



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	4 January 2022	<b>ADN:</b>	2022/002
<b>Case Number</b>	594		
<b>The goods under consideration</b>	Hot Rolled Coil Steel		
<b>Case type</b>	Continuation Inquiry		
<b>Importer</b>	CA Steel Products Pty Ltd		
<b>Verification date</b>	30 March 2022		
<b>Inquiry Period</b>	1 January 2021 to 31 December 2021		

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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## **PREFACE**

The Anti-Dumping Commission (the commission) has verified data provided by CA Steel Products Pty Ltd for Continuation Inquiry 594. This report details the evidence gathered and the key findings from the verification of the data.

This report has been prepared for publication on the electronic public record for Continuation Inquiry 594.

This report provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

## **1 COMPANY BACKGROUND**

### **1.1 Corporate structure and ownership**

CA Steel Products Pty Ltd (CA Steel) is an Australian registered company incorporated on 30 January 2015. The company changed its name from CITIC Australia Steel Products Pty Ltd to its current name in May 2020.

CA Steel is wholly owned by CITIC Resources Australia Pty Ltd (CITIC Resources), which in turn is wholly owned by CITIC Resources Holdings Limited, an entity listed on the Hong Kong stock exchange. The Chinese state owned enterprise CITIC Group Corporation holds the majority of the stock in this entity and is hence the ultimate owner of CA Steel.

### **1.2 Related parties**

The verification team examined the relationships between related parties involved in the importation and sale of the goods.

The verification team found that CA Steel did not have any related party customers or suppliers of the goods during the inquiry period.

## 2 THE GOODS

### 2.1 The goods

CA Steel confirmed that it imported hot rolled coil (HRC) from Taiwan during the inquiry period matching the description of the goods that are the subject of this inquiry.

### 2.2 Model control codes

CA Steel provided sales and cost data in accordance with the model control code (MCC) structure detailed in table 1 below.

Item	Category	Sub-category	Identifier	Sales data	Cost data
1	Quality	Prime	P	Mandatory	Not applicable
		Non-Prime	N		
2	Form	Coil	C	Mandatory	Mandatory
		Sheet	S		
3	Surface condition	As rolled	A	Mandatory	Mandatory
		Pickled (with or without oil)	PI		
4	Standard/Grade	HA1(S) / G250 / HA250 / SPHC / SS400 (AS1594 / JIS G3131 / JIS G3101)	1	Mandatory	Mandatory
		G300 / HA300 (AS1594)	2		
		G350 / HA350 / SS490 (AS1594 / JIS G3106)	3		
		HW350 / SMA490 / 'Corton' (AS1594 / JIS G3114)	4		
		Other	5		
5	Thickness (BMT)	<1.6mm	T1	Mandatory	Mandatory
		=>1.6mm to <2.0mm	T2		
		=>2.0mm to <4.75mm	T3		
		>4.75mm	T4		
6	Width	<=1000mm	W1	Mandatory	Mandatory
		>1000mm	W2		

**Table 1 - MCC structure**

### 2.3 Verification of MCC sub-categories

Table 2 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Quality	CA Steel stated that all imports to Australia were prime goods. However, the verification team was not able to verify to source data.
Form	Based on description shown on the tax invoice.

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Category	Determination of the sub-category
Surface condition	Based on description shown on the tax invoice
Standard/Grade	Based on description shown on the tax invoice
Thickness (BMT)	Based on thickness stated on the tax invoice
Width	Based on the nominal width stated on the tax invoice

**Table 2 - Sub-category determination**

### 2.4 The goods imported and sold in Australia

The verification team was satisfied that CA Steel sold goods with the following MCCs during the inquiry period:

MCC			
P-C-A-1-T1-1	P-C-A-2-T3-1	P-C-A-5-T2-2	P-C-PI-1-T2-2
P-C-A-1-T1-2	P-C-A-2-T3-2	P-C-A-5-T3-2	P-C-PI-1-T3-1
P-C-A-1-T2-2	P-C-A-3-T3-1	P-C-PI-1-T1-1	P-C-PI-1-T3-2
P-C-A-1-T3-1	P-C-A-3-T3-2	P-C-PI-1-T1-2	P-C-PI-2-T3-2
P-C-A-1-T3-2	P-C-A-5-T1-2	P-C-PI-1-T2-1	P-C-PI-3-T3-1
P-C-PI-5-T3-2	P-S-A-3-T3-2	P-C-A-1-T4-2	P-S-A-1-T4-2
P-S-A-1-T1-2	P-S-A-5-T3-2	P-C-PI-1-T4-1	P-C-A-1-T4-1
P-S-A-1-T2-2	P-S-PI-1-T3-2	P-C-PI-1-T4-2	P-S-A-2-T3-2
P-S-A-1-T3-2	P-S-PI-5-T3-2	P-C-A-5-T4-2	

**Table 3 - MCCs sold during the inquiry period**

### 2.5 Like goods

CA Steel advised that the HRC manufactured by Australian industry are like goods to those imported by CA Steel from Taiwan. They are like goods in terms of commercial likeness, end use and functionality.

### 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

The verification team conducts verification of relevance and completeness by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The verification team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement. The verification team verified the completeness and relevance of the sales listing provided in Part C of the questionnaire response by reconciling this to audited financial statements in accordance with ADN No. 2016/030.

The verification team verified the relevance and completeness of the sales data as follows:

- Reconciling the sales revenue reported in CA Steel's management reports and 2021 audited financial statements.
- Reconciling the sales revenue in CA Steel's management reports and the ledger report from its financial accounting system.
- Reconciling the sales revenue and volume reported in CA Steel's sales listing at Part C of its questionnaire and the ledger report from its financial accounting system.

The verification team identified the following issue during verification. Further details about this process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

#### 3.1.1 Exceptions during verification of completeness and relevance

Exception	Resolution
CA Steel's Part C sales listing incorrectly labelled some of the goods as non-subject goods for the inquiry.	The verification team revised CA Steel's Part C sales listing to reflect the correct category of goods sold.

**Exception 1 - Exceptions during verification of completeness and relevance of sales data**

#### 3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by CA Steel, including any required amendments as outlined in the exception table above, is complete and relevant.

## 4 DOWNWARDS VERIFICATION OF SALES

### 4.1 Verification of sales accuracy

The verification team verifies the accuracy of data 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.

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 2016/030.

The verification team did not identify any issues during the verification process. Further details about this are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

### 4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by CA Steel is accurate.



<b>5 VERIFICATION OF IMPORTS</b>
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### 5.1 Import listing

CA Steel incorrectly declared some goods as being subject to measures in a sample of import consignments selected by the commission. The commission extended its examination to all of CA Steel’s imports during the inquiry period and found additional similar reporting errors.

The verification team considers the errors present in CA Steel’s import declarations immaterial because they are low in number, relate to a very small proportion of CA Steel’s imports and do not appear systemic. The exception outlined below details resolution of the issue.

Exception	Resolution
Part B of CA Steel’s questionnaire response stated the total volume of goods as subject to anti-dumping measures. The verification team found a small volume of non-subject goods incorrectly declared as subject to anti-dumping measures.	CA Steel examined its entire import declaration listing for the inquiry period and provided a new version that identified further anomalies. The number of issues found were immaterial.

**Exception 2 - Exceptions during verification of import listing**

### 5.2 Verification of cost to import and sell

Prior to the verification, the commission selected 12 shipments for CA Steel to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to source documents in accordance with ADN 2016/030.

For each of the selected shipments, CA Steel provided the following source documents:

- commercial invoices and payment evidence
- logistic invoices
- duty invoice
- freight invoice
- bill of lading and
- port charge invoices.

### 5.3 CTIS allocation method

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Actual freight cost of the goods on the shipping invoices.

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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	Actual duties paid based on ABF customs documentation.
Customs entry and broker fees	Actual cost based on ABF customs documentation and invoice from the customs broker.
Port service charges and carrier document fee	Unit port service and carrier document fee only related to the importation of the goods
Inland transport	Actual cost based on tax invoices.
SG&A	Based on SG&A costs incurred, as percentage of sales revenue and multiplied by the notional revenue for the shipment.

**Table 4 - Verification of cost calculation method**

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

### 5.3.1 Exceptions during verification of CTIS allocation

Exception	Resolution
The verification team identified that CA Steel had incorrectly included two items of indirect expense that relate to income accounts in the SG&A cost calculation	The verification team revised the SG&A costs to not include these accounts.
The verification team identified that CA Steel had omitted a relevant selling expense in the SG&A cost calculation.	The verification team revised the SG&A costs to include this account.

**Exception 3 - Exceptions during verification of CTIS allocation**

## 5.4 Verification of CTIS accuracy

The verification team verifies accuracy of data by reconciling selected data submitted 'downwards' to source documents. This part of verification involves the process of agreeing key information fields within the CTIS data down to source documents. This verifies the accuracy of the data. 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. 2016/030.

The verification team identified the issues outlined below 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

Exception	Resolution
The verification team identified the allocation of inland transport was incorrect for one consignment.	The verification team has revised inland transport to reflect import documents.

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The verification team identified the allocation of marine insurance was incorrect for one consignment.	The verification team revised the allocation to be consistent with the rate used for all other consignments.
The verification team identified the allocation of interim dumping duty was incorrect for one consignment.	The verification team has revised the interim dumping duty which to reflect import document.

### Exception 4 – Exceptions during verification of CTIS accuracy

## 5.5 Forward orders

The verification team verified CA Steel forward orders by conducting a sample downward verification of the listing provided in the questionnaire response to the company's records. The verified list of forward orders is at **Confidential Appendix 1**.

## 5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by CA Steel, including any required amendments as outlined in the exception descriptions above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 2**.

<b>6</b>	<b>EXPORT PRICE</b>
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### 6.1 The importer

The verification team considers CA Steel to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as CA Steel:

- 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 to customers.

### 6.2 The exporter

CA Steel is the Australian importer of the goods. The verification team considers China Steel Corporation (CSC) to be the exporter of the goods<sup>2</sup>, as CSC:

- is the manufacturer of the goods
- is named on the packing lists
- is named as consignor on the bill of lading
- is named on the commercial invoice and
- is named on the purchase order

### 6.3 Profitability of imports

The verification team could trace the Australian sales of the goods to the shipment in which those goods arrived. The verification team therefore assessed profitability by comparing the importer’s Australian sales revenue and CTIS relevant to the goods imported in each of the following shipments.

The outcome of this assessment is in Table 5 below.

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

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<sup>2</sup> 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.

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Shipment	Profitable (Y/N?)
11	Y
12	N
<b>Weighted average all shipments</b>	<b>Y</b>

**Table 5 - Profitability of selected imports**

The assessment is at **Confidential Appendix 2**.

### **6.4 Related party suppliers**

An examination of CA Steel's imports and the ABF import database confirmed that CA Steel imported the goods from an unrelated supplier, CSC, during the inquiry period. There is no evidence to demonstrate CA Steel and its Taiwanese supplier of the goods were related parties in the inquiry period.

### **6.5 Arms length**

In respect of imports of the goods to Australia by CA Steel during the 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.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between CA Steel and its suppliers are 'arms length' transactions.

### **6.6 Export price assessment**

The verification team is of the opinion that the goods imported by CA steel from CSC:

- have been exported to Australia otherwise than by the importer
- have been purchased by the importer from the exporter(s)
- were purchased by the importer in 'arms length' transactions.

Subject to further inquiries with CSC, the verification team recommends that the export price for hot rolled coil imported by CA Steel from CSC can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

**7 ATTACHMENTS**

<b>Confidential Appendix 1</b>	Forward orders
<b>Confidential Appendix 2</b>	Profitability of imports
<b>Confidential Attachment 1</b>	Verification Work Program