

## **Exporter Briefing – TS Steel of Taiwan**

### Background

T S Steel Company Ltd (“TS Steel”) commenced operations in 1968. The company claims to be the largest producer of flat bars in Taiwan. TS Steel’s production capacity of flat bars, channels and angles is 12,000 metric tonnes per month. It is claimed by TS Steel that 40 per cent of its production is exported to markets including N.Z., Australia, USA, Canada and South-East Asia.

### Production

TS Steel manufactures Channel and Angles and flat bar from steel billets (not manufactured by TS Steel). The heated billet is rolled and then passes to a cooling bed. Inspection of the product follows, followed by cutting, testing, piling and binding as required prior to transportation (for either domestic or export sales).

### Standards

It should be noted 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 throughout Asia. 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 in Taiwan, a 5 per cent tolerance is permitted (to JIS-equivalent). For product that involves a thickness of 10mm and over, the AS/NZ 3679.1 tolerance is also 2.5 per cent, whereas the JIS equivalent is 4 per cent.

Accordingly, TS Steel’s 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.

### Sales of like goods

TS Steel states in its exporter questionnaire that it exported HRS equal angle bars and unequal angle bars to Australia during the investigation period. TS Steel exports to a trader in Australia, and sells domestically via stockists, retailers and end-users. Discounts are paid on the basis of quantity purchased.

For fair comparison purposes, it is recommended that export selling prices should be compared with domestic selling prices for equal/unequal angle bars only.

Some domestic sales are delivered by TS Steel with others collected by the domestic purchaser.

TS Steel also confirms that the costs of production for domestic and export goods are the same, with the only differences relating to expenses incurred during the export process (e.g. export fees and transportation). TS Steel also confirms that the costs of production for the flat bars, angle bars, and unequal angle bars are the same, and that its accounting system records production costs without any difference for finished shape. All production costs are based upon weight.

TS Steel states that packing costs for domestic and export sales are the same.

Based upon TS Steel’s questionnaire response, the following adjustments are warranted:

- downward adjustment for domestic freight on only select FIS sales by TS Steel (there are ex-factory sales also);
- upward adjustment for inland export freight charges (included in export selling price);

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- upward adjustment for export handling (including containerization) loading & ancillary expenses and export fees;
- it would also be expected that goods destined for export would incur a higher warehousing cost to those destined for domestic sale, and an upward adjustment is therefore required.

No adjustments are required for credit, packing costs, commissions, etc as confirmed by TS Steel.

OneSteel notes that there is no claim for warehousing expenses, hence it is considered by TS Steel that the costs are the same. OneSteel would expect the warehousing costs for export to be higher than for domestic, due to a higher turnover for the latter. The Commission is requested to explore warehousing expenses further with TS Steel.

### Adjustment for differences in tolerances between domestic and export sales

As highlighted above, OneSteel is of the view that goods sold domestically in Taiwan are produced to a lower standard than the exported goods (produced to AS/NZ 3679.1). Adjustments to TS Steel's normal value is required to account for the 1.5-2.5 differences (dependent upon thickness).

### *Grade differences*

It is OneSteel's understanding that there are grade differences between the products sold in Taiwan (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 TS' 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 Taiwanese standard grade to the Australian grade is AS/NZS 3679.1 is SM490

TS 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.