578 – Q&T steel plate exported from USA

Request for information

16 June 2022

1 Please describe in detail how SSAB AU places an order with SSAB Alabama. In particular are orders placed with SSAB Alabama only, or are orders also placed centrally with head office (i.e. global order).

To be specific, SSAB AU places an order directly on SSAB Alabama using **[CONFIDENTIAL TEXT DELETED – proprietary software]**. This ordering process was more generally described in SSAB Alabama's response to question B-1.1(c) of the exporter questionnaire as follows:

> *Orders for export to Australia are received by SSAB Alabama at which time an Order Acknowledgement is prepared and sent to the customer. Internal production orders are prepared as required.*

SSAB Alabama has been verified as the exporter of the quenched and tempered steel plate exported from USA and imported into Australia at Section 7.2 of the exporter verification report prepared by the Commission:

> *The verification team considers SSAB Alabama to be the exporter of the goods[2] because it:*
>
> - *is the manufacturer of the goods and knows the goods are destined for Australia*
> - *is named on the commercial invoice as the shipper*
> - *is named on the shipping manifest as the shipper*
> - *is named on the bill of lading as the shipper-exporter*
> - *is named on the certificate of origin as the shipper*
> - *arranged and paid for the inland transport to the port of export*
> - *arranged and paid for the handling charges and other charges*
> - *arranged and paid for the ocean freight and marine insurance.*
>
> *The verification team is satisfied that for all Australian export sales during the period that SSAB Alabama was the exporter of the goods.*

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2 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.

Please note that SSAB Alabama and **[CONFIDENTIAL TEXT DELETED – details of sourcing by SSAB AU for the Australian market]**. Thus, in the case of Australian imports of quenched and tempered steel plate, SSAB AU places its orders with either SSAB Alabama or **[CONFIDENTIAL TEXT DELETED – SSAB protocols for ordering]**.

2 [CONFIDENTIAL TEXT DELETED – Commission question about processes of ordering from different locations, differences in same]

Firstly, we would like to clarify the terminology used with respect to **[CONFIDENTIAL TEXT DELETED – location]**. This has been explained in the verification procedures that have already taken place. However the period of time over which this investigation has taken place is now quite extended and the memories of all of the material may not be clear as at the time the information was first provided.

[CONFIDENTIAL TEXT DELETED – corporate arrangements and commercial and physical activities that take place in different locations]

SSAB AU places orders directly **[CONFIDENTIAL TEXT DELETED – location]** the identity of the mill. To be clear, SSAB AU purchases finished goods from either SSAB Alabama or **[CONFIDENTIAL TEXT DELETED –SSAB protocols for ordering. For general statement see https://www.ssab.com/en/support/orders-and-deliveries *"Order steel products from SSAB's worldwide stock network or straight from the mill"*]**.

3 [CONFIDENTIAL TEXT DELETED – Commission question about whether particular "country of origin" of goods specified in ordering]

[CONFIDENTIAL TEXT DELETED – description of material]. In other words, the Commission wishes to know whether SSAB AU specifically requests or identifies **[CONFIDENTIAL TEXT DELETED – locations and materials]**.

The answer is no. **[CONFIDENTIAL TEXT DELETED – locations and materials]**.

When SSAB AU wishes to order quenched and tempered steel plate of a specification that is available from SSAB EMEA, it is SSAB EMEA that produces the steel plate on a continuous processing line all the way from raw materials to blasting, priming and cutting to comply with SSAB AU's order requirements. The quenched and tempered steel plate produced to order in this way is then exported from Sweden directly to Australia, and dumping duty is paid as required.

4 Describe the scope of the processing work that takes place at **[CONFIDENTIAL TEXT DELETED – location]**. Please provide details including production facilities, processes, number of staff and high level cost to make of the processes undertaken.

a Scope of "processing work", and "processes"

In EVD2.17c, SSAB Alabama explained the processing work that takes place **[CONFIDENTIAL TEXT DELETED – location]**, as follows:[1]

> *[T]he key aspect is that those goods are exported from* **[CONFIDENTIAL TEXT DELETED – location]** *after having been significantly processed* **[CONFIDENTIAL TEXT DELETED – location]**. *The goods imported into Australia are not exported from the USA. That the investigation relates to exports from the USA is made clear by the application and by the Section 269TC(4) notice. The* **[CONFIDENTIAL TEXT DELETED – material]** *material is exported from the USA* **[CONFIDENTIAL TEXT DELETED – location]**.
>
> **[CONFIDENTIAL TEXT DELETED – materials and company identification]**, *which is a steel processing plant* **[CONFIDENTIAL TEXT DELETED – materials and location]** *APAC countries. At the time of exportation from the USA* **[CONFIDENTIAL TEXT DELETED – location]** *the* **[CONFIDENTIAL TEXT DELETED – material]** *material is not allocated to any particular market, i.e. SSAB is not aware of its final destination. That only occurs when orders* **[CONFIDENTIAL TEXT DELETED – location]** *finished Q&T steel plate in Asia region markets.*
>
> *After unloading and delivery* **[CONFIDENTIAL TEXT DELETED – location]** *the material is processed* **[CONFIDENTIAL TEXT DELETED – location]***by way of shot blasting, priming, plasma cutting and edge treatment.* **[CONFIDENTIAL TEXT DELETED – SSAB technical expert involved in verification by Commission]** *advises that the blast and prime operation and the plasma cutting to final dimensions are considered as part of the systematic production process of Q&T steel plate for sale to the next level customer. He further advises that this is routinely indicated in the company literature of steel companies that publish their production processes in the public domain.*
>
> *Blasting and priming is a process that has been explained in the verification. Plasma cutting may not have been. This is a melting process in which ionised gas (argon, argon/hydrogen or nitrogen) at very high temperatures is used to melt and expel material from the cut. This includes wastage and reforming of plate edges. Plate dimensions are an important attribute specified by the customer. Final format cutting* **[CONFIDENTIAL TEXT DELETED – location]** *results in the length and width typically specified in particular customer orders. The product is then placed in store to await orders from APAC countries and exported* **[CONFIDENTIAL TEXT DELETED – location]***to those countries.*
>
> *The processes are significant, there is no issue of "transiting" or similar, and the imported goods are not sold to Australia by SSAB Alabama.*
>
> *[…]*

[1] SSAB Alabama response to EVD2.17c, lodged 20 October 2021, page 2.

> *The final manufacturing processes transform the* **[CONFIDENTIAL TEXT DELETED – materials]** *separate finished types and sizes that then await orders from APAC countries.*

In the course of preparing these responses to the Commission's inquiries, we have also learnt that the processing facility **[CONFIDENTIAL TEXT DELETED – location]** undertakes product marking as well. This is a process by which specialised equipment is used to apply IDs, SSAB logo, brands, products, grade and dimensions on the surface of the quenched and tempered steel plates. Plate IDs are punch-marked, and other details (dimensions, logos, etc) are perma-inked.

b Production facilities, number of staff

(i) Production facilities - **[CONFIDENTIAL TEXT DELETED – investment details and cost]**. These include the cutting platform, plasma cutting machines, painting line, environmental controls, cranes and markers. Please refer to **[CONFIDENTIAL TEXT DELETED – evidence relating to fixed assets]**

(ii) Number of staff undertaking the processes – due to the nature of the materials and the technology employed, the toll processing that takes place **[CONFIDENTIAL TEXT DELETED – corporate details]** is highly automated. The overall processing and fabrication staff is organised into warehouse, production, finance, human resources, sales and quality control, and employs approximately **[CONFIDENTIAL TEXT DELETED – number]** workers. Of this number, the processing lines are operated by **[CONFIDENTIAL TEXT DELETED – number]** workers. The total headcount **[CONFIDENTIAL TEXT DELETED – location and number]**.

c High level cost to make of the processes undertaken

Please refer to **[CONFIDENTIAL TEXT DELETED – evidence relating to processing costs, location and period]**. The per MT cost **[CONFIDENTIAL TEXT DELETED – location]** processing activities over that period was USD **[CONFIDENTIAL TEXT DELETED – number]** (using average CNY/USD exchange rate over the period). **[CONFIDENTIAL TEXT DELETED – information about costs and capacity utilisation]**.

We note other information provided to the Commission during the investigation with respect to the extent of the processes involved and their cost as follows:

> *With respect to the conclusions […] that blasting, priming, plasma cutting to final dimensions and edge treatment are significant, we note the factory, conveying, machining, energy, knowledge, and associated physical and technical/technological requirements involved; the product change brought about by those processes; the investment required to establish and operate the infrastructure to undertake those processes; and the expense of those processes, as also evidenced by the exporter verification.*[2]

> *The production processes undertaken, and their significance – for example, the costs of outside processes incurred by SSAB Alabama with respect to US-exported goods,* **[CONFIDENTIAL TEXT DELETED – description of process in different locations]** *are in the region of*

[2] SSAB AU response to Homework item 1, lodged 13 October 2021, page 5.

[CONFIDENTIAL TEXT DELETED – number] *% of the Australian CTM (as verified in the Exporter Questionnaire).*[3]

We note that the Commission verified that the contracted blasting and priming costs **[CONFIDENTIAL TEXT DELETED – location]** were between **[CONFIDENTIAL TEXT DELETED – percentage numbers]** of the cost to make of Australian sales, depending on the MCC and quarter.[4] This corresponds to processing costs between **[CONFIDENTIAL TEXT DELETED – USD numbers]**.

5 Provide average turnover period in days for unfinished plate and processed goods **[CONFIDENTIAL TEXT DELETED – location]**. Also provide supporting source data.

[CONFIDENTIAL TEXT DELETED – corporate location, materials and sales information]. In relation to finished goods (all destinations), the days in stock over calendar 2020 was **[CONFIDENTIAL TEXT DELETED – number]** days.

6 **[CONFIDENTIAL TEXT DELETED – Commission question identifying location]** Are there other countries which these goods are subsequently sold to? Please provide a sales listing with supporting evidence to confirm this.

We refer to the assumption set out in the first para of 3 above, namely that the reference to the goods is a reference to **[CONFIDENTIAL TEXT DELETED – materials and locations]** to customers in Australia.

That said, the question appears to relate to exports of quenched and tempered steel plate **[CONFIDENTIAL TEXT DELETED – materials and locations]** to other countries.

SSAB AU has previously provided **[CONFIDENTIAL TEXT DELETED – location]** sales volumes during the period of investigation as follows:[5]

[CONFIDENTIAL TEXT DELETED – countries and volumes]

Please refer to **[CONFIDENTIAL TEXT DELETED – evidence relating to countries and volumes]**.

7 **[CONFIDENTIAL TEXT DELETED – Commission question about sales in a location]**

The answer is no. **[CONFIDENTIAL TEXT DELETED – details of sales in a location]**

8 **[CONFIDENTIAL TEXT DELETED – locations]** provide copies of the following documents and explain the functions of the documents:

a EMEA PO **[CONFIDENTIAL TEXT DELETED – number]**

This is not an "EMEA" PO, in the sense of "SSAB EMEA", although that may be an identifier previously used by either ourselves or the Commission. The reference **[CONFIDENTIAL TEXT DELETED –**

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3 SSAB AU response to additional data request, lodged 20 October 2021, page 1.

4 578 SSAB Alabama Verification Report, Appendix 3, "(g) Specification adjust".

5 SSAB AU response to additional data request, lodged 20 October 2021, page 2.

number] is the order acknowledgment number. Please see **[CONFIDENTIAL TEXT DELETED – document evidence]**.

b SSAB CN PO **[CONFIDENTIAL TEXT DELETED – number]**

[CONFIDENTIAL TEXT DELETED – number] is a Purchase Order issued by **[CONFIDENTIAL TEXT DELETED – locations, SSAB entities and materials]**. Please see **[CONFIDENTIAL TEXT DELETED – document evidence]**.

c Invoice # 1**[CONFIDENTIAL TEXT DELETED – number]**

Kindly note that the full invoice number is **[CONFIDENTIAL TEXT DELETED – number]**. The customer order number of this invoice is **[CONFIDENTIAL TEXT DELETED – number]** as per below highlighted in blue. Please see **[CONFIDENTIAL TEXT DELETED – document evidence]**.

d **[CONFIDENTIAL DOCUMENT EXTRACT DELETED – SSAB commercial document][CONFIDENTIAL TEXT DELETED – number]**

[CONFIDENTIAL TEXT DELETED – number] is a reference on the shipper's invoice referencing to the shipment.

e **[CONFIDENTIAL TEXT DELETED – number]**

[CONFIDENTIAL TEXT DELETED – number] is the invoice number attending to the purchase **[CONFIDENTIAL TEXT DELETED – locations and SSAB entities]** provided to the Commission in relation to sample shipment no 6, FID **[CONFIDENTIAL TEXT DELETED – number]**. Please refer to Sigbox **[CONFIDENTIAL TEXT DELETED – document evidence]**.