



Australian Government

Australian Customs and
Border Protection Service**INVESTIGATION INTO HOLLOW STRUCTURAL SECTIONS
(HSS)****RECORD OF MEETING****CUSTOMS AND BORDER PROTECTION AND STEELFORCE TRADING
(STEELFORCE)****Date:** Monday, 14 May 2012**Attendees:**Steelforce GroupPatrick Elliott
*Partner, Next Capital*Rod Corkill
*CEO, Steelforce Australia Ltd*Matt Gerrard
*Group Financial Controller, Steelforce
Australia Ltd*Justin Lin
*Deputy General Manager, Dalian
Steelforce Hi-Tech Co Ltd*Customs and Border ProtectionGeoff Gleeson
*Director, Operations 3*Andrea Stone
*Manager, Operations 3*Rebecca Higgins
*Supervisor, Operations 3*An Chew
*Supervisor, Operations 2***Discussed:**

- 1) Treatment of VAT in the uplift of HRC costs
 - Steelforce submitted that for the purposes of the "HRC Uplift" calculations, all costs (including non-refundable VAT) associated with the cost of HRC should be included in the Steelforce Dalian HRC costs for comparison to the benchmark pricing.
 - Steelforce made clear that it does not consider this issue to be of the nature of a VAT adjustment or a double counting of the VAT in the constructed normal value.
- 2) HRC Uplift Calculation and impact on the Constructed Normal Value Calculations
 - Steelforce submitted that Customs and Border Protection should calculate separate quarterly HRC uplift rates for Black and Galvanised HRC.
- 3) Steelforce reiterated its earlier submissions which are contained in the meeting record of 30 April 2012.

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Steelforce provided a non-confidential version of its meeting agenda/ notes which is attached to this record of meeting.

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**DALIAN STEELFORCE
MEETING WITH AUSTRALIAN CUSTOMS
MONDAY, 14 MAY 2012**

1. Treatment of VAT in the HRC uplift Calculation

Steelforce Dalian HRC cost comparison to "Benchmark" costs

- The "HRC uplift" calculation is a distinct and very separate exercise to the calculation of the Constructed Normal Values of Dalian Steelforce.
- The HRC Uplift calculation is carried out to determine a **difference** to the benchmark HRC costs, and **not** carried out to determine a value.
- The significant flaw with the HRC Uplift calculation is that a key cost component of the Steelforce Dalian HRC has not been included in the Dalian Steelforce HRC costs.
- Non-refundable VAT is a cost component of HRC and a cost to the Dalian Steelforce business.
- We are **not** requesting a VAT adjustment as such. We are requesting that all cost components of the Dalian Steelforce HRC be included in the Dalian Steelforce HRC costs for the purposes of the HRC Uplift calculation.

Inclusion of the VAT costs associated with the HRC for the purposes of the HRC Uplift calculation does NOT mean double counting of VAT in the Constructed Normal Value calculation

- The HRC uplift calculation is carried out to determine a **difference, being a percentage uplift factor**, to the benchmark HRC costs, and **not** carried out to determine a value.
- Inclusion of the VAT costs associated with the HRC in the HRC uplift calculation does NOT mean double counting of VAT in the Constructed Normal Value calculation.
- All costs, including non-refundable VAT, associated with procuring the HRC should be included in both the Dalian Steelforce HRC and benchmark HRC costs as there needs to be a like for like comparison for both costs.
- Because the cost-to-cost comparison is a comparison of price paid by HSS suppliers, it is all elements of the price paid in the two places that are to be included. If Customs takes the view that part of the price is non-refundable VAT, as it is clearly doing in its calculation methodology, then it is the full up cost in the two places that is required to be compared. That means that any non-refundable VAT in the respective places is legitimately included in the cost comparison, and NOT the addition of Chinese VAT to a foreign benchmark.

The constructed Normal Value calculation for Dalian Steelforce were based on HRC costs and other costs inclusive of an 8% VAT

- It is **incorrect** to suggest that *"The constructed normal value calculations for Dalian Steelforce were based on HRC costs exclusive of VAT"*.
- The constructed normal value calculations prepared by Customs include **[CONFIDENTIAL TEXT DELETED]**. By virtue of this adjustment, Customs must acknowledge that the HRC costs used in the calculation of the constructed normal value include the VAT cost component.
- Therefore the HRC cost to the business is the cost including the non-refundable VAT.

2. HRC Uplift Calculation and impact on the Constructed Normal Value calculations

- It would appear that by calculating the HRC uplift margins and applying these margins to the Steelforce HRC costs in the Constructed Normal Values calculations, Customs is attempting to substitute Dalian Steelforce HRC costs per tonne with the benchmark costs per tonne.
- Dalian Steelforce has calculated the quarterly average HRC costs per tonne for both Black and Pregal Coil used by Customs in the Constructed Normal Value calculations and made direct comparisons to the benchmark HRC costs per tonne.
- There are material differences between these rates as follows:

[CONFIDENTIAL TEXT DELETED]

- Given that benchmark HRC costs have been calculated **[CONFIDENTIAL TEXT DELETED]**.
- Use of the **[CONFIDENTIAL TEXT DELETED]** results in a much closer outcome when comparing the quarterly average HRC costs per tonne **[CONFIDENTIAL TEXT DELETED]** as follow:

[CONFIDENTIAL TEXT DELETED]

- We request that the Constructed Normal Value calculations be amended to include **[CONFIDENTIAL TEXT DELETED]**
- The request for the calculation of **[CONFIDENTIAL TEXT DELETED]** Black and Galvanised HRC should in no way been interpreted as acceptance by Steelforce of the benchmark pricing. For the reasons outlined in the previous submission and items 4. and 5. below, we have major concerns with the benchmark pricing used in the calculation of constructed normal values.