



Importer Verification Report

Verification & Case Details

Initiation Date	528 - 18 October 2019	ADN	528 - 2019/128
Case	Review of Measures – All exporter, Taiwan, Hot rolled coil steel (HRC)		
Case numbers	528		
Industry name	Macsteel International Australia Pty. Ltd.		
Location	Level 1, 40 Burwood Road, Hawthorn VIC 3122		
Verification date	10 December 2019		
Investigation / Review Period	1 October 2018 to 30 September 2019		
Injury Period	N/A		

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

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1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Macsteel International Australia Pty Ltd (Macsteel) is a privately owned, metals trading company that imports and sells a variety of steel products, including hollow structural sections (HSS or the goods). In early March 2018, the business of Commercial Metals Company (CMC) was acquired by Macsteel, which is a subsidiary of Macsteel International Trading Holdings B.V. (MITHBV), a privately owned steel trading division of the Macsteel Group, headquartered in Amsterdam. MITHBV is a major international steel and raw materials trading company operating through four regional hubs located in New York, Hong Kong, Australia and Dubai.

Macsteel advised that they traded all of the products that the Australian industry traded in the HSS range.

Macsteel does not value add to the products they market. The company trades these product.

1.2 Related parties

The verification team examined the relationships between parties involved in the importation and sale of the goods. The verification team found that Macsteel does not have any related party customers or suppliers of the goods during the review period.

2 THE GOODS

2.1 The goods

Macsteel confirmed that it imported the goods from one country (Taiwan) during the review period matching the description of the goods that are the subject of this review.

2.2 Model control codes (MCCs)

Macsteel provided sales data in accordance with the MCC structure proposed for Review of Measures 528 in *Anti-Dumping Consideration Report No. 528 (CON 528)* and *Anti-Dumping Notice No. 2014/128 (ADN 2019/128)*.

The proposed MCC structure is set out in Table 1.

Item	Category	Sub-category	Identifier	Sales data	Cost data	Key category
1	Quality	Prime	P	Mandatory	Not applicable	Yes
		Non-Prime	N			
2	Form	Coil	C	Mandatory	Mandatory	Yes
		Sheet	S			
3	Surface condition	As rolled	A	Mandatory	Mandatory	Yes
		Pickled (with or without oil)	PI			
4	Standard/ Grade	HA1(S) / G250 / HA250 / SPHC / SS400 (AS1594 / JIS G3131 / JIS G3101)	1	Mandatory	Mandatory	Yes
		G300 / HA300 (AS1594)	2			
		G350 / HA350 / SS490 (AS1594 / JIS G 3106)	3			
		HW350 / SMA490 / 'Corten' (AS 1594 / JIS G 3114)	4			
		Other	5			
5	Thickness (BMT)	< 1.6mm	T1	Mandatory	Mandatory	Yes
		=>1.6mm to <2.0mm	T2			
		=>2.0mm to <4.75mm	T3			
6	Width	<= 1000 mm	W1	Mandatory	Mandatory	Yes
		>1000 mm	W2			

Table 1 - MCC structure

2.3 Verification of MCCs

Table 2 provides the verification team's evaluation of the MCCs imported by Macsteel and the evidence relied upon.

PUBLIC RECORD

Category	Determination of the sub-category
Quality	Determined with reference to the description on importer's purchase order, exporter's sales contract, exporter's invoice and packing list as well as the importer's sales contract to the Australian customers.
Form	Determined with reference to the description on importer's purchase order, exporter's sales contract, exporter's invoice and packing list, Australian customer's purchase order, importer's sales contract and importer's sales invoice to the Australian customers.
Surface condition	Determined with reference to the description on importer's purchase order, exporter's sales contract and exporter's invoice. Macsteel stated that it would be a separate process to produce picked steel and as such would be stated on the invoice if ordered.
Standard/grade	Determined with reference to the description on importer's purchase order, exporter's sales contract, exporter's invoice and packing list, Australian customer's purchase order, importer's sales contract and importer's sales invoice to the Australian customers.
Base metal thickness (BMT)	Determined with reference to the description on importer's purchase order, exporter's sales contract, exporter's invoice and packing list, Australian customer's purchase order, importer's sales contract and importer's sales invoice to the Australian customers.
Width	Determined with reference to the description on importer's purchase order, exporter's sales contract, exporter's invoice and packing list, Australian customer's purchase order, importer's sales contract and importer's sales invoice to the Australian customers.

Table 2 - MCC sub-category determination

2.4 The goods imported and sold in Australia

The verification team was satisfied that Macsteel sold goods with the following MCCs during the review period:

- P-C-A-1-T1-W1;
- P-C-A-1-T1-W2;
- P-C-A-1-T2-W2;
- P-C-A-1-T3-W1;
- P-C-A-1-T3-W2;
- P-C-A-2-T3-W1;
- P-C-A-3-T3-W1;
- P-C-A-3-T3-W2;
- P-S-A-1-T1-W2;
- P-S-A-1-T2-W2;
- P-S-A-1-T3-W1;
- P-S-A-1-T3-W2;
- P-S-A-2-T3-W2; and
- P-S-A-3-T3-W2.

2.5 Like goods

Macsteel considered that the Australian Industry produced like goods to the goods that it imported during the review period.

2.5.1 Physical likeness

Macsteel reported that HRC sold on the Australian market is generally manufactured to AS/NZS 1594. The standard governs physical characteristics of the HRC. Based on this, the verification team is satisfied that imported HRC has a physical likeness to locally made HRC. Therefore imported HRC and domestically produced HRC are physically alike.

2.5.2 Commercial likeness

Macsteel reported that imported HRC competes directly with locally manufactured HRC in the Australian market. Macsteel also stated that the Australian industry supply HRC directly to their customers as well as through their owned distribution channels. Based on this the verification team is satisfied that Australian customers and distributors purchase locally made and imported HRC and can readily switch between suppliers. Therefore, the verification team considers the imported and locally made HRC interchangeable.

2.5.3 Functional likeness

Macsteel reported that imported HRC and locally manufactured HRC perform the same functions and have the same or similar end use applications. Typical applications of HRC include the production of light structural members, shelving, tanks, racking, light poles, guard rails, gas cylinders, automotive components, pipe and tube and mower parts.

2.5.4 Production likeness

Macsteel reported that the imported goods are manufactured in a similar manner to Australian manufactured goods. Therefore, the verification team is satisfied that imported HRC and locally manufactured HRC are considered to be manufactured from the same or similar materials and are manufactured in a similar process.

2.5.5 Other considerations

Overall, Macsteel agreed that HRC is basically a commodity product with little differentiation between the goods imported into Australia and the like goods manufactured in Australia. Macsteel also noted that the imported goods are marketed in a similar manner to Australian manufactured goods.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

3.1 Verification of sales completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team was unable to verify the completeness and relevance of the sales listing provided in Part C of the questionnaire response to Macsteel's audited 2018 calendar year report in accordance with ADN. No 2016/30.

Macsteel stated that it was unable to reconcile the sales listing to the audited accounts due to a change in accounting software package due to the change in business ownership. Although the verification team could not reconcile the sales data to the audited accounts, the verification team attempted to reconcile the sales data to Macsteel's management accounts using the available data in their new accounting system. Macsteel ran several reports from their accounting system in an attempt to reconcile the sales data upwards. Macsteel and the verification team attempted a number of different reconciliation approaches in order to complete the completeness and relevance testing, however it could not be achieved.

3.1.1 Exception during verification of sales completeness and relevance

No.	Exception	Resolution
1	The Part C sales listing could not be verified to Macsteel's new accounting system.	The verification team was unable to complete this verification step and Macsteel confirmed that alternate reconciliation approaches could not be achieved.

Table 3 - Exception during verification of accuracy of sales completeness and relevance

3.2 Sales completeness and relevance finding

As the sales listing could not be verified in accordance with ADN. No 2016/30, the verification team is not satisfied that the sales data provided by Macsteel is complete. However, the verification team finds that the data can still be considered relevant as a result of the downwards verification of sales (see section 4.1).

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to source documents in accordance with ADN. No 2016/30.

The verification team identified one issue shown in Table 4 during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Exception during verification of sales accuracy

No.	Exception	Resolution
1	Macsteel provided MCC categorisation for all sales included in Part C of the RIQ for HRC. An examination of this categorisation showed that some sales of HRC with a width less than 1 meter had been categorised with the wrong width identifier ("W2" instead of "W1").	The verification team revised the width identifier from "W2" to "W1" for the relevant sales.

Table 4 - Exception during verification of accuracy of sales data

The evidence relied upon by the verification team to verify the sales information is shown in Table 5.

Item	Method applied
Invoice value	Based on invoice and accounts receivable ledgers.
Quantity	Based on invoice.
Rebates and discounts	Based on invoice and accounts receivable ledgers.
Date of sale	Taken as invoice date, as appears on invoice.
Delivery	Macsteel sell on a delivery duty paid or ex-works basis and so there are no additional delivery charges. Based on invoice.
Packaging	No direct packaging expenses incurred.

Table 5 - Evidence relied upon for sales verification

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Macsteel, including any required amendments as outlined in the exception tables above, is accurate.

5 VERIFICATION OF IMPORTS

5.1 Import listing

Macsteel advised it was unable to confirm 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 period as a result of the system upgrade discussed at section 3.1 above.

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

Within the downward sales verification process, the verification team was able to verify the contracts/purchase orders, invoices and proof of payments for selected shipments.

5.2 Verification of cost to import and sell

Prior to the verification, the Commission selected 13 shipments for Macsteel in order to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For the selected shipments, Macsteel provided a range of source documents including purchase orders, commercial invoices, packing lists, bills of lading, freight invoices, freight forwarding and other post importation invoices, and evidence of payment from customers and to suppliers.

5.3 Verification of CTIS allocation

The verification team verified the reasonableness of the method used to allocate the CTIS data provided in the questionnaire response. The evidence relied upon by the verification team to verify the CTIS information is shown in Table 6.

Cost	Method applied
Ocean freight	Based on the actual ocean freight cost invoiced to Macsteel by the ocean freight provider allocated by weight.
Marine insurance	Based on the annual marine insurance premium cost allocated to the goods based on the calculation provided in the contract applied to the quantity imported.
Duties	Based on tax disbursement invoiced to Macsteel from their customs agent.
Customs fees	Based on tax disbursement invoiced to Macsteel from their customs agent showing customs entry fees and the Australian importation declaration (N10) form.
Port service charges	Based on port services charges on importation costs invoiced to Macsteel from their ocean freight provider.
Delivery	Based on actual delivery and toll fees invoiced to Macsteel from their inland transport freight forwarder.
SG&A	Based on a calculation of indirect costs as a percentage of sales value.
Credit insurance	Based on the annual credit insurance premium cost allocated to the goods based on the calculation provided in contract applied to the quantity imported.

Table 6 - Verification of cost calculation allocation

5.4 Verification of CTIS accuracy

The accuracy of the CTIS data is verified by reconciling sampled data "downwards" to source documents. This part of the verification involves the process of agreeing key information fields within the CTIS data down to source documents.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues shown in Table 7 during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	For one shipment, a transcription error occurred and the overseas freight value in the CTIS spreadsheet did not match the source documentation from the ocean freight provider.	During the verification visit, the team discussed this error with Macsteel which confirmed that the correct value was the value from the ocean freight provider. The verification team revised the ocean freight value to match the source documentation.
2	For one shipment, the port services charges were not reported.	The verification team followed up with Macsteel which advised that the invoice had not yet been received from their customs agent. After the visit, Macsteel provided the missing invoice. The verification team revised the port services value to match the source documentation.
3	For all shipments, Macsteel reported a financing charge, however there were no actual finance charges incurred.	A discussion with the importer during the verification confirmed that the charge was notional and no actual charges were incurred. Since the charges were not realised during the importation of the goods, the verification team removed these charges from the cost to import and sell the goods calculation.

Table 7 - Exceptions during verification of accuracy of CTIS data

5.5 Forward orders

The verification team verified Macsteel's forward orders by reconciling selected transactions from the listing provided in the questionnaire response to the company's records. The verification team did not identify issues during this process.

The verified list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Macsteel, including any required amendments as outlined in the exception table, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

The verification team considers Macsteel to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Macsteel;

- is named on the commercial invoice from its supplier;
- is named as the consignee on the bill of lading;
- is declared as the importer on the importation declaration to ABF;
- pays for all the importation charges and arranges delivery from the port; and
- pays the suppliers for the goods before entry of the goods into Australia.

6.2 The exporter

The goods were imported to Australia by Macsteel. Subject to further inquiries, the verification team considers Shang Chen Steel Co., Ltd. (Shang Chen) to be the exporter of the goods¹, as this entity is:

- named on the commercial invoice and packing lists;
- gave up responsibility by knowingly placing the goods in the hands of Macsteel's nominated ocean freight provider to export the goods to Australia; and
- named as consignor on the bills of lading.

6.3 Profitability of imports

The verification team assessed the profitability for the selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment can be traced to actual sales transactions, the verification team used the actual revenue for each shipment to assess its profitability. The outcome of this assessment is in Table 8.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	Y
7	Y
8	Y
9	Y
10	Y
11	Y
12	Y

¹ 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.

Shipment	Profitable (Y/N?)
13	Y
Weighted average all shipments	Y

Table 8 - Profitability of selected imports

After assessing the shipments, the verification team found that all were profitable. A detailed assessment is at **Confidential Appendix 3**.

6.4 Related party suppliers

The verification team did not find any evidence that Macsteel is related to its supplier of HRC exported from Taiwan during the review period.

6.5 Arms length

In respect of imports of the goods to Australia by Macsteel during the review 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 the imports between Macsteel and its supplier are arms length transactions.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by Macsteel from Shang Chen:

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

Subject to further inquiries with these exporters, the verification team recommends that the export price for goods imported by Macsteel from Shang Chen can be established under section 269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

7 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	CTIS and profitability of imports
Confidential Attachment 1	Verification work program