

Exporter Briefing – Siam Yamato Steel Co., Ltd (SYS)

Background

Siam Yamato Steel Co., Ltd (“SYS”) has provided the Anti-Dumping Commission (“the Commission”) with an exporter questionnaire response in the hot rolled structural sections (“HRS”) investigation.

SYS is the largest hot-rolled structural (“HRS”) steel producer in Thailand. SYS was established in 1992 as a joint venture involving Siam Cement Co., Ltd, Mitsui & Co. (Thailand) Ltd, Sumitomo Corporation (Thailand) Co., Ltd and Yamato Kogyo Co., Ltd. SYS’s production facility is located in the Maphaput Industrial Estate, Rayong and has an annual production capacity of 650,000 metric tonnes. It is understood that SYS operates as a subsidiary of Mitsui & Co., Ltd.

SYS is an integrated producer and produces HRS from scrap steel. SYS asserts that it manufactures HRS to Thai and International Standards.

Previous Investigation (Trade Measures Report No. 55)

Report No. 55 confirms that the normal value for H-Beams sold by SYS were determined under s.269TAC(1) using the weighted average price paid for like goods sold in the ordinary course of trade in Thailand. Domestic sales to fabricators, related party sales and sales of downgrade product were excluded.

In respect of channels and angles, C&BP did not have sufficient information to calculate normal values under s.269TAC(1), s.269TAC(2)(c), or s.269TAC(2)(d). Normal values for SYS for channels and angles were determined under s.269TAC(6) having regard to all relevant information.

SYS sells HRS to retailers (distributors) and end-users (fabricators), with some smaller related party sales. C&BP previously established that domestic sales are a mixture of ex-factory and FIS (again confirmed in SYS’ exporter questionnaire response). Domestic prices were established monthly, with market conditions influencing pricing levels. It was established that prices to fabricators were higher than to distributors.

Export sales to Australia

C&BP has previously confirmed that SYS sells tapered flange channels on the domestic market in Thailand. The goods exported to Australia are parallel flange channels. As a general rule, parallel flange channels sell at a higher price per tonne compared to tapered flange channels.

OneSteel highlights with the Commission the importance of ensuring that SYS’ normal value reflects an adjustment to account for the different goods sold domestically versus export sales. In Report No. 55¹, C&BP did not make an adjustment for physical differences (including grades) between the goods sold domestically and those exported to Australia. OneSteel does not consider that the approach adopted in Report No. 55 is correct and request the Commission to make an upward adjustment to reflect physical differences between domestic sales and export sales.

Other Adjustments

In Report No. 55 C&BP made positive adjustments for inland freight and FOB charges, and export sales commission. Negative adjustments were made for credit terms, sales service, warehousing, and a fee paid to Siam Cement Company.

¹ Trade Measures Report No. 55, P.26.

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As detailed above, OneSteel maintains that a positive adjustment is also required for differences between domestic and export sales of channels.

Tolerances

OneSteel understands that rolling of structural steel to comply with the AS/NZ 3679.1 (for export sales to Australia) involves tighter tolerances than HRS sold domestically in Thailand (refer TIS 1227-2537, Table 10). For goods that are less than 10mm in thickness, the AS/NZ 3679.1 (Clause 7.2) minimum tolerance allowed is 2.5 per cent. OneSteel understands that for domestic sales sold in accordance with the Thai Standard a 5 per cent tolerance is permitted. For product that involves a thickness of 10mm and over, the AS/NZ 3679.1 tolerance is also 2.5 per cent, whereas the TIS equivalent is 4 per cent.

It is further considered that a manufacturer such as SYS would produce to the maximum tolerance as it is not within the company's economic interest to sell a higher weight of beam/channel at the same price as product "rolled light".

Accordingly, SYS' normal values (based upon domestic sales) require an upward adjustment of 2.5 per cent (for less than 10mm thick product), or 1.5 per cent for product with a thickness of 10mm or greater.

Grade differences

It is OneSteel's understanding that there are grade differences between the products sold in Thailand (and other parts of Asia). Grades sold domestically are generally 250 grade product, whereas grades sold for export to Australia are 300 grade. A positive adjustment to SYS' normal value is therefore required for grade differences between domestic and export sales. The Leong Huat Exporter Questionnaire Response confirms that Taiwanese and Thai steel mills "charge a higher rate for AS3679.1 grade 300 compared to EN10025, ASTM or JIS Standard".

The closest Thai standard grade to the Australian grade is AS/NZS 3679.1 is SM490.

Other matters

SYS would also incur additional rolling costs associated with HRS destined for Australia when compared with products produced for domestic sale and that the normal value should be adjusted upward to reflect these costs. The additional costs noted included the costs of a smaller production runs for product made to Australian standards which include empirical equivalent dimensions, higher grades, tighter mass tolerances and different branding and test certificate requirements and the costs of holding or warehousing stock until next shipment.

Scrap

OneSteel notes that in Report No. 55 there was consideration afforded to purchases of scrap by SYS from related parties. The Commission is requested to "test" the price for scrap sourced from related parties with prevailing market prices for scrap in Thailand.

Level of Trade

Pages 24 & 25 of SYS' exporter questionnaire response include comments by SYS in respect of a 'Level of Trade' claim. It would appear that SYS is seeking to establish a negative adjustment to normal value for a 'level of trade' differential that it is seeking to identify. SYS sought to obtain a similar adjustment on Report No. 55, however, this was rejected by C&BP due to insufficient information from SYS.

The Commission is urged to exercise due care in accommodating an adjustment for level of trade. It must be evidenced that there exists a pricing differential for the claim to be upheld. It is noted that SYS sells to distributors on the domestic market and that sales to Australia are

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via a distributor. It is OneSteel's view that a level of trade is not warranted as it is speculative as to whether the selling prices to distributors in Thailand are significantly lower than to other parties on the sole basis of the distribution channel through which they are sold. It should also be recalled that the volume exported to Australia as evidenced in Report No. 55 inquiry was larger than what was sold to the largest domestic distributor. The prices on both domestic and export markets were fairly compared, and OneSteel contends that there exists no ground for a level of trade adjustment.

Service charges and holding costs for export

SYS may seek to exclude sales to fabricators in Thailand from its normal value assessment. If this were to occur, OneSteel would submit that the service charges associated with domestic sales to fabricators should also be excluded from any negative adjustment to SYS normal value for sales and service and warehousing expenses incurred for domestic sales.

OneSteel would also anticipate that as soon as SYS rolls its product for local sale it can dispatch and sell the goods immediately. For AS/NZ product, SYS only makes a sale on a monthly basis to coincide with shipping times. SYS may also need to carry the AS/NZ stock for longer than a month if SYS needs to over roll product to obtain an economical run or produce some safety stock. These additional expenses that relate specifically to export sales should be reflected in SYS' normal values.

Other costs incurred by SYS for export sales

It is noted that SYS has sought to claim a negative adjustment for sales and service that it asserts relate to sales on the domestic market only (and therefore not included in costs associated with export sales). OneSteel is aware that SYS incurs the following expenses related to export sales to Australia (on the basis of past purchases from SYS by OneSteel):

- (i) export sales and marketing expenses – SYS sends representatives to Australia on a regular basis (approximately 2- 3 times per year). These sales representatives would potentially have higher salaries than sales personnel selling locally in Thailand. In addition, SYS incurs expenses for international airfares, accommodation, car hire, entertainment, In addition SYS would host visits from traders and their Australian customers.
- (ii) OneSteel is aware that SYS will provide warranty on its export sales.
[example of an export warranty claim]