Received on: 29 August 2016

Public File

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

29th August 2016

Director
Operations 5
Anti-Dumping Commission
Level 35, Collins St
Melbourne Vic 3000

BY EMAIL operations5@adcommission.gov.au

Dear Director,

REVIEW OF ANTI-DUMPING MEASURES APPLYING TO CERTAIN HOT ROLLED STRUCTURAL STEEL SECTIONS EXPORTED FROM THE KINGDOM OF THAILAND BY SIAM YAMATO STEEL CO. LTD

This submission refers to the Anti-Dumping Commission's (ADC) review of anti-dumping measures applying to certain hot rolled structural steel sections exported from Thailand by Siam Yamato Steel Co. Ltd (SYS) and specifically the preliminary findings published in the Statement of Essential Facts (SEF 346).

In summary:

- OneSteel submits that the Commission's reliance on a small sample of test certificates to effectively "grade by selection" is not an appropriate method of model matching and has led to an incorrect calculation of SYS's normal value. OneSteel urges the Commission to base its model matching on the minimum quality Standard requirements that the like goods are certified to, as these Standard requirements determine the functional application and commercial value of the models. Commercial value and suitability for structural application in purchasing considerations are NOT determined on the basis of individual production batch test certificates.

- Due to the limited time period that SYS have exported small volumes of the like goods during the Review period, OneSteel submits that the Commission's calculation of the dumping margin using normal values based on *s269TACB(2)(a) quarterly average of the whole review period* is not the most appropriate in these circumstances. OneSteel requests that the Commission re calculate the dumping margin based on s269TACB (2) (aa) so that the dumping margin calculation is determined for a similar time period.

- OneSteel supports the Commission's proposed recommendation that the interim dumping duty payable is an amount which will be worked out in accordance with the floor price method pursuant to subsection 5(4) of the Dumping Duty Regulation. [1]

- OneSteel supports the Commission's decision to calculate the NIP based on the same approach as was determined in REP 223[2].

[1] SEF Review of Measures - HRS exported from Thailand by Siam Yamato Steel Co. Ltd p24

[2] SEF Review of Measures - HRS exported from Thailand by Siam Yamato Steel Co. Ltd p23.

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

Model Matching and "Grading by Selection"

OneSteel agrees with the Commission's assessment that HRS sold by SYS on their domestic market are similar but not identical goods.

> *based on the information provided by SYS in its response to the exporter questionnaire and in the course of on-site verification, it is satisfied that HRS sold by SYS on the domestic market in Thailand possess similar physical characteristics, have similar uses, and have similar manufacturing processes to the HRS subject to the dumping duty notice.* [3]

For this reason it is necessary for the Commission to make adjustments determine the normal values according to s269TAC (8)

> *"Where the normal value of the goods exported to Australia is the price paid or payable for the like goods and that price and the export price of the goods exported*
>
> *(a) ……..*
> *(b) Are not in respect of identical goods*
> *(c) ……..*
>
> *That price paid or payable for the like goods is to be taken to be such a price adjusted in accordance with directions by the Minister so that those differences would not affect its comparison with that export price."*

In order for the Commission to determine which goods most closely resemble the goods under consideration, the Commission's practice is to perform a model matching exercise. Disappointingly the Commission has relied on the same flawed methodology as applied in Investigation 223, ie. Examining a limited, undisclosed number of test certificates, stating that:

> *These certificates contain evidence of mechanical properties and the chemical composition …. of the goods, which establish the actual physical specifications to which the goods are produced and sold.*[4]

The Commission has incorrectly formed the view that citing a sample of test certificates provides sufficient evidence to support the proposition that a grade with lower Standard minimum requirements should be regarded as a match for a grade with higher minimum Standard requirements. With respect, the Commission is perpetuating a methodology based on a misunderstanding which leads to the determination of an incorrect normal value and subsequent dumping margin.

The purpose of the test certificate is to certify the Standard and the grade that the product has been produced to. It is the grade and specification of the product that determines its function and value not the specific values of the test certificates. The actual yield and tensile strengths that appear on an individual test certificate are only representative for the sample taken for a given batch of steel produced within a larger production run which aims to meet or exceed the minimum criteria for the grade stated on the test certificate. As such, a test certificate is not designed for engineers to select individual beams based on the specific values of the test certificate, but rather to demonstrate compliance to the grade nominated on the test certificate. Individual test certificate results are not designed to be used to "Upgrade by Selection".

---

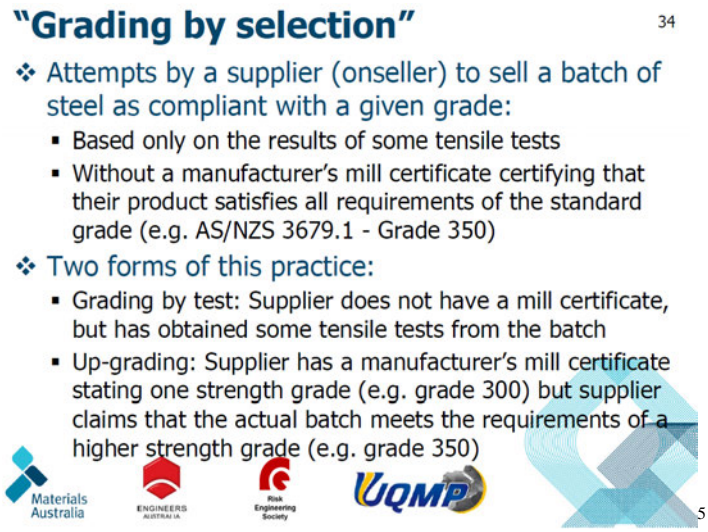
[3] SEF Review of Measures - HRS exported from Thailand by Siam Yamato Steel Co. Ltd p 13
[4] Ibid p16

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

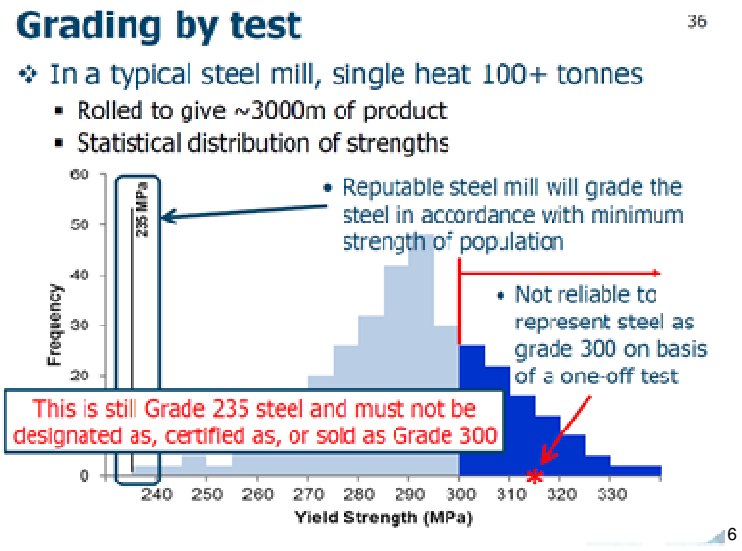
Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

In October 2015, the University of Queensland's Materials Performance (UQMP) consultancy presented to Engineers Australia Risk Engineering Society, warning engineers that "Grading by Selection" was not a safe method by which to determine if products are manufactured to a given quality specification.



Slide 36 of their presentation highlights that a grade with a minimum yield strength requirement of 235MPa (such as an SS400 and SM400) should not be regarded as being of the same quality standard as an AS3679 –G300 even though a specific test certificate has a minimum yield strength indicated of greater than 300MPa.



[5] Non Confidential attachment -UQPM Engineers Australia, Risk Engineering Society Brisbane, 27 October 2015 p34

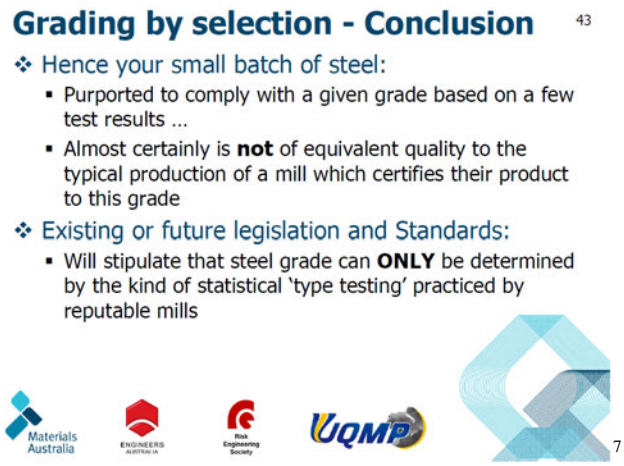
[6] Ibid p36

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

The UQPM consultancy categorically indicates that just because a batch of steel produced to a lower grade such as SS400/SM400 has a test certificate result showing the minimum yield achieved for that sample is above 300MPa doesn't mean that grade SS400/SM400 can be considered to be the same quality grade as AS/3679.1-300 with the test certificate as evidence.

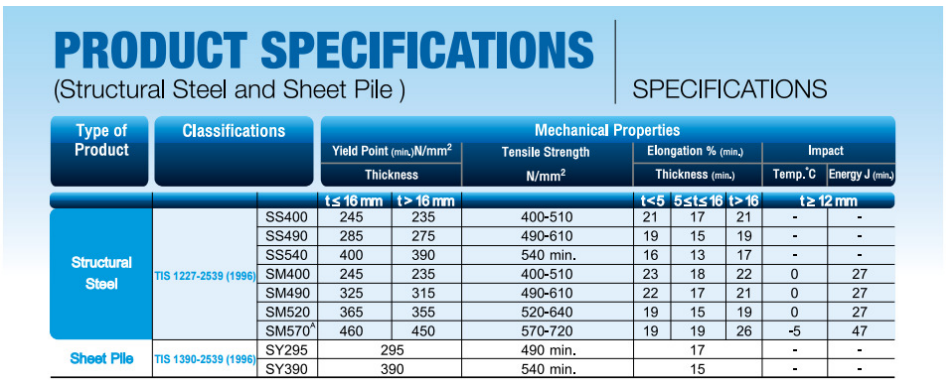


As such the Commission should acknowledge that its model matching methodology of Investigation 223 was flawed and should not be adopted by the current Review. The most appropriate method of model matching is to compare the minimum Standard requirements for the grades that the domestic and exported are produced to. SYS's Exporter Visit report states that:

> "*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*"

Although grades SS400 and SS400/SM400 may be the main models produced in Thailand it is incumbent on the Commission to perform its model matching exercise on <u>all</u> the models to determine those that are most similar on the basis of a comparison of Standard requirements, NOT a sample of test certificates.

SYS's product catalogue[8] outlines the range of structural models that they produce.



PRODUCT SPECIFICATIONS
(Structural Steel and Sheet Pile)

SPECIFICATIONS

Type of Product	Classifications		Mechanical Properties								
			Yield Point (min.) N/mm² Thickness		Tensile Strength N/mm²	Elongation % (min.) Thickness (min.)			Impact	
			t ≤ 16 mm	t > 16 mm		t<5	5≤t≤16	t > 16	Temp. °C	Energy J (min.)
									t ≥ 12 mm	
Structural Steel	TIS 1227-2539 (1996)	SS400	245	235	400-510	21	17	21	-	-
		SS490	285	275	490-610	19	15	19	-	-
		SS540	400	390	540 min.	16	13	17	-	-
		SM400	245	235	400-510	23	18	22	0	27
		SM490	325	315	490-610	22	17	21	0	27
		SM520	365	355	520-640	19	15	19	0	27
		SM570[A]	460	450	570-720	19	19	26	-5	47
Sheet Pile	TIS 1390-2539 (1996)	SY295	295		490 min.	17			-	-
		SY390	390		540 min.	15			-	-

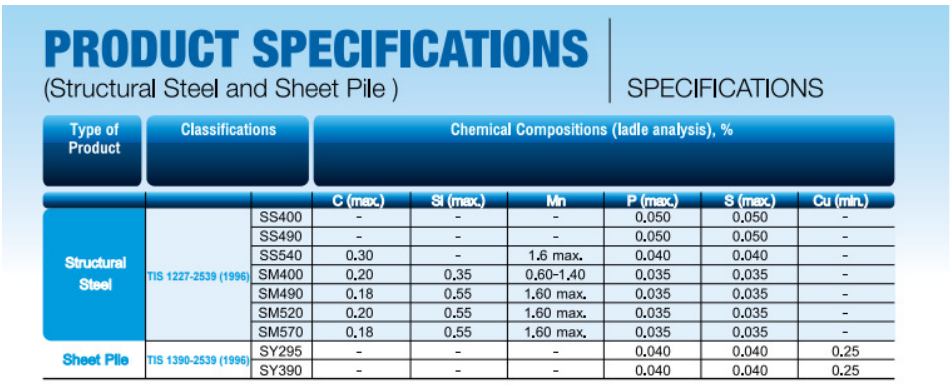
[7] Ibid p43

[8] Non Confidential Attachment Siam Yamoto Steel Brochure

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885



PRODUCT SPECIFICATIONS
(Structural Steel and Sheet Pile)

SPECIFICATIONS

Type of Product	Classifications		Chemical Compositions (ladle analysis), %					
			C (max.)	Si (max.)	Mn	P (max.)	S (max.)	Cu (min.)
Structural Steel	TIS 1227-2539 (1996)	SS400	-	-	-	0.050	0.050	-
		SS490	-	-	-	0.050	0.050	-
		SS540	0.30	-	1.6 max.	0.040	0.040	-
		SM400	0.20	0.35	0.60-1.40	0.035	0.035	-
		SM490	0.18	0.55	1.60 max.	0.035	0.035	-
		SM520	0.20	0.55	1.60 max.	0.035	0.035	-
		SM570	0.18	0.55	1.60 max.	0.035	0.035	-
Sheet Pile	TIS 1390-2539 (1996)	SY295	-	-	-	0.040	0.040	0.25
		SY390	-	-	-	0.040	0.040	0.25

Whilst during Investigation 223 a number of models of HRS may have fallen below the 5% threshold required for the normal value to be calculated using s269TAC with such a small volume (approximately 300T) exported to Australia during the Review Period this may no longer be the case.

In determining which grades are the most physically alike in terms of quality and chemical composition, the Commission should be aware that two of the most important physical qualities that will affect the function and commercial value of HRS steel sections, are (i) the minimum **yield** strength and (ii) ease of welding:

(i) Yield strength designates the point at which the steel becomes permanently deformed and is measured in MPa or N/mm^2, whilst

(ii) ease of welding is determined by the chemical composition of the steel, in particular the relative quantities of Carbon (C), Silicon (Si) and Manganese (Mn). Grades that don't stipulate the amounts of these elements are not regarded as readily weldable steels and will be more costly to fabricate as they require additional controlled heating and cooling processes to ensure the integrity of the weld.

The SYS catalogue shows that Thai domestic grades that are most similar to the AS/NZ 3679.1 Grade AS300 exported to Australia are SS490 and SM490 as these have minimum yields of 275MPa and 315MPa respectively.

Grade	Min MPa thickness of Section >16mm
TIS 1227 Grade SS400	235
TIS 1227 Grade SM400	235
TIS 1227 Grade SS490	275
AS/NZS 3679.1 – Grade 300	300
TIS 1227 - Grade SM490	315

However when the chemical properties are considered it is evident that it is the SM490 grade that is the most alike to AS/NZ 3679.1 Grade AS300 as, unlike SS490, SM490 also places restrictions on the maximum amounts of Carbon, Silicon and Manganese permissible to ensure the ease of weldability requirement is met.

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

Grade	Carbon (max %)	Silicon (max %)	Manganese (max %)
TIS 1227 Grade SS400	-	-	-
TIS 1227 Grade SS490	-	-	-
AS/NZS 3679.1 – Grade 300	0.25	0.50	1.60
TIS 1227 Grade SM490	0.2	0.55	1.65

Having determined that SM490 grade is the most similar to AS/NZS 3679.1 the Commission is required to make adjustments determine the normal values according to s269TAC (8). It is a generally accepted commercial practice for mills to charge a higher price for a grade of steel that delivers superior properties/benefits in processing. A higher minimum yield strength and ease of weldability would be considered benefits for which an appropriate price increase is justified. Mills do this to not only recover the costs of more stringent manufacturing and testing processes but because the end user client places greater value on qualities that improve its functional use.

The quality and value differences between AS3679.1-G300 exported to Australian and the common Thai domestic models were highlighted in Investigation 223. Leon Huat, a Singaporean importer who sells HRS sourced from Thailand and Taiwan. They wrote

> *AS3679.1 grade 300 requires more items to be stated in the chemical compositions and physical/chemical laboratory approval. Thus, Taiwan and* ***Thailand steel mills charge a higher rate for AS3679.1 grade 300.***[9] *[emphasis added]*

And further stated that grade was an important factor on which prices were based.

> *Pricing is set based on type of steel, grade, quantity or volume ordered and method of delivery*[10]

OneSteel requests that the Commission review its model matching process based on the grades that are the most similar and that it makes adjustments to the normal values for the price differences between the grades when the sales terms are similar in the same time periods.

Calculation of a Dumping Margin

The Commission advises that it has calculated a dumping margin by comparing

> *the quarterly weighted average of export prices over the whole of the review period with the quarterly weighted average of corresponding normal values over the whole of that period, in accordance with subsection 269TACB(2)(a) of the Act.*[11]

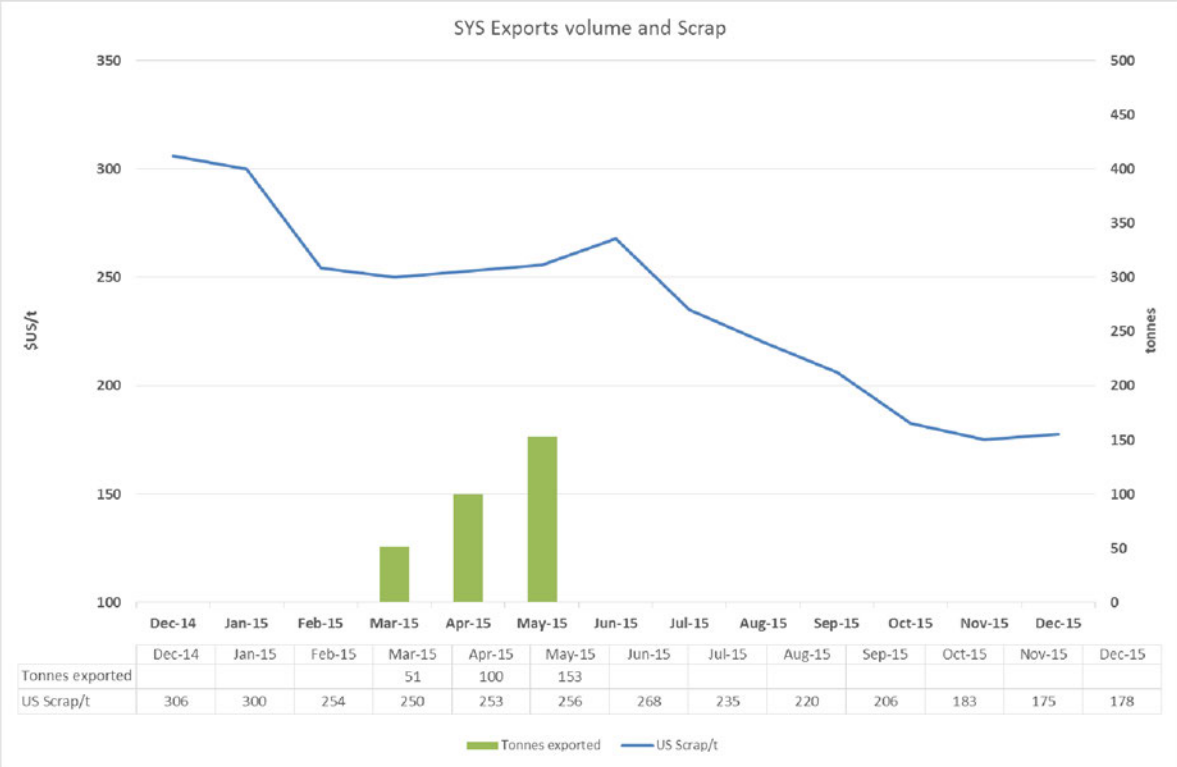
However given the narrow window in which SYS's exported like goods during the investigation period in which they only exported it is not reasonable to compare the export prices to normal values over a full 12 month period. The major reason for this is that scrap the key raw material for the production of the like goods fell significantly in the 2nd half of the review period. (refer graph below). This would likely have resulted in different (and lower) normal values compared to the normal values at the time of that SYS exported to Australia.

[9] http://www.adcommission.gov.au/cases/Documents/023-Questionnaire-Exporter-LeongHuatHardwarePteLtd_000.pdf
[10] Investigation 223 - Leon Huat Exporter Questionnaire D3 p 11
[11] SEF Review of Measure – HRS exported from Thailand by Siam Yamato Steel Co Ltd p.21

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885



	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Tonnes exported				51	100	153							
US Scrap/t	306	300	254	250	253	256	268	235	220	206	183	175	178

For this reason, OneSteel requests that the Commission calculate the dumping margin according to s269TACB(2)(aa)

> *(aa) use the method of comparison referred to in paragraph (a) in respect of parts of the investigation period as if each of these parts were the whole of the investigation period; [emphasis added]*

The dumping margin should be determined by comparing the normal values during the months of March to May 2015, rather than the full 12 months.

Form of Measure

The Commission's SEF states that

> *the Commissioner proposes to recommend to the Parliamentary Secretary that the interim dumping duty payable is an amount which will be worked out in accordance with the floor price method pursuant to subsection 5(4) of the Dumping Duty Regulation.*[12]

OneSteel supports the Commissioner's proposal to use the floor price method to determine the amount of interim dumping duty payable. As the floor price method is based on the normal value, OneSteel highlights the importance of the Commission employing the correct model matching methodology.

[12] Ibid P24

OneSteel Manufacturing Pty Ltd
(Administrators Appointed)
ABN 42 004 651 325

Level 6, 205 Pacific Highway, St Leonards
NSW 2065
Locked bag 3050 NSW 1570, Australia

P 02 8424 9800
F 02 8224 9885

Non Injurious price

OneSteel supports the Commission's decision to calculate the NIP based on the same approach as was determined in REP 223.

> *The Commission is of the view that in a market unaffected by dumping, it is reasonable to expect that OneSteel would continue to set its prices with regard to benchmarked import prices. In this case, as the price of imports would be higher at least by the dumping margins found, it would be expected that OneSteel's prices would also be higher at least by the percentage of the dumping margin's found.*
>
> *Accordingly, the Commission considers that the NIP for each exporter is a price equal to the respective normal value. This redresses the effects of dumping without redressing the effects of any other factors influencing price*[13]*.*

OneSteel continues to set its prices with regard to benchmarked import prices and as such the rationale and logic adopted by the Commission in relation to setting the NIP remains relevant.

Please contact myself if you have any questions in relation to this submission.

Kind Regards

[redacted]
Manager Trade Development
OneSteel Manufacturing

[13] Rep 223 Hot Rolled Structural Steel Sections – Japan, The Republic Of Korea, Taiwan And The Kingdom Of Thailand – p87