



Importer Verification Report

Verification & Case Details

Initiation Date	529 - 25 October 2019 532 - 15 November 2019	ADN	529 - 2019/132 532 - 2019/141
Case	529 – Review of Measures – All exporter, China, Korea, Malaysia, Taiwan, Thailand, Hollow structural sections (HSS) 532 – Continuation, Thailand, Hollow structural sections (HSS)		
Case numbers	529 and 532		
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 three countries (Korea, Taiwan and Thailand) during the review period matching the description of the goods that are the subject of this review and continuation inquiry.

2.2 Model control codes (MCCs)

Macsteel provided sales data in accordance with the MCC structure proposed for Review of Measures 529 in *Anti-Dumping Consideration Report No. 529 (CON 529)* and *Anti-Dumping Notice No. 2014/132 (ADN 2019/132)* and for Continuation 532 in CON 532 and ADN 2019/141.

The proposed MCC structure is set out in Table 1.

Item	Category	Sub-category	Identifier	Sales data	Cost data	Key category
1	Prime	Prime	P	Mandatory	Not applicable	Yes
		Non-Prime / downgrade	N			
2	Galvanising	Galvanised	G	Mandatory	Mandatory	No
		None (e.g. mill finish, 'black')	N			
3	Finish	Oiled	O	Mandatory	Mandatory	No
		Painted	P			
		No oil or paint	N			
4	Shape	Circular	C	Mandatory	Mandatory	Yes
		Rectangular or square	R			
5	Steel grades – nominal minimum yield strength	Structural steel grade with nominal minimum yield strength less than or equal to 300 MPa	250	Mandatory	Optional	No
		Structural steel grade with nominal minimum yield strength greater than 300 MPa but less than 380 MPa	350			
		Structural steel grade with nominal minimum yield strength equal to or greater than 380 MPa	450			
		Non-structural steel grade	N			
6	Ends	Plain	P	Optional	Optional	No
		Threaded (at one or both ends)	T			
		Threaded and coupled	C			

Table 1 - Proposed MCC structure

Macsteel advised during the verification that the Commission's proposed MCC for category "Galvanising" should include 3 subcategories, being:

PUBLIC RECORD

- pre galvanised - “PG”;
- black -“N”; and
- hot dipped galvanised “HDG”.

The verification team invited Macsteel to put in a submission about the MCC structure. Macsteel submitted their data according to the structure shown in Table 1.

2.3 Verification of MCCs

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

Category	Characteristics of category
Prime	Determined with reference to the description on the Australian customer’s purchase order, importer’s purchase order, exporter’s invoice and exporter’s packing list.
Galvanising	Determined with reference to the description on the Australian customer’s purchase order, importer’s purchase order, exporter’s invoice, exporter’s packing list and importer’s sales invoice to the Australian customers.
Finish	Determined with reference to the description on the Australian customer’s purchase order, importer’s purchase order, exporter’s invoice, exporter’s packing list and importer’s sales invoice to the Australian customers.
Shape	Determined with reference to the description on the Australian customer’s purchase order, importer’s purchase order, exporter’s invoice, exporter’s packing list and importer’s sales invoice to the Australian customers.
Steel grade	Determined with reference to the description on the Australian customer’s purchase order, importer’s purchase order, exporter’s invoice, exporter’s packing list and importer’s sales invoice to the Australian customers.
Ends	Not specified on any source documentation.

Table 2 - MCC sub-category determination

2.4 The goods imported and sold in Australia

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

- P-N-P-R-350-P;
- P-N-O-R-350-P;
- P-G-N-R-350-P;
- P-N-N-R-350-P;
- P-G-N-C-350-P; and
- P-N-O-C-350-P.

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 HSS sold on the Australian market is generally manufactured to AS 1163 (structural grade) or AS 1074 (general purchase material). These standards govern physical characteristics of the HSS. Based on this and verification of data, the verification

team is satisfied that Macsteel's imported HSS has a physical likeness to locally made HSS. Therefore imported HSS and domestically produced HSS are physically alike.

2.5.2 Commercial likeness

Macsteel reported that imported HSS competes with locally manufactured HSS in the Australian market. Macsteel also stated that the Australian industry supplies HSS to its customers directly or via their related distribution companies and that the route to market includes distributors/traders/resellers, wholesalers, fabricators, retailers and the end customer. Based on this, the verification team is satisfied that Australian customers and distributors purchase both locally made and imported HSS and can readily switch between suppliers. Therefore the verification team considers the imported and locally made HSS interchangeable.

2.5.3 Functional likeness

Macsteel reported that imported HSS and locally manufactured HSS perform the same functions and have the same or similar end use applications. Macsteel stated that there are a variety of applications for HSS including structural and non-structural applications. Blue painted HSS is black HSS coated with a blue primer/paint coat added. Therefore the verification team is satisfied that imported HSS and locally manufactured HSS are functionally alike and that imported HSS is interchangeable with locally manufactured HSS.

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 HSS and locally manufactured HSS 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 HSS 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 in accordance with ADN. No 2016/30.

Macsteel stated that it was unable to reconcile the sales listing to the audited accounts due to an 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 may still be considered relevant, as a result of the downwards verification of sales procedures (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 the issues 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 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	Initially, Macsteel supplied a version of the Part C sales listing which did not include the MCC structure information.	During the visit, the verification team requested that the company complete the sales listing with all required fields. Macsteel provided a revised Part C sales listing as required.
2	Post the verification visit, Macsteel supplied another revised version of the Part C sales data, however it was found to have a number of errors, including sales outside the review period and sales of products that were not the goods.	Macsteel completed and issued a revised Part C sales listing. The verification team verified this revised sales list and found it to be accurate.

Table 4 - Exceptions 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, FOB or free on truck 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 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, importation costs and invoices for selected shipments.

5.2 Verification of cost to import and sell

Prior to the verification, the Commission selected 9 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 Area	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 method

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, Macsteel reported the GST inclusive value of domestic inland transport under "Cartage in" fees and the GST exclusive value under "Port services charges". This meant the charges were double counted.	Using the source documentation the verification team removed the GST inclusive value from the "Cartage in" category, meaning that that the net inland transport charges were calculated once.
2	For all shipments, Macsteel reported a financing charge, however there were no actual finance charges incurred.	A discussion with Macsteel during the verification visit 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 HiSteel Co. Ltd. (HiSteel), Saha Thai Steel Pipe Company Ltd. (Saha Thai) and Shin Yang Steel Co., Ltd (Shin Yang) to be the exporters of the goods¹, as these entities are:

- 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 bill 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
Weighted average all shipments	Y

Table 8 - Profitability of selected imports

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.

After assessing the shipments, the verification team found that they were overall 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 suppliers of HSS exported from three countries (Korea, Taiwan and Thailand) 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 suppliers are arms length transactions.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by Macsteel from HiSteel, Saha Thai and Shin Yang:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter(s); 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 HiSteel, Saha Thai and Shin Yang 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