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Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

REVIEW OF MEASURES 499

CONTINUATION INQUIRY 505

**ALLEGED DUMPING OF HOT ROLLED STRUCTURAL STEEL
EXPORTED TO AUSTRALIA FROM JAPAN, THE REPUBLIC OF
KOREA, TAIWAN AND THE KINGDOM AND THAILAND**

VERIFICATION VISIT REPORT - IMPORTER

SANWA 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 THE ANTI-DUMPING COMMISSION**

March 2019

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1 BACKGROUND

On 3 January 2019, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated a review of measures (Review 499) into the alleged dumping of hot rolled structural steel (HRS) exported to Australia from Japan, the Republic of Korea (Korea), Taiwan (except exports by Feng Hsin Steel Co Ltd) and the Kingdom of Thailand (Thailand). Notification of the initiation of Review 499 was published on the Commission's website in Anti-Dumping Notice (ADN) No. 2019/02.¹ The background relating to the initiation of this review is contained in Consideration Report 499.²

On 11 February 2019, the Commissioner initiated a continuation inquiry (Continuation Inquiry 505) in respect of the anti-dumping measures applying to exports of HRS from Japan, Korea, Taiwan (except exports by Feng Hsin Steel Co Ltd) and Thailand. Notification of the initiation of Continuation Inquiry 505 was published on the Commission's website in ADN No. 2019/21.³

ADN No. 2019/21 noted that the applicant, the countries under review, the respective importers and exporters and the period of examination in Review 499 are identical to that of Continuation Inquiry 505. Therefore for the purposes of Continuation Inquiry 505, the Commissioner intends to have regard to matters considered relevant to the inquiry, including the variable factors established in Review 499, to assess whether dumping has occurred during the continuation inquiry period, and whether dumping is likely to continue or recur if the anti-dumping measures are not continued.

Following the initiation of Review 499 and Continuation Inquiry 505, the Anti-Dumping Commission (the Commission) wrote to Sanwa Pty Ltd (Sanwa) and other importers of HRS inviting them to cooperate with the review and continuation inquiry. Sanwa cooperated with the review and continuation inquiry and completed the importer questionnaire and relevant attachments.

¹ No. 003 of the public record for Review 499 refers

² No. 002 of the public record for Review 499 refers

³ No. 002 of the public record for Continuation Inquiry 505 refers

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of Sanwa's sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

2.1.1 Exception 1 – sales to non-Australian customers

Sanwa advised its customers of HRS were located in Australia and other countries and that its sales listing only included sales to Australian customers.

The verification team identified that sales to a customer which had been classified by the importer as a non-Australian customer were delivered to locations within Australia. The verification team updated the sales listing to include these sales.

One sale to a non-Australian customer was included in the sales listing in error. The sales listing was amended by the verification team to remove this sale.

The verification team were satisfied that the updated sales listing is relevant and complete.

2.2 Verification of sales to source documents

The verification team verified the accuracy of Sanwa's sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

2.3 Related party customers

The verification team did not find any evidence that Sanwa is related to any of its customers during the review and continuation inquiry period.

3 IMPORTS

3.1 The goods

Sanwa confirmed that it imported the goods from Taiwan during the review and continuation inquiry period, which matches the description of the goods that are the subject of the applications. The goods imported by Sanwa are prime HRS in various shapes with a minimum yield strength of greater than or equal to 265 MPa⁴.

3.2 Verification of importation and selling costs

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The verification team identified the following issues:

3.2.1 Exception 1 – Finance costs

The verification team observed that Sanwa had assigned finance costs to the 12 selected shipments. As finance costs are captured in selling, general and administration (SG&A) expenses, the verification team removed these finance costs to avoid any duplication.

3.2.2 Exception 2 – Port and delivery charges

For one selected shipment, the verification team identified that the values pertaining to port charges had been incorrectly assigned to delivery charges and vice versa. Accordingly, this was amended by the verification team.

3.2.3 Exception 3 – Insurance costs

The verification team identified that in Sanwa's calculation of marine insurance costs for three (3) of the 12 sampled shipments, the rates used were not the actual rates incurred as indicated by source documentation. Sanwa amended these calculations to align with the actual rates.

In Sanwa's derivation of other insurance costs, the verification team identified a formula error which was corrected by Sanwa.

⁴ Megapascals

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3.2.4 Exception 4 - Selling, general and administration expenses

In its returned importer questionnaire (RIQ), Sanwa calculated, a unit SG&A by:

- determining the ratio of Australian sales of the goods (for the review/continuation inquiry period) to all sales generated by Sanwa for the financial year ended 30 June 2017;
- applying this ratio to all overheads incurred for the financial year ended 30 June 2018 to calculate the value of overheads attributable to the goods; and
- dividing the resultant value of overheads by the sales volume of the goods for the review/continuation inquiry period.

The verification team considers this method reasonable, however noted the following exceptions which resulted in an amendment to the unit SG&A rate initially provided by Sanwa:

- as the verification team was unable to reconcile the HRS sales value and volume used by Sanwa in its workings to supporting documentation, it used the figures provided in Sanwa's sales listing which was verified at the visit (refer to section 2 of this report);
- for total company sales figures, the verification team used available contemporaneous information from the audited financial statements for the year ended 30 June 2018; and
- the verification team applied SG&A expenses as per the audited financial statements for the year ended 30 June 2018 instead of the unaudited accounts.

3.3 Import listing

Sanwa confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the review and continuation inquiry period.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 1**.

3.4 Forward orders

The verification team verified Sanwa's forward orders by reconciling the listing provided in the importer questionnaire response to the company's records. There were no issues arising from the verification team's work.

The verified list of forward orders provided during the visit is at **Confidential Appendix 2**.

3.5 The importer

The verification team considers Sanwa to be the beneficial owner of the goods at the time of importation and therefore the importer as Sanwa is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading;

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- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

3.6 The exporter

Subject to further inquiries, the verification team considers the manufacturer(s) to be the exporter(s) of the goods⁵.

3.7 Profitability of imports

The verification team calculated profit for the 12 selected shipments.

The verification team found that all 12 shipments were profitable. The assessment is at **Confidential Appendix 3**.

3.8 Related party suppliers

The verification team did not find any evidence that Sanwa was related to its supplier(s) of HRS exported from Taiwan during the review and continuation inquiry period.

3.9 Arms length

In respect of imports of HRS to Australia by Sanwa during the review and continuation inquiry period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that import transactions between Sanwa and its supplier(s) are at arms length.

⁵ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

4 RECOMMENDATIONS

The verification team are of the opinion that for the goods imported by Sanwa from the exporter/manufacturer:

- the goods have been exported to Australia otherwise than by the importer;
- 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, the verification team recommends that the export price for HRS imported by Sanwa from its manufacturer(s)/exporter(s) can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

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5 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification Work Program