



**INVESTIGATION 254**

**ALLEGED DUMPING OF CERTAIN HOLLOW STRUCTURAL  
SECTIONS**

**EXPORTED FROM THE KINGDOM OF THAILAND**

**VISIT REPORT - IMPORTER**

**THYSSENKRUPP MANNEX PTY LTD**

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THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

**January 2015**

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### ABBREVIATIONS

\$	Australian dollars
ADN	Australian Dumping Notice
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
FAS	Free Alongside Ship
FOB	Free On Board
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed Selling Price

## **1 BACKGROUND AND PURPOSE**

### **1.1 Background**

On 10 June 2014, Austube Mills Pty. Ltd. (ATM) lodged an application requesting that the Minister for Industry<sup>1</sup> (the Minister) publish a dumping duty notice in respect to hollow structural sections (HSS) exported to Australia from the Kingdom of Thailand (Thailand).

ATM alleges that the Australian industry has suffered material injury caused by HSS exported to Australia from Thailand at dumped prices.

Public notification of initiation of the investigation was made on 21 July 2014 via Anti-Dumping Notice (ADN) 2014/59. The investigation period is set as 1 July 2013 to 30 June 2014.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that ThyssenKrupp Mannex Pty Ltd (TKM) had imported HSS from Thailand during the investigation period.

The Anti-Dumping Commission (the Commission) wrote to TKM, advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the Importer Questionnaire and associated spread sheets to complete.

TKM completed the Importer Questionnaire, providing:

- Part A - details regarding the company, overseas supplier information and identification of its Australian customers;
- Part B – details of the cost to import and sell plus profit of eleven selected importations and details of forward orders; and
- Part C – a detailed sales listing to Australian customers during the investigation period.

### **1.2 Purpose of visit**

The purpose of the visit was to:

- provide TKM with an understanding of the key issues, dates and processes that relate to the Commission's investigation into certain HSS exported from Thailand;
- confirm that TKM is an importer of HSS from Thailand as attributed to it within the import database and obtain information to assist in establishing the identity of exporters of HSS from Thailand;

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<sup>1</sup> On 16 September 2013, the Minister for Industry delegated responsibility for anti-dumping matters to the Parliamentary Secretary to the Minister for Industry. On 22 December 2014 responsibility reverted back to the Minister for Industry as a result of a Government reshuffle. On 4 February 2015, responsibility for anti-dumping matters was delegated to the new Parliamentary Secretary to the Minister for Industry and Science.

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- verify information on imports of HSS from Thailand in order to assist in the determination of export prices;
- establish whether the purchases of HSS from Thailand were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers, and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for HSS; and
- provide TKM with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	ThyssenKrupp Mannex Pty Ltd
Address	Level 4, Tower B, 799 Pacific Highway, Chatswood NSW 2067
Date of visit	26 November 2014

The following were present at the meeting.

TKM	Thomas Goerges – Financial Controller & Company Secretary Charles Roest – Product Manager – Tube & Pipe / Technical Products Maraika Ropte – Assistant Trader – Tube & Pipe / Technical Products
Roger D. Simpson & Associates Pty Ltd	Roger Simpson – International Trade Consultant
the Commission	Bora Akdeniz – A/G Assistant Director – Operations 4 Nathan Sargent – Policy Officer – Operational Policy

### 1.4 Investigation process and timeframes

The visit team advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 July 2013 to 30 June 2014.
- The injury analysis period is from 1 June 2011 for the purpose of analysing the condition of the Australian industry.
- The due date for Statement of Essential Facts (SEF) for the investigation has been extended and is due to be placed on the public record by 6 February 2015, though

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this date may be further extended by the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) as allowed under s.269ZHI of *the Customs Act 1901* (the Act).<sup>2</sup> Since the visit, the due date for the SEF has been further extended and is now due on 9 March 2015. Details are available on the investigation case's public record at <http://www.adcommission.gov.au/cases/EPR254.asp>.

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- The final report and recommendations to the Parliamentary Secretary are due to be submitted by 23 March 2015, though it is possible that this timeline will be extended. As noted above, a further extension has been granted since the visit. The final report will now be submitted to the Parliamentary Secretary by 23 April 2015, unless further extended.
- The Commission is able to impose a preliminary affirmative determination (PAD) and provisional measures on exporters of the goods if it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice. A PAD is able to be made at any time after Day 60 of the investigation, which was 19 September 2014 in this case. The Commission has not made a PAD at this time.

### 1.5 Visit report

The visit team explained TKM that a confidential report would be prepared and provided to the company to review for factual accuracy and to identify those parts of the report it considers to be confidential. Any confidential material would be handled appropriately by the Commission and not released to any third parties.

A non-confidential version of the report, prepared in consultation with TKM, will be published on the public record.

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<sup>2</sup> All references to sections, sub-sections or paragraphs in this report relate to the Act unless specifically stated otherwise.

## **2 THE GOODS**

### **2.1 Description**

The goods the subject of this application (the goods), are:

*Certain electric resistance welded pipe and tube made of steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes, whether or not including alloys. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include pre-galvanised, hot-dipped galvanised (HDG), and non-galvanised HSS.*

*Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 950.0 mm. CHS with other than plain ends (such as threaded, swaged and shouldered) are also included within the goods coverage.*

The applicant submits that the following categories of HSS are excluded from the application:

- *conveyor tube made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1mm on outer surface and 0.25mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6mm in order to maintain vibration free rotation and minimum wind noise during operation);*
- *precision RHS with a nominal thickness of less than 1.6 mm (i.e. not used in structural applications); and*
- *stainless steel CHS and RHS sections.*

### **2.2 Tariff classification**

The application stated that the goods are classified under the following tariff classifications and statistical codes:

- *7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);*
- *7306.50.00 (statistical code 45);*
- *7306.61.00 (statistical codes 21, 22, 25 and 90); and*
- *7306.69.00 (statistical code 10).*

Based on information provided in the application, Australian Customs and Border Protection Service (ACBPS) Tariff Policy and Implementation Branch confirmed that the goods are correctly classified to tariff subheadings:

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- 7306.30.00: circular hollow sections;
- 7306.61.00: rectangular or square hollow sections;
- 7306.69.00: other non-circular cross-sections; and
- 7306.50.00: other circular cross-sections of other alloys of steel,

in Schedule 3 to the *Customs Tariff Act 1995*.

The goods exported to Australia from Thailand under the Thailand Free Trade Agreement are free from duty as of 1 January 2010.

The Commission notes that there are numerous Tariff Concession Orders applicable to the relevant tariff subheadings.

### 2.3 Like goods

At the visit, TKM explained that the HSS manufactured by [REDACTED] are comparable to HSS manufactured by Australian industry and are competing in the same market. TKM explained that although HSS is considered to be a commodity good, the [REDACTED] brand is recognised and well respected in Australian market.

TKM stated that [REDACTED] manufactures both Australian standards AS1074 and AS1163 as well as low temperature impact tested products which is a subsection of AS1163.



### **3 COMPANY DETAILS**

#### **3.1 Company background**

##### **3.1.1 Organisational structure of company**

TKM is a privately owned Australian company. The original company, Mannesmann Trading, was established in 1981. It was later purchased by ThyssenKrupp and its name was changed to Thyssen Mannesmann Trading Pty Ltd. When the right to the Mannesmann name expired in December 2004, it changed its name to ThyssenKrupp Mannex Pty Ltd. The ultimate parent company is ThyssenKrupp AG and is listed on the Frankfurt Stock Exchange.

##### **3.1.2 Functions of company**

TKM deals with steel and related products and describes itself as an importer/trader. TKM sells mainly to distributors, rather than end users. TKM advised that its three main functions relating to imports are:

[REDACTED] TKM advised that its Tube & Pipe division (which includes HSS) made up [REDACTED] per cent of company revenue last financial year.

TKM [REDACTED] confirmed [REDACTED] that [REDACTED] it

[REDACTED]  
[REDACTED]. [Confidential: Operational detail]

#### **3.2 Accounting structure and details of accounting systems**

TKM [REDACTED] explained [REDACTED] that

[REDACTED]

[Confidential: Accounting system details]

TKM's financial year runs from [REDACTED]. TKM's accounts are audited annually. Since 2013, TKM's accounts have been audited by [REDACTED].

TKM [REDACTED] explained [REDACTED] that

[REDACTED]

[REDACTED]. [Confidential: Revenue recognition detail]

Similarly,

[REDACTED]

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[REDACTED]  
[REDACTED]. [Confidential: Accounting system detail]

### 3.3 Relationship with suppliers

For the last 18 years TKM has  
[REDACTED]  
[REDACTED]. [Confidential: Relationship with supplier]

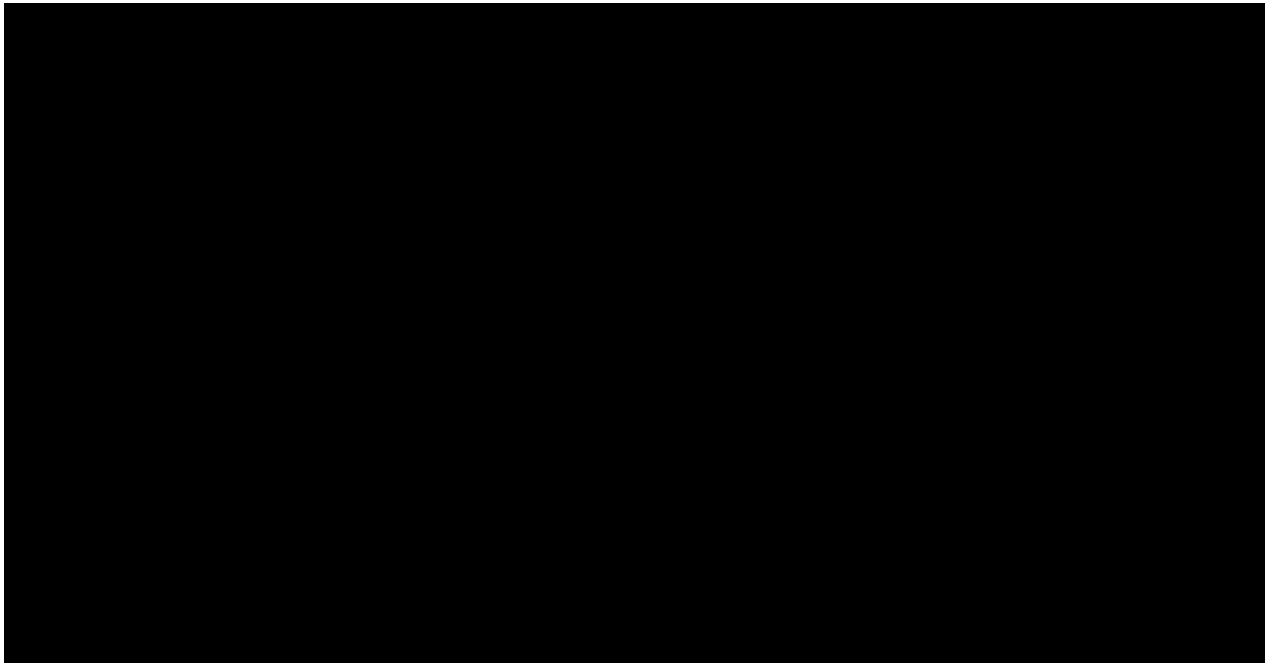
TKM advised that its relationship with [REDACTED] is an arm's length commercial relationship and that it has no ownership interest in [REDACTED] or any other supplier.

TKM also stated that during the investigation period, it received no discounts or rebates from its suppliers and that the invoiced price is the actual money price paid.

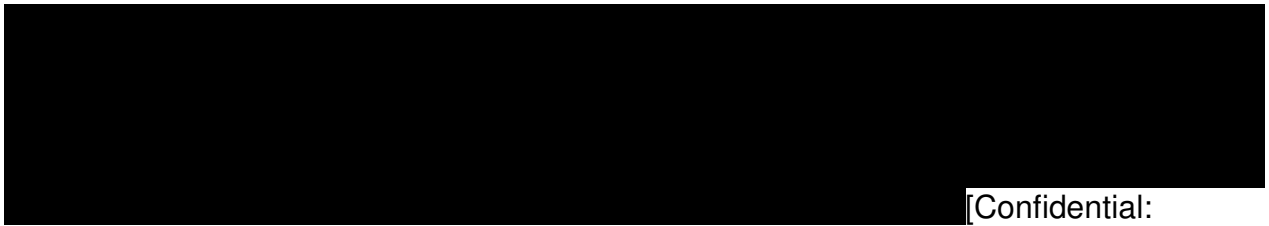
The verification team found no evidence of any discounts or rebates being provided to TKM during the verification.

## **4 IMPORTS**

### **4.1 Ordering process and price**



[Confidential: Shipping terms and costs]



[Confidential:

Payment terms]

### **4.2 Verification of imports**

Prior to the visit, nine shipments were selected from the import listed provided in the response to TKM's importer questionnaire. TKM was requested to provide the Commission with the following source documents for each of the selected shipments:

- commercial invoices from Pacific Pipe;
- packing lists;
- purchase orders;
- bills of lading;
- proof of payments;
- customs broker and domestic freight invoices; and
- post order calculation sheets of estimated and actual importation expenses.

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TKM provided source documents for all selected shipments. These documents are contained in **Confidential Attachment 1**.

For each shipment, the source documents provided confirmed the quantity, invoice value, ocean freight, exchange rate, customs duty, importation costs, expenses and average selling prices in the import sales spread sheet. Documents to support proof of payment for each shipment and post exportation costs were also provided. The quantity, value, price and delivery terms for the selected shipments reconciled with the data in the import list.

### 4.2.1 Commercial invoices

Copies of invoices for each selected shipment were provided to the Commission. These invoices were used to verify the applicable data provided by TKM, including the goods description and value. Payment of the invoice was also verified to source documents.

### 4.2.2 Marine insurance

TKM explained that although the

[Redacted]

[Confidential: Details on insurance cost allocation]. Therefore, TKM's marine insurance costs are based on [Redacted] incurred.

TKM advised that it did

[Redacted]

[Confidential: Accounting treatment of insurance expenses].

For the selected import transactions, the reported marine insurance cost was [Redacted] per cent of the invoiced value of the imports on average. The verification team notes that this rate is consistent with documentation of TKM's insurance policies previously provided to the Commission.

### 4.2.3 Credit insurance

Similar to marine insurance costs explained above, TKM calculated a

[Redacted]. [Confidential: credit insurance details]

The verification team noted that, for each of the selected sales transactions, the credit insurance cost was [Redacted] per cent of the invoiced total value of the sale.

### 4.2.4 Bank charges

TKM identified bank charges associated with the selected importations,

[Redacted]

[Confidential: particular bank charges]. These were recorded as the actual costs incurred

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on each selected importation. TKM provided bank statements for each shipment to verify the bank charges incurred for that transaction. The verification team was able to reconcile the bank charges reported in the cost to import and sell spreadsheet, provided as part of TKM's response to the importer questionnaire, to source documents.

### 4.2.5 Commission

TKM explained that [REDACTED] price negotiations, [REDACTED] (Confidential Attachment 2). [Confidential: Purchase arrangements]

### 4.2.6 Importation costs

The average post FAS/FOB expenses were calculated for the selected shipments containing HSS, are summarised in Table 1 (expressed in Australian dollars per tonne) below:

Cost	Weighted average cost (AUD) per unit (MT)
Freight and insurance	[REDACTED]
Australian importation costs (Customs duty, broker fees, port service charges and delivery)	[REDACTED]
Selling, general and administrative expenses	[REDACTED]
Total	[REDACTED]

Table 1: Weighted average importation costs

### 4.3 Export prices for shipments

The verification team calculated that weighted average FOB export price of HSS imported by TKM from [REDACTED] in TKM's selected importations list was \$ [REDACTED] per tonne.

The verification team calculated a weighted average export price from ACBPS' import database during the investigation period as \$ [REDACTED]. The verification team considers that the [REDACTED] per cent variance between weighted average import prices is due to [REDACTED] and does not require any further investigation.

### 4.4 Forward Orders

TKM provided the volume and value of forward orders to [REDACTED] that are outstanding at the end of investigation period. The volume of forward orders is summarised in the Table, below:

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Total volume of forward orders (MT)	July-14 (MT)	Aug-14 (MT)	Sep-14 (MT)	Oct-14 (MT)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table2: TKM's forward orders

The verification team calculated a weighted average invoice price of \$ [REDACTED] for the forward orders and noted that the prices [REDACTED] import prices within the investigation period. TKM explained that the [REDACTED] and [REDACTED] prices have been [REDACTED]. TKM also stated that at the time of the verification visit, all forward orders that have been outstanding as of 30 June 2014 have been delivered and it did not have any forward orders to [REDACTED] due to [REDACTED].

### 4.5 Selling, general and administrative (SG&A) costs

TKM included in its importer questionnaire response a selling, general and administrative (SG&A) cost equal to [REDACTED] per cent of revenue for HSS imports from Thailand.

During the visit, TKM provided the verification team with profit centre analysis for its 2012/13 and 2013/14 financial years, ending September. As the investigation period falls across both 2013 and 2014, TKM explained that it calculated a weighted average SG&A cost for the investigation period.

In the profit centre analysis spreadsheets, the verification team observed that [REDACTED]

[REDACTED] [Confidential: Cost allocation methodology]

The verification team examined the appropriateness and accuracy of allocations of key cost items and found them to be reasonable and accurate.

TKM's profit centre analysis and SG&A calculation forms **Confidential Appendix 1**.

## **5 AUSTRALIAN MARKET**

### **5.1 General**

TKM explained its value proposition to its customers as:

[REDACTED]

[REDACTED]. When the verification team enquired about the current state of the HSS market in Australia, TKM explained that imposition of anti-dumping measures on HSS from China, Korea, Malaysia, and Taiwan in 2012 had a significant impact on the market and affected customers' procurement decisions. TKM stated that, during the previous investigation, its sales of HSS from the countries subject to investigation, including Thailand, stalled and claimed that an increase in the volumes of imports of HSS from Thailand is a natural consequence of termination of investigation 177 against Thailand. TKM explained that countries subject to anti-dumping measures lost market share. Countries not subject to anti-dumping measures in the opinion of TKM have gained market share and increased their export volumes.

TKM also stated that during the recent years, the Australian HSS market has contracted due to slowing development in construction sector, slowdown of mining activity and new investments in mining and falling Australian dollar.

### **5.2 Sales and Distribution**

#### **5.2.1 Sales process**

TKM explained its sales process as follows:

[REDACTED]

The majority of TKM's Australian sales within the investigation period were made on the basis of [REDACTED].  
[Confidential: Sales terms]

The verification team enquired how TKM handled returns due to quality problems. TKM explained that,

[REDACTED]

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[Confidential: Warranty and returns policies and processes]

TKM advised that the lead time between the order date and fulfilment of the customers' order can vary from [REDACTED] months.

The verification team observed within the sales listing TKM provided with its importer questionnaire response that TKM's trading terms to its Australian customers are [REDACTED].

TKM explained that the exchange rate is set at the time [REDACTED].

### 5.2.2 Sales verification – Accuracy

For the purpose of verifying the accuracy of the sales listing provided in TKM's importer questionnaire, the verification team selected nine shipments for further examination. TKM provided:

- source documents for nine selected shipments detailed within its cost to import and sell spreadsheet (**Confidential Appendix 2**), which included TKM's invoices to its Australian customers (**Confidential Attachment 1**);
- invoices and proofs of payment (in the form of remittance advices and bank statement extracts) for sales of the goods imported by the selected 9 shipments by the Commission (**Confidential Attachment 3**); and
- customer purchase orders, invoices and corresponding remittance advices for the additional eight selected sales transactions (**Confidential Attachment 4**).

The verification team matched the details on the source documents provided (value, quantity, invoice date, delivery terms and credit terms) to the sales listing TKM provided in Part C of its importer questionnaire response (**Confidential Appendix 3**). The verification team also observed that the remittance advices matched the invoices for the sales of the products imported for each shipment.

The verification team is therefore satisfied that invoice details recorded in TKM's sales listing are accurate, and that TKM's customers paid the invoiced amounts for these transactions.

### 5.2.3 Sales verification – Completeness and relevance

TKM provided a copy of its audited financial statement for the year ending 30 September 2013 and an unaudited draft of its financial statement for the year ending 30 September 2014. These financial statements are at **Confidential Attachment 5**.

TKM explained that HSS product group is handled by its [REDACTED]. However, [REDACTED]

[Confidential: Accounting details] the verification team noted that it was not possible to



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identify revenue generated by the goods within the investigation period from TKM's audited financial reports.

Instead, in order to further verify completeness of TKM's sales listing, the verification team conducted an upwards verification of division based sales data to TKM's audited financial statements. The verification team requested TKM to provide a breakdown of total sales revenue for its [REDACTED] from its accounting system for TKM's 2013 financial year (at the time of verification, audit report for TKM's 2014 financials was still in draft form). The verification team observed that total turnover for [REDACTED] for 2013 financial year was \$ [REDACTED]. The verification team noted that this reconciled with the [REDACTED] turnover in TKM's profit centre analysis (Confidential Appendix 1) for 2013 financial year. TKM then extracted a ledger report showing the breakdown of all divisional turnovers for 2013 financial year. The verification team verified that [REDACTED] turnover in this ledger extract and the extract showing [REDACTED] turnover in 2013 financial year reconciled. It was noted that the total of all divisional turnovers also reconciled with the total turnover in TKM's audited financial reports for 2013. Therefore, the verification team was satisfied that the total turnover of [REDACTED] was complete and accurate.

In order to conduct an on-the-spot verification of TKM's sales listing to its accounting records, the verification team asked TKM to demonstrate how it generated the sales listing in its response to importer questionnaire from its accounting systems. From its [REDACTED] accounting software, TKM generated a sales report in the form of a ledger extract by selecting [REDACTED] (which handles HSS sales), selected the product group (HSS), and selected the investigation period (1 July 2013 to 30 June 2014) as the report period. Finally, TKM filtered down the sales by supplier and selected [REDACTED]. This ledger extract showing values of sales of HSS imported from [REDACTED] within the investigation period is **Confidential Appendix 4**. The verification team observed that the ledger extract generated by TKM at the visit matched the sales listing TKM provided in its importer questionnaire response with a [REDACTED] per cent variance. TKM explained that

[REDACTED] TKM demonstrated [REDACTED] and [REDACTED]. [Confidential: ledger accounts and variances] The verification team was satisfied that the amendments in the accounting ledger were made to rectify small mistakes made during delivery and invoicing.

Since the sales ledger extract did [REDACTED], the verification team asked TKM to provide another ledger extract from its accounting software showing the [REDACTED] of the products in each sales transaction. This ledger extract is in **Confidential Appendix 5**. The verification team observed that the [REDACTED] in the ledger matched [REDACTED] in TKM's sales listing with a [REDACTED] per cent variation which was considered insignificant. As a result, the verification team concluded that the sales listing provided by TKM in its importer questionnaire response is a complete and relevant list of sales by TKM within the investigation period.

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### 5.2.4 Profitability of sales

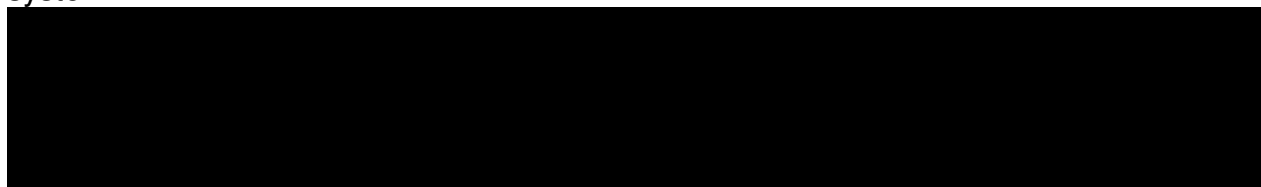
At the time of verification, all the goods imported in the selected shipments were sold to TKM's customers and there were no unsold goods left in TKM's possession. The verification team calculated the total profit for each of the selected shipments (total selling price minus total cost to import and sell) based on data provided in the cost to import and sell spreadsheet.

The calculations indicated that [REDACTED] the nine sales were profitable. The range of profit for the selected transactions was calculated as between [REDACTED] and [REDACTED] per cent.

The team observed that overall, the shipments were profitable, with a weighted average profit ratio of [REDACTED] per cent.

### 5.2.5 Sales price

The verification team noted that in TKM's sale listing and the accounting ledger extracts pertaining to TKM's HSS sales within the investigation period, all products are recorded as [REDACTED]. At the visit, it was understood that TKM's accounting system



[Confidential: Accounting methodology]

Following the visit, the verification team examined invoices for the nine selected invoices as well as an additional eight invoices of TKM's domestic sales that were requested at the verification (**Confidential Attachment 6**). The attachments identified the breakdown of the products listed in the invoice by size and finish. The verification team calculated the sales price [REDACTED] by finish for HSS from Thailand based on 16 invoices and corresponding attachments. One of the invoices was excluded from the calculation as it did not include an itemised product list relating to the sale.

The verification team's calculation of the average of sales price [REDACTED] over the investigation period for HSS from Thailand by finish is shown in Table 3.

Finish	AUD/MT
[REDACTED]	\$ [REDACTED]
[REDACTED]	\$ [REDACTED]

Table 3: Weighted average sales prices

## **6 WHO IS THE IMPORTER AND EXPORTER**

### **6.1 Who is the importer?**

The documents provided by TKM were reviewed in respect of the selected shipments for the purpose of identifying the importer. It was noted that, for imports from [REDACTED], TKM:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] freight and marine insurance;
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

As a result, the verification team considers TKM to be the beneficial owner of the goods at the time of importation, and therefore the importer.

### **6.2 Who is the exporter?**

The Commission will generally identify the exporter as:

- a principle 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 principle 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.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principles, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principle who knowingly sent the goods for export to any destination will be the exporter.

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur

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where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

In respect of [REDACTED], upon review of the documents provided by TKM, the verification team is satisfied that:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Subject to further inquiries, the verification team is satisfied that [REDACTED] can be considered exporter of HSS imported by TKM. To the Commission's knowledge, [REDACTED] is the principle in the country of export, which manufactures the goods and gives up the goods for shipment directly to TKM.

## **7 ARMS LENGTH**

In determining export prices under s.269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for 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; and
- 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.

The verification team reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of HSS, that:

- there is any consideration payable for or in respect of the goods other than price;
- the price was influenced by a commercial or other relationship between TKM or an associate of TKM, and its supplier(s) or an associate of the supplier; and/or
- TKM or an associate of TKM was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.

As discussed in section 5.2.4 of this report, the verification team found that overall the selected shipments were profitable.

The verification team is satisfied that import transactions between TKM and its Thai supplier, [REDACTED], are at arms length in terms of s. 269TAA.

## **8 GENERAL COMMENTS**

When the verification team asked TKM its view of Thai suppliers' dumping allegations, TKM refrained from commenting on other Thai suppliers' sales policies but stated that it did not believe that [REDACTED] is selling HSS at dumped prices to Australia.

TKM commented that, based on its market intelligence, [REDACTED] prices are [REDACTED] and because of that, TKM is currently [REDACTED] for the HSS product group. TKM explained that it did [REDACTED] for HSS from [REDACTED] and indicated that [REDACTED] proved that [REDACTED] [Confidential comments on prices and dumping]

TKM stated that, due to the anxiety that this dumping investigation created in the market, buyers currently preferred shorter lead times which Australian industry was better positioned to offer. TKM further claimed that [REDACTED]. [Confidential comments on the investigation application]

TKM contended that as it believed that [REDACTED] was not dumping HSS, the alleged injury to Australian industry cannot be caused by its imports from [REDACTED]. TKM is of the view that the local manufacturers' prices are currently (as [REDACTED] of [REDACTED] November [REDACTED] 2014) [REDACTED] [Confidential comments on prices]. TKM also alleged that ATM and Orrcon [REDACTED] and there were certain sizes that Australian industry did not produce (but were covered in the application). [Comments on Australian industry's sales arrangements]

## **9 RECOMMENDATIONS**

Based on the outcome of the verification visit of TKM, the verification team is of the opinion that, for the goods imported by TKM from [REDACTED] during the investigation period:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries with the exporter, we recommend that the export price for HSS imported by TKM from [REDACTED] be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

## PUBLIC RECORD

### 10 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Profit centre analysis and SG&A calculation
<b>Confidential Appendix 2</b>	TKM's cost to import and sell spreadsheet
<b>Confidential Appendix 3</b>	TKM's sales listing
<b>Confidential Appendix 4</b>	Ledger extract showing values of sales of HSS imported from [REDACTED]
<b>Confidential Appendix 5</b>	Ledger extract showing weights of sales of HSS imported from [REDACTED]
<b>Confidential Attachment 1</b>	Source documents for 9 selected shipments
<b>Confidential Attachment 2</b>	TKM's agreement with [REDACTED] Thailand
<b>Confidential Attachment 3</b>	Invoices and proofs of payment for the selected shipments
<b>Confidential Attachment 4</b>	Customer purchase orders, invoices and corresponding remittance advices for additional 8 sales transactions
<b>Confidential Attachment 5</b>	TKM's audited financial statement