confidential Attachment 13) included HSS product from [REDACTED] [confidential – supply information] was easily identifiable and by deducting the total of HSS we were able to reconcile this to the total HSS sales value for the period January to June 2011 within Stemcor's Part C detailed sales listing (Confidential Attachment 6).

We verified the detailed sales listing of all other products for Department [REDACTED] (Confidential Attachment 14) together with the sales for HSS (Confidential

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Attachment 13), reconciled (with a minor discrepancy of less than 1 percent) to the general ledger statement (Confidential Attachment 9) for the income value for Department-█

We found no evidence of any non-HSS sales within Stemcor's Part C.

Consequently we are reasonably satisfied that Stemcor's Part C sales listing is a complete and relevant record of Stemcor's HSS sales for the investigation period.

5.2.4 Profitability of sales

Stemcor calculated the total profit for each of the 10 selected shipments (total selling price minus total cost to import and sell) in the importer transaction form.

This displayed that █ profitable. The range of profit for the selected transactions was as between calculated █%.

We observed that the one unprofitable sale related to a quality insurance claim, █
█ [confidential – sales information].

We observed that overall the shipments were profitable, with an average profit of █ percent.

These profitability calculations are within Stemcor's Importer Transaction Form (Confidential Attachment 5).

6 IMPORTS

As mentioned in Section 2.4, Stemcor provided source documents to verify that data in its importer transaction form for the 10 selected shipments (Confidential Attachment 5).

These source documents included the relevant:

- purchase order and sales contract;
- supplier invoice and packing list;
- Bill of Lading;
- shipping invoice (where applicable);
- customs clearance and entry fee charges invoice;
- port charges invoice;
- Stemcor's invoice(s) to customers;
- invoices for domestic inland transportation;
- evidence of commission charges; and
- customer payment details.

6.1 Volume of trade

Based on data from Customs and Border Protection's commercial database, Stemcor imported [REDACTED] tonnes of HSS during the investigation period.

Stemcor has advised that imports from [REDACTED] [REDACTED] are for [REDACTED] products which are not the goods, it has also advised that the reported volume from this exporter has been entered into the Customs commercial database incorrectly.

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

6.2 Forward orders

Stemcor's Importer Questionnaire response indicated that there were [redacted] forward orders.

Stemcor supplied the purchase order in respect of these forward orders. See **Confidential Attachment 16**.

6.3 Verification of imports

As discussed at Section 2.4, we obtained source documents for HSS exported to Australia for the 10 sampled shipments (Confidential Attachment 4).

6.3.1 Supplier invoice details

We matched the invoice prices, volume and supplier details for 9 of the selected 10 shipments on the importer transaction form to the supplier invoices. In relation to shipment [redacted] we noted a minor discrepancy in the amount recorded as the invoiced amount and the amount stipulated in the commercial invoice. We have amended the importer transaction form to reflect the commercial invoice.

We confirmed that all shipments were invoiced at [redacted] and that the listed credit terms ([redacted]) were correct.

Invoices were in \$[redacted]. Within the importer transaction form, Stemcor converted invoice prices (and other costs) to \$[redacted]. Stemcor provided evidence in the form of [redacted]. Stemcor explained that [redacted] to an amount in question. It appears from a comparison of the importer transaction form and the [redacted] that out of the 10 sampled shipments 2 applied a [redacted] [confidential – importation methodology].

We observe that the \$AU calculations in Customs and Border Protection's commercial database are converted using the exchange rate on the date of the customs entry.

6.3.2 Shipment costs

Under the heading of 'Shipment Costs' in the importer transaction form, Stemcor entered amounts for [redacted] and [redacted] [confidential information – shipment costs]. We found in relation to shipment X, a minor discrepancy in the amount recorded for [redacted] and the amount stipulated on the [redacted] invoice, the importer transaction form has been amended to reflect the [redacted] invoice.

Stemcor provided a copy of its [redacted] policy (**Confidential Attachment 17**) for the period 31 December 2010 to 31 December 2011. We observed from this policy the method of calculating the [redacted] amount based on [redacted].

We note that this differs from the percentage used Stemcor's importer transaction form to calculate [redacted]. We have amended the importer transaction

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from using the [REDACTED] rate observed in the [REDACTED] policy.

We note that [REDACTED] policy did not cover the period 30 June to 31 December 2010, however the absence of evidence of the [REDACTED] rate for this period, we consider the [REDACTED] rate of [REDACTED] percent reasonable to use across the investigation period.

Weighted average [REDACTED] and [REDACTED] rates have been calculated based on the data within the importer transaction form, and are summarised in the below table.

Item	Average cost \$AU/T
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	\$ [REDACTED]

6.3.3 Importation costs

Under the heading of 'Australian Importation Costs' in the importer transaction form, Stemcor entered amounts for [REDACTED] fees, [REDACTED] fees, [REDACTED] fees, [REDACTED] charges, [REDACTED] charges and [REDACTED] charges [confidential information – importation costs].

We consider that [REDACTED] charges in fact relate to Stemcor's selling costs rather than importation costs, and re-located them under this cost category in the importer transaction form (discussed below).

We compared the amounts recorded with the provided [REDACTED] relevant invoices to the importer transaction form. Some minor discrepancies were found and the data reported in the importer transaction form was adjusted accordingly.

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

Item	Average cost \$AU/T
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Total	\$ [REDACTED]

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

We noted on the importer transaction form that Stemcor calculated selling, general and administration (SG&A) costs for each of the selected shipments based on an SG&A estimate of [REDACTED] % of sales revenue.

As noted above, Stemcor provided a general ledger statement for the period January to June 2011 (Confidential Attachment 9). From this general ledger statement, we were able to calculate an SG&A cost by [REDACTED]

[REDACTED]. Using this methodology, we calculated an SG&A estimate of [REDACTED] % of sales revenue, and the importer transaction form was amended to reflect this SG&A amount.

Stemcor included a [REDACTED] charge [confidential information - SG&A cost] in the importer transaction form under the SG&A expenses. Stemcor supplied a copy of its [REDACTED] policy evidencing the [REDACTED] rate for the period [REDACTED] (Confidential Attachment 18).

We observed that this rate differed from the rate Stemcor used in the importer transaction form. Stemcor explained that the rate it used came from [REDACTED]. We amended the importer transaction form to reflect the [REDACTED] rate as stipulated in the [REDACTED] policy.

Stemcor included a further [REDACTED] [confidential information - SG&A cost] under the SG&A expenses. Stemcor explained that this charge reflected [REDACTED]. Stemcor calculated this charge by [REDACTED]

Stemcor provided evidence in the form of invoices and evidence of payment to support the [REDACTED] charge [confidential information - SG&A cost] included in the importer transaction form under the SG&A expenses. [REDACTED] was charged in \$ [REDACTED] and Stemcor provided evidence of [REDACTED] for this charge. We observed that [REDACTED] shipments incurred [REDACTED] charges and the [REDACTED] rates ranged from [REDACTED] per tonne.

Stemcor advised that the [REDACTED] [confidential information - SG&A cost] amount included in the importer transaction form reflected the [REDACTED]

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[redacted] [confidential information – methodology to calculate cost].

Stemcor advised that [redacted] charges [confidential information – SG&A cost] as included in the importer transaction form (originally included as part of the importation costs) was calculated at a rate of [redacted]%. We consider this to be a reasonable estimation of these charges.

Using the verified data in the importer transaction form, weighted average SG&A costs, (inclusive [redacted]-charge, [redacted] fee, [redacted] and [redacted]) in \$AU/Tonne were calculated as \$ [redacted].

6.5 Export prices for selected shipments

Based on verification of 10 of the selected shipments, we calculated weighted average FOB export price (in AUD) for the goods over the investigation period.

These calculations are summarised in the below table.

HSS Type	Total
Painted	[redacted]
Gal Pipe (HDG)	[redacted]
Pre Gal	[redacted]
Black	[redacted]
Total weighted average export price	[redacted]

7 WHO IS THE IMPORTER AND EXPORTER

7.1 Who is the importer?

We have reviewed the documents provided by Stemcor in respect of the selected shipments. We note that, for imports from all suppliers, Stemcor:

- negotiates directly with the suppliers;
- is named as the consignee on the bill of lading;
- is named as the buyer on supplier invoices;
- arranges and pays for ocean freight and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port;
- retains ownership of the goods until they are delivered to its customers; and
- bears the risk of its customers defaulting on purchase agreements with Stemcor.

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

7.2 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

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

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, Customs and Border Protection considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

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Subject to further inquiries, we are satisfied that [REDACTED]

[REDACTED] [suppliers] can be considered exporters of HSS imported by Stemcor.

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

To our knowledge, Stemcor's supplier [REDACTED] is a trader of HSS. We have insufficient information to identify the exporter for its shipments. Further enquiries with this entity should be undertaken to ascertain the exporter of goods supplied through this trader.

8 ARMS LENGTH

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

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

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

Stemcor stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Stemcor advised that the invoice price was the price paid.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of HSS, that:

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

We are satisfied that import transactions between Stemcor and its suppliers are at arms length in terms of s. 269TAA.

9 GENERAL COMMENTS

Stemcor raised the following the matters;

- Stemcor submitted that overseas HSS mills source HRC from mills in the region and focus on producing/ selling HSS to meet the needs of users in their vicinity. If they source HRC from far away mills and compete with further away mills from their local market, they would not be competitive due to trucking / shipping costs.
- Stemcor provided data comparing the hot rolled coil prices and conversion costs, these documents form **Confidential Attachment 18**. This data was sourced from the Japanese Iron Steel Corporation, [REDACTED] and from [REDACTED]. From this information Stemcor constructed [REDACTED] sell prices and compared-these to selling prices of their [REDACTED]-suppliers, advising that no dumping could be occurring; and
- Stemcor believes that HSS is sold by overseas mills as a commodity in compliance to specifications.

10 RECOMMENDATIONS

10.1 Exporters

From our investigations with Stemcor, we are of the opinion that, for the goods imported by Stemcor directly from [redacted]

[redacted] and [redacted]

[suppliers]:

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

Subject to further inquiries with these exporters, we recommend that the export price for HSS imported by Stemcor from [redacted]

[redacted]

[suppliers] can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

10.2 Traders

We are of the opinion that, for the goods imported by Stemcor from [redacted] [redacted]-[supplier], the goods have been exported to Australia otherwise than by the importer, Stemcor. However, we do not have sufficient information to determine whether the goods have been purchased from the exporter.

Subject to further inquiries in relation to these shipments, we recommend that the export price for HSS imported by Stemcor from [redacted] [redacted] [supplier] can be established under s.269TAB(1)(c) or s.269 TAB(3) of the Act.

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11 ATTACHMENTS

Confidential Attachment 1	Stemcor's response to the Importer Questionnaire (Part A)
Confidential Attachment 2	Visit agenda
Confidential Attachment 3	Invoices for 2 selected shipments that are not the goods
Confidential Attachment 4	Revised importer transaction form
Confidential Attachment 5	Source documents for 10 selected shipments
Confidential Attachment 6	Part C Sales Listing
Confidential Attachment 7	Source documents for ten selected sales
Confidential Attachment 8	Stemcor Holdings Limited 2010 Report & Accounts
Confidential Attachment 9	General ledger statement for January to June 2011
Confidential Attachment 10	Stemcor's audited financial report for 2010
Confidential Attachment 11	HSS product range
Confidential Attachment 12	List of HSS suppliers
Confidential Attachment 13	Sales listing for 'gas & water' and 'hollow section'
Confidential Attachment 14	Sales listing for all non- HSS products in Department ■
Confidential Attachment 15	Purchase order for forwards
Confidential Attachment 16	■■■■■■■■■■ policy
Confidential Attachment 17	■■■■■■■■■■ policy
Confidential Attachment 18	Japanese, ■■■■■ and ■■■■■ coil and ■■■■■ costs