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SAHA THAI STEEL PIPE PCL

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34

INTERIM RESPONSE

to

REPORT NO. 177

by

ACBPS

on

DUMPING DUTY INVESTIGATION

October 2011

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Introduction: Saha Thai Steel Pipe Co PCL (STSP) is a Thai manufacturer and domestic distributor of steel ERW CHS and RHS and an exporter of those goods (GUC) to Australian importer, (name included).

Quantity: STSP exports to importer... during the I.P. total around:

| | | |
|-------|---|--------|
| • CHS | - | Tonnes |
| • RHS | - | Tonnes |
| Total | - | Tonnes |

Appreciation: STSP is appreciative of the consideration to extend its response time.

The current situation in Thailand, affecting the company's complete response is that many homes, properties and route to work are inundated with flood waters – the worst in 50 years.

Key accounting personnel have not been available because of this event and the company may need further consideration due to an obvious extenuating circumstance.

Representation: Howard Consulting is the company's authorised representative.

Howard Consulting is also the authorised representative of the Australian importer.

Credentials: 1. The company has been operating for over 42 years.
1.2 It has been a long term exporter of ERW steel pipes to:

- USA
- Australia

1.3 For year ended December 2010, STSP exports to the USA and Australia represented ...% of total exports being sales of US\$..... Million and US\$..... Million respectively.

1.4 Being a public company STSP has quarterly financial statements.

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- 1.5 Year 2010 was profitable with a net profit of..... Million Baht.
- 1.6 Presentation for annual General Meeting of shareholders is at **Conf. Attachment No. 1**.
- 1.7 STSP quarterly financials for the I.P. of this Investigation demonstrate the company's operations have been profitable.

The company's Auditors are (name included).

| NET INCOME | |
|----------------|------|
| 3 Months Ended | Baht |
| 2010 | |
| 2011 | |
| 2011 | |

- 1.8 STSP is a certified Quality Management ISO 9001 company by Global Certifier, Bureau VERITAS.
- 1.9 The STSP manufacturing process is subject to stringent quality testing as outlined in the 'Saha Thai' catalogue attached as **Conf. Attachment No. 2**.

Credentials:

- 2. STSP is fully committed to cooperating in this Investigation and is anxious to ensure that Article 6.8 of the Anti-Dumping Agreement is not used to impose a preliminary determination.

Requests:

- 3. Specifically STSP is requesting that any preliminary determination be based on the best, most relevant and reliable information available. (**Ref. 6.8 of Anti-Dumping Agreement**).
- 3.1 The current dumping duty margin assessment of less than 17% is considered inappropriate since it is based

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4

more on secondary source data and without having considered all due allowances.

3.2 That assessment is primarily based on home market sales provided by an unnamed secondary source which "must only be used with due circumspection".

3.3 17% is what the applicant company has alleged.

It needs to be understood, however, (and subject to Verification) that STSP is not only a manufacturer but also a **(function)** in terms of home market sales.

3.4 The applicant company has up to three sales routes to market in Australia including what is known as its **prime sales-for specified product** to its franchised distributors.

3.5 The applicant company is Onesteel ATM (ATM).

3.6 ATM prime sales, for specified sales, are in fact the applicant's sales on an "ex stock" basis (next day) in that those privileged to source at this "sale level" pay a price premium for at least two pricing elements:

- Cost of Possession
- Domestic Price Premium

3.7 in practical terms these sales by ATM are at the 'distributor' level of sale and based on local market intelligence, the 'cost of possession' factor, being the cost differential from 'wholesale' to 'distributor', is 16 to 20 per cent higher.

3.8 Other ATM sales on an 'order production' basis, and conditional on a minimum quantity basis, being those sales via 'Irimi/Bragge' and .(name included) are reportedly up to 20 per cent less in price as the delivery time is around 30 days compared to "next day", and buyers need to purchase 'a truck load'.

3.9 STSP is a (function) in its market and that sales price is reasonably expected to (movement expenses)

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5

3.10 Based on the understanding of the Australian experience, the 17 per cent dumping margin for STSP is considered to be unreliable due to the distinct probability of adjustments for Normal Value calculation.

**USA-
Other country
information**

4. In terms of basing preliminary determinations on the 'best information' available the US Department of Commerce document at **Conf. Attachment No. 3** is considered to be the most relevant, reliable information.

4.1 **Page 3** of that document states the weighted-average dumping margin for STSP is 1.76.per cent.

4.2 That assessment dated was for the period and is for exports of ERW steel pipes exported by STSP.

4.3 The US administration is 'due' to announce its latest assessment being for the period (dates shown)

4.4 That assessment is confidently expected to be (rate)

**Reasons for
Relevance:**

5. It can be demonstrated that the cost to make the goods exported to the US is the same as for the Australian exports.

5.1 The only difference is that the US exported goods incur higher testing, movement and selling expenses.

**Comparable
Countries:**

6. The Minister's statement of 21st September 2011 stated 'inter alia': -

"The Government is ensuring that Australia's Anti-Dumping System is administered more in line with comparable countries, taking into account relevant cases and practices in other countries".

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6

Relevance: 7. Australian law provides for a determination of no dumping duty margin when weighted-average margins are less than 2 per cent.

Conclusions: 8. There is adequate information to prevent STSP exports being subjected to provisional or final Measures pending Verification of the complete response to the Exporters Questionnaire.

8.1 Neither STSP or (importer) consider the goods in question are subject to any 'Anti-Dumping' Measures.

Both companies support and welcome the Minister's statements on streamlining Australia's Anti-Dumping System and the Australian businesses reliant on the imported goods in question also want greater certainty – they include distributors and manufacturers denied supply by ATM and they too have workers, families and belong to communities.

Other Factors: 9. STSP totally rejects the assertion in 5.7.2 of Report No. 177 on a "particular market situation".

It suggests that the Thai Government controls the HRC prices.

The reality is that the Thai Government does recommend a ceiling price for HRC produced by the two local HRC makers.

As at March 2009, the recommended ceiling price was 24,500 Baht per Tonne ex factory.

Applying prevailing exchange rates ,this price equates to:

A\$867 per Tonne @ 13/7/2010

A\$790 per Tonne @ 1/3/2011

A\$763 per Tonne @ 28/6/2011

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7

ATM Purchases: 9.1 *Para A-3-7* of the application states:
"Onesteel purchases the majority of its raw material Hot Rolled Coil from the Australian supplier, Bluescope Steel Limited.

Onesteel ATM has also purchased imported HRC, however, it predominantly sources HRC locally".

9.2 Bluescope is Australia's sole producer of HRC, is a distributor of Onesteel ATM products and is an importer of HDGP.

9.3 Bluescope also exports HRC as per following ABS data: Ref - AHEC 720839.00 <3MM

Financial Year 2011

| COUNTRY | TONNES | A\$FOB (TONNE) |
|-----------|---------|----------------|
| Thailand* | 207,662 | 663 |
| Vietnam | 68,081 | 553 |
| Korea | 145,213 | 625 |
| Malaysia | 33,361 | 643 |

Source: ABS Export Data weighted average FOB A\$ price per Tonne

Conclusions: 9.4 The* landed into store price of Australian HRC in Thailand is the \$663 FOB plus an "allowed" \$100 for movement expenses = \$763 per Tonne. (FOB to FIS) This compares to the apparent ceiling price for domestic HRC in Thailand indicated on page 6.

9.5 STSP also rejects the claim that it pays 6% agents fee on HRC purchases.

Australian Market: 10. It is more than obvious that based on the applicant company's submitted information the ITRB is clearly considering to impose provisional Measures at the earliest opportunity – e.g. November 19th.

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Assessments such as those of 6.7.1 of the ITRB Report No. 177 are, however, based on what we claim is deceptive information.

10.1 The 2007 financial year is considered the base year for any meaningful analysis.

ATM has the capacity to produce 650 kt of relevant goods being more than the whole Australian market.

In September 2008, following the acquisition by Onesteel of Smorgon Steel's manufacturing operations to form 'ATM', they mothballed production capacity at Newcastle which ATM considered was **surplus** to requirements.

ATM mothballed the Newcastle galvanising and finishing operations for line nos. 1 and 4 and moved around 60kt of Newcastle capacity to Brisbane and Melbourne.

Table No. 1

F.Y. 2007 MARKET (EST.) 000 TONNES (ROUNDED)

| | | |
|-------------------------------|------------|-------------|
| <i>Onesteel (ATM)</i> | | |
| <i>Smorgon (ATM)</i> | | |
| <i>Orrcon</i> | | |
| <i>Local "output"</i> | | |
| <i>Less Exports</i> | | |
| <i>Local Supply</i> | 350 | 60% |
| <i>Import Supply</i> | 230 | 40% |
| <i>Apparent Supply</i> | 580 | 100% |

Note: Imports are from ABS data and include those imports by local producers.

**Market
Composition:**

The FY 2007 market est. of 580 kt is estimated to have comprised:-

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9

26

Table No. 2

000 Tonnes (rounded)

| | |
|--------------|------------|
| HDGP | 110 |
| ILG | |
| PAINTED | |
| BLACK | |
| TOTAL | 580 |

The import supply of 230 kt comprised an estimated:-

Table No. 3

000 Tonnes (rounded)

| | |
|--------------|------------|
| HDGP | 80 |
| ILG | 30 |
| PAINTED | 105 |
| BLACK | 15 |
| TOTAL | 230 |

**Recent
Developments:**

We claim there is a functional, end use divide between CHS and RHS.

For example, red painted CHS for sprinkler systems is not substituted by blue painted RHS – or vice versa.

More specifically, there is no functional substitute for HDGP.

More importantly ATM's share of the **HDGP** market has declined from an estimated **30 per cent** in FY 2007 by way of locally produced sales, to **zero** at present.

Relevance:

- More than 80 per cent of imported CHS is HDGP.
- Orrcon and ITM do not make HDGP.
- Orrcon imports HDGP as does Bluescope Distribution.

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10

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25

ATM import HDGP from Vietnam and other countries and for ATM to claim it has no relationship with overseas exporters captured in this Investigation is, at best, semantic, and at worst, misleading.

Market Estimates:

Table No. 4

000 Tonnes (rounded)

| FY | IMPORTS | | LOCAL | TOTAL |
|------|---------|-----|-------|-------|
| | CHS | RHS | | |
| 2007 | 90 | 140 | 350 | 580 |
| 2008 | 90 | 125 | 395 | 610 |
| 2009 | 85 | 155 | 270 | 510 |
| 2010 | 90 | 140 | 320 | 550 |
| 2011 | 95 | 120 | 325 | 540 |

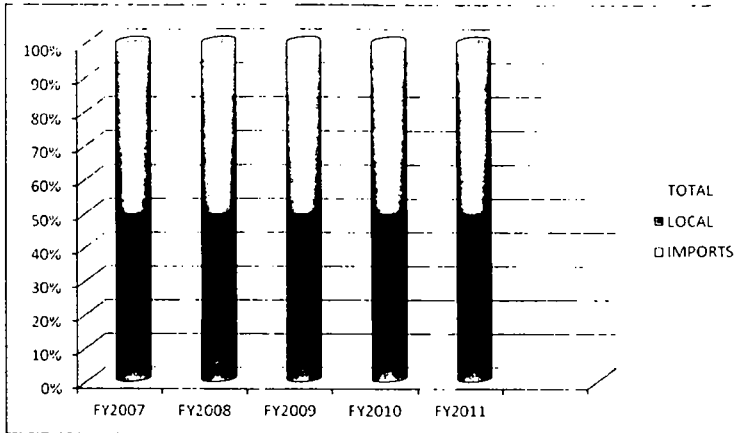
*Source: Imports – ABS Data
Local – Market Estimates*

Comments:

- (1) FY 2011 market share for locals is 60% same as for FY 2007
- (2) **FY 2008 was unprecedented boom year. Demand far exceeded supply and ATM could not supply its customers requirements. Even so, ATM did not resort to using the surplus capacity it had mothballed.**
- (3) There is a 2-3 month time lag from when orders are placed on the exporters to when the goods arrive in Australia-the relevance being the GFC occurrence and outstanding import orders. ATM had the flexibility to Adjust to changed market conditions whereas those reliant on imports were "locked in".

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Summary:



Causality:

Onesteel's review of its operations for the 12 months to June 2011, being same period as this I.P., stated on **page 6 (attached)**:

"In the Australian Tube Mills business, volumes were down 5% compared to the prior year, but **market share increased** slightly.

Volumes were impacted by weak construction and manufacturing activity and de-stocking by **distributors, resellers and end-users** as prices trended down during the third and fourth quarter and working capital constraints became a significant issue.

Margins were adversely affected by the impact of the stronger Australian Dollar on prices".

Note:emphasis added .

Comments:

On volume our estimate of a 5% decline equates to the market entry of ITM and that based on ABS data, import volumes did not increase in FY 2011.

As with most Australian businesses the CEO of Onesteel told the ASI convention on 12th Sept 2011 that "our industry – now face a unique set of circumstances in Australia" – ***Refer copy pages 5/6 attached.***

Summary:

The ATM business of Onesteel has used the anti-dumping provisions as an "on-off" switch for a decade and whilst it is entitled to do so, it has in our experience been merely a strategic ploy to disrupt a market supply of competitive product for Australian steel users.

This latest Investigation that pointedly excludes the applicant's exclusive supply sources of imported GUC – namely Vietnam and Japan – is more intended to obtain Government patronage for its distribution business rather than to obtain a remedy for having to compete with what they allege are unfairly priced imports.

Thank you for your consideration.

M J Howard

Authorised Representative
31st October 2011



**THE STEEL INDUSTRY
PLAYS A KEY ROLE
IN AUSTRALIA'S
ECONOMIC
PROSPERITY**

GEOFF PLUMMER - CEO & MD ONESTEEL LIMITED
Australian Steel Convention
12 September 2011

ONE Steel

The key challenges facing our industry

onesteel

- Our industry has a history of competing successfully in an economy in which steel is freely traded, however we now face a unique set of circumstances in Australia:
 - Australian dollar at or near record levels
 - Weak domestic markets outside resources
 - Construction and manufacturing particularly weak
 - Much of the resources boom's investment is spent offshore due to factors such as: high AUD, labour shortages and investment climate
 - Confidence levels low and weakening
 - High costs
 - Raw materials
 - Other costs such as electricity, freight and fuel high
- These challenges are also at a time when the international economy and international steel industries are still very weak

20

The key challenges facing our industry

OneSteel

- All participants are being impacted by these adverse circumstances (e.g. fabricators, distributors, designers, manufacturers etc)
- Contrary to what many claim, the domestic industry has had in practice no protection by way of tariffs or other barriers
- Additionally, our industry has historically not received for many years any direct or indirect subsidies and support
- But our industry competes against offshore competitors who often receive direct and/or indirect subsidies and support

MANUFACTURING

| 12 MONTHS TO | JUN-11 | JUN-10 | % CHG |
|------------------------------|--------|--------|--------|
| | \$m | \$m | |
| Total Revenue/Income | 2,426 | 2,473 | 2 |
| EBITDA - Underlying | (07) | 97 | (100) |
| EBIT - Underlying | (185) | - | - |
| Selling Margin (EBIT) | (7.6)% | (0.1)% | (7.5)% |
| Assets | 2,585 | 2,024 | 11 |
| Funds Employed | 2,042 | 2,055 | (1) |
| Return on Funds Employed (%) | (9.0)% | (0.2)% | 8.8pts |
| Employees (number) | 3,424 | 3,394 | 0.9 |

In the Manufacturing segment, revenue decreased 2% to \$2,426 million due mainly to a decline in sales volumes and the average sales price compared to the prior year.

Sales volumes during the year were adversely impacted by continuing weak domestic construction activity exacerbated by a further weakening in confidence levels due to factors such as uncertainty over proposed new domestic tax, European and US debt issues, higher interest rates and wet weather conditions throughout the year. Sales volumes in Manufacturing were around 20% below pre-GFC levels during the year.

Margins were significantly adversely affected by the impact of the rapid run up in the Australian dollar on domestic prices in an environment of weak demand and from higher raw material costs. Internationally higher raw material costs pushed up international steel prices in the second and third quarters, but this was not reflected in domestic prices until around March/April due to the impact of the rapid increase in the Australian dollar. The business was on track for a much improved fourth quarter due to significantly improved pricing but a further rapid run up in the Australian dollar early in that quarter resulted in further price and margin pressure and a deferral of sales volumes in May and June.

The Rod and Bar business continued to be adversely impacted by weak activity levels in the manufacturing and construction segments. Sales volumes from the Steel in Concrete segment were down approximately 5% compared to the prior year, due primarily to weaker demand from privately funded non-residential construction, cessation of Federal Government spending on the Building Education Revolution (BER) and the removal of the first home owners grant impacting new housing starts. Average prices were also lower than in the prior year due to the impact of the stronger Australian dollar. Metal volumes were flat year on year. Rod and Bar margins were adversely affected by weaker prices due to the impact of the stronger Australian dollar and higher raw material costs.

Sales volumes in the Wire business were mixed, with retail sales increasing slightly and manufacturing sales down 6% driven primarily by a combination of general market softness and increased competition in a range of products. The average wire price was down marginally due to the impact of the stronger Australian dollar.

In the Australian Tube NBIs business, volumes were down 5% compared to the prior year, but market share increased slightly. Volumes were impacted by weak construction and manufacturing activity and stockpiling by distributors, resellers and end users as prices softened down during the third and fourth quarter and working capital constraints became a significant issue. Margins were adversely affected by the impact of the stronger Australian dollar on prices.

LisaSteel™ Technologies market penetration in Australia during the year slowed due to the winding down of the Government stimulus BER and weak activity in residential construction. The business launched residential flooring solutions during the year, gaining market acceptance and is well positioned for growth. In the US, the environment continues to be challenging due to a combination of credit availability issues, high unemployment and weak consumer and business confidence. The business is continuing to support its marketing partner, Marubishi Steel Tube Ltd in the Japanese domestic market.