



**INVESTIGATION 346**

**REVIEW OF DUMPING MEASURES  
HOT ROLLED STRUCTURAL STEEL SECTIONS  
EXPORTED FROM THAILAND**

**VERIFICATION REPORT - EXPORTER**

**SIAM YAMATO STEEL CO., 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**

**July 2016**

## PUBLIC REPORT

### ABBREVIATIONS

|                         |   |
|-------------------------|---|
| ABF                     | Australian Border Force   |
| ADN                     | Anti-Dumping Notice   |
| Customs Act             | <i>Customs Act 1901</i>   |
| Parliamentary Secretary | Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science |
| the applicant           | Siam Yamato Steel Co. Ltd or SYS  |
| the Commission          | Anti-Dumping Commission   |
| the Commissioner        | Commissioner of the Anti-Dumping Commission   |
| the goods               | the goods the subject of the application (also referred to as the goods under consideration)                        |

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## **1 BACKGROUND**

On 18 April 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate a review of the anti-dumping measures applying to certain hot rolled structural steel sections (HRS) exported to Australia from Thailand by Siam Yamato Steel Co., Ltd (SYS ). Anti-Dumping Notice (ADN) No. 2016/43 provides further information on the investigation and is available on the Anti-Dumping Commission's (the Commission's) website [www.adcommission.gov.au](http://www.adcommission.gov.au).

The background relating to the initiation of this investigation is contained in Consideration Report number 346 (CON 346).

Following this initiation, the Commission wrote to SYS inviting it to respond to an Exporter Questionnaire. SYS cooperated by submitting a completed exporter questionnaire response and relevant attachments within the required legislative timeframe.

## **2 THE GOODS AND LIKE GOODS**

### **2.1 The goods exported to Australia**

For the review period, universal beams in the following sizes were exported to Australia by SYS.

| <b>Universal Beam</b> |
|-----------------------|
| 150UB                 |
| 180UB                 |
| 200UB                 |
| 250UB                 |
| 310 UB                |

These products were specified to AS/NZ 3679.1 Grade A300 and described as 'I sections'. All HRS sections produced by SYS for its Australian customer were made to order.

### **2.2 Like goods sold on the domestic market**

In response to the exporter questionnaire (REQ) SYS indicated that it produced goods that are like those exported to Australia and sold models that were alike on its domestic market during the investigation period. SYS produces a much wider range of sections than the ones exported to Australia. Export models are produced to standard AS/NZ 3679.1 Grade AS300. Domestic models are mainly standard TIS-1227: 1996 Grade SS400 and SS400/SM400.

The visit team reviewed mill certificates for the selected domestic transactions of SS400 and SS400/SM400 grade. It found that the yield strength of these grades was well above the minimum standard yield strength. The chemical composition of these grades was also within the specifications of the relevant Australian standard.

The visit team also considered whether other grades of HRS sold in the domestic market should be used for the purposes of calculating normal value. SYS advised that the chemical composition of grade SM490 is more stringently controlled than the SS400 and SS400/SM400 grades. The Commission also observed that grade SM490 contains additional alloys and is unsuitable for comparison with exports to Australia.

### **2.3 Model matching**

The visit team considers that the comparable models manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- do not appear to be distinguished from the exported goods during production;
- are produced at the same facility and with the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike.

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### **2.4 Like goods – preliminary assessment**

The visit team considers that HRS sections produced and sold in the domestic market by SYS have characteristics closely resembling those of the goods exported to Australia and are therefore “like goods” in terms of section 269T (1) of the *Customs Act 1901*.<sup>1</sup>

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<sup>1</sup> References to any section or subsection of legislation are references to the *Customs Act 1901* unless otherwise specified.

### **3 VERIFICATION OF EXPORT SALES TO AUSTRALIA**

#### **3.1 Verification of Australian sales to audited financial statements**

The visit team verified the completeness and relevance of SYS's export 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 programme, and its relevant attachments, at **Confidential Attachment 1**.

The visit team is satisfied that the Australian sales data provided by SYS is the complete record of its export sales to Australia during the period under review.

#### **3.2 Verification of export sales to source documents**

The visit team verified the accuracy of SYS' export sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30. Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The visit team selected all shipments that occurred during the review period. The visit team was able to reconcile sales data provided by SYS back to the supporting documentation (Sales Invoices, Bills of Lading, Bank Transfers).

A number of credit note adjustments were noted in the Australian sales data. Full documentation relating to the credit notes was provided by SYS and verified by the visit team.

#### **3.3 The exporter**

For all export sales during the review period the visit team considers SYS to be the exporter of the goods.<sup>2</sup>

#### **3.4 The importer**

The visit team considers that, in relation to the goods exported by SYS during the review period, its Australian customer was listed in the Australian sales listing as the beneficial owner of the goods at the time of importation and therefore was the importer of the goods.

#### **3.5 Related party customers**

The visit team did not identify any Australian customers that were related to SYS.

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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, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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### 3.6 Arms length

In respect of export sales of HRS sections to Australia by SYS during the investigation period, the verification team found no evidence that:

- there was any consideration payable for or in respect of the goods other than their 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, the whole or any part of the price.

The visit team therefore considers that all export sales of HRS to Australia by SYS during the investigation period were arms-length transactions.<sup>3</sup>

### 3.7 Export price – preliminary assessment

The visit team is satisfied that the export sales data is complete, relevant and accurate.

In relation to the goods exported by SYS, the visit team recommends that export price be determined under section 269TAB(1)(a), as the price paid by the importer less transport and other costs arising after exportation. The team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>3</sup> Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as being at arms length. These are where: there is any consideration payable for or in respect of the goods other than price; the price is 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 in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.



## **4 COST TO MAKE AND SELL**

### **4.1 Verification of SYS costs up to audited financial statements**

The visit team verified the completeness and relevance of SYS's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial accounts in accordance with ADN 2016/30. Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

SYS provided its standard costs for all sales. It also provided a reconciliation between its income statement spreadsheet and its audited financial statements and between its calculated standard costs and the costs recorded in its accounting software.

Direct labour costs were included in the cost of goods sold (COGS) in the audited financial statements. Direct labour costs were allocated by SYS using sales volumes. Depreciation was also allocated on the basis of sales volumes. These allocations were verified by the visit team.

Having regard to the above, the visit team considers the cost data provided by SYS is a complete and relevant account of the cost of the goods during the review period. The visit team did not identify any issues during the upwards verification of CTMS.

### **4.2 Verification of costs down to source documents**

The visit team verified the accuracy of SYS' cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30. Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

#### **4.2.1 Raw material, electricity and natural gas costs**

Steel scrap is the largest cost component of HRS. The visit team verified imported and local scrap costs through relevant inventory accounts for a selected month in the review period.

The visit team observed that while SYS purchases small quantities of scrap from its related companies. The total value of related party purchase of scrap was not material.

Electricity and natural gas costs for a selected month in the review period were verified by examining invoices to support the amount recorded by SYS.

#### **4.2.2 SG&A expenses**

Costs were allocated to production areas using sales volumes. The visit team ensured all SG&A expenses in the financial statements were allocated correctly.

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### **4.3 Conclusion**

Having verified SYS's CTMS data for HRS sections to audited financial accounts and to source documents, the visit team is satisfied that SYS's CTMS data is complete, relevant and accurate. SYS's verified CTMS spreadsheet is at **Confidential Appendix 2**.

## **5 VERIFICATION OF DOMESTIC SALES**

### **5.1 Verification of domestic sales to audited financial statements**

The visit team verified the completeness and relevance of SYS's domestic sales spreadsheet by reconciling it to audited financial accounts in accordance with AND 2016/30. Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The upwards verification of domestic sales was undertaken in conjunction with export sales. The visit team did not find any issues with the verification of domestic sales to audited statements. The visit team satisfied that the domestic sales data provided by SYS is the complete record of sales of HRS in the domestic market in the review period.

### **5.2 Verification of domestic sales to source documents**

The visit team verified the accuracy of SYS's domestic sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30. Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

A discrepancy was found between the source documents and the payment terms recorded in the domestic sales spreadsheet for one customer. Payment terms of 15 days were recorded in the spreadsheet whereas the source documents indicated cash terms. SYS acknowledged this as an error and explained it arose since this particular customer had payment terms that differed from other retail customers and submitted a corrected sheet. A small number of CFR sales to end users did not have an inland transport expense allocated, this was also corrected.

### **5.3 Related party customers**

SYS indicated that it has a related domestic customer. However, this customer did not purchase like goods during the review period.

### **5.4 Arms length**

In respect of SYS' domestic sales of HRS sections during the investigation period, the visit team found no evidence that:

- there was any consideration payable for or in respect of the goods other than their 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 receive a benefit for, or in respect of, the whole or any part of the price.

The visit team therefore considers that all domestic sales by SYS during the review period were arms length transactions.

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### **5.5 Ordinary course of trade**

Section 269TAAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade (OCOT).

The visit team compared the quarterly domestic CTMS to the corresponding net invoice price to test whether domestic sales were profitable. Where the volume of unprofitable sales exceeded 20 per cent for the product category, the team then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.<sup>4</sup>

### **5.6 Suitability of domestic sales**

The volume of domestic sales were sufficient to calculate normal values.

### **5.7 Domestic sales – conclusion**

Based on the information provided and the verification conducted on site, the visit team is satisfied that prices paid for domestic sales of HRS are suitable for use in determining normal value of the goods.

The domestic sales spreadsheet is at **Confidential Appendix 3**.

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<sup>4</sup> Subsection 45(2) of the *Customs (International Obligations) Regulation 2015*.

**6 ADJUSTMENTS**

To ensure that the normal value is comparable to the export price of the goods exported to Australia, the visit team considers that the following adjustments to the normal value are necessary under subsection 269TAC(8).

Negative adjustments to the domestic selling price of the goods should be made by deducting:

- domestic inland freight;
- domestic handling;
- domestic credit terms; and
- level of trade

Positive adjustments to the domestic price should be made by adding:

- export inland freight; and
- export credit terms.

These adjustments were verified during the examination of export and domestic sales and the visit team is satisfied that there is sufficient and reliable information to justify the above adjustments. The team did not identify any other adjustments that were necessary or warranted.

## **7 NORMAL VALUE**

Based on the information provided by SYS and the verification conducted on site, the visit team is satisfied that prices paid in respect of domestic sales of comparable models are suitable for assessing normal values under subsection 269TAC(1) .

The visit team considers that domestic selling prices require adjustment under subsection 269TAC(8) for the costs discussed in section 6 of this report to ensure a fair comparison with export prices.

The normal value calculations are at **Confidential Appendix 4**.

**8 DUMPING MARGIN**

The dumping margin has been assessed by comparing the weighted average export prices to the corresponding weighted average normal values for the review period.<sup>5</sup> The dumping margin in respect of HRS exported to Australia by SYS for the review period is **negative 6.2 per cent**. The preliminary dumping margin calculation is at **Confidential Appendix 5**.

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<sup>5</sup> In accordance with section TACB(2)(a)

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### **9 APPENDICES AND ATTACHMENTS**

|                                  |                           |
|----------------------------------|---------------------------|
| <b>Confidential Appendix 1</b>   | Export prices             |
| <b>Confidential Appendix 2</b>   | Cost to make and sell     |
| <b>Confidential Appendix 3</b>   | Domestic sales            |
| <b>Confidential Appendix 4</b>   | Normal values             |
| <b>Confidential Appendix 5</b>   | Dumping margin            |
| <b>Confidential Attachment 1</b> | Verification work program |