



## INVESTIGATION 254

### CERTAIN HOLLOW STRUCTURAL SECTIONS EXPORTED FROM THE KINGDOM OF THAILAND

#### EXPORTER VISIT REPORT

#### SAHA THAI STEEL PIPE PUBLIC COMPANY LIMITED

April 2015

This report and the views or recommendations contained therein will be reviewed by the case management team and may not reflect the final position of the Anti-Dumping Commission

<b>CONTENTS</b>
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<b>CONTENTS</b> .....	<b>2</b>
<b>ABBREVIATIONS</b> .....	<b>4</b>
<b>1 BACKGROUND</b> .....	<b>6</b>
1.1 General .....	6
1.2 Purpose of visit.....	7
1.3 Meeting dates and attendees .....	7
1.4 Investigation process and timeframes .....	7
1.5 Visit report .....	8
<b>2 COMPANY INFORMATION</b> .....	<b>9</b>
2.1 Company background .....	9
2.2 Corporate, organisational and ownership structure .....	9
2.3 Related parties .....	10
2.4 Accounting .....	10
<b>3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS</b> .....	<b>12</b>
3.1 Description of the goods subject to anti-dumping measures .....	12
3.2 Tariff classification of the goods .....	12
3.3 Manufacturing facilities.....	12
3.4 Product range.....	13
3.5 Like goods – preliminary assessment .....	15
<b>4 EXPORTS TO AUSTRALIA</b> .....	<b>16</b>
4.1 General .....	16
4.2 Verification of exports to source documents.....	17
4.3 Verification of export sales to audited financial statements .....	19
4.4 The exporter.....	20
4.5 The importer .....	21
4.6 Arms length .....	21
4.7 Export price – preliminary assessment.....	21
<b>5 COST TO MAKE AND SELL</b> .....	<b>22</b>
5.1 General .....	22
5.2 Verification of Saha Thai’s costs up to audited financial statements .....	22
5.3 Verification of costs down to source documents .....	23
5.4 Selling, general and administration (SG&A) expenses.....	26
5.5 Cost to make and sell – summary .....	27
<b>6 DOMESTIC SALES</b> .....	<b>28</b>
6.1 General .....	28
6.2 Sales to related parties.....	28
6.3 Domestic sales process, pricing and terms .....	29
6.4 Verification of domestic sales to source documents.....	29
6.5 Verification of domestic sales to audited financial statements.....	31
6.6 Arms length .....	32

6.7	Ordinary course of trade.....	32
6.8	Volume of domestic sales .....	32
6.9	Domestic sales – preliminary assessment .....	33
<b>7</b>	<b>THIRD COUNTRY SALES.....</b>	<b>34</b>
<b>8</b>	<b>ADJUSTMENTS .....</b>	<b>35</b>
8.1	Domestic credit terms.....	35
8.2	Domestic inland freight.....	35
8.3	Weight tolerance and grade adjustment.....	35
8.4	Specification adjustment .....	35
8.5	Export packaging.....	35
8.6	Export inland freight, handling and port charges .....	35
8.7	Export credit terms .....	36
8.8	Adjustments – conclusion.....	36
<b>9</b>	<b>NORMAL VALUE .....</b>	<b>37</b>
<b>10</b>	<b>DUMPING MARGIN – PRELIMINARY ASSESSMENT .....</b>	<b>38</b>
<b>11</b>	<b>LIST OF APPENDICES AND ATTACHMENTS .....</b>	<b>39</b>

<b>ABBREVIATIONS</b>
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ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
API	American Petroleum Institute
AS/NZS	Australian Standard/New Zealand Standard
ASTM	American Society For Testing and Materials
AUD	Australian dollars
ATM	Austube Mills Pty. Ltd.
BS	British Standard
CE	Conformity European Standard
CFR	Cost and freight
CHS	Circular Hollow Sections
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make and sell
DIN	Deutscher Institut For Normung E.V. (German Standard)
EQR	Exporter questionnaire response
FAS	Free alongside ship
FOB	Free on board
the goods	the goods the subject of the application (also referred to as the goods under consideration, GUC)
HDG	Hot-dipped galvanised
HRC	Hot Rolled Coil
HSS	Hollow Structural Sections
JIS	Japanese Industrial Standard
OCOT	Ordinary course of trade
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry and Science
RHS	Rectangular and Square Hollow Sections
Saha Thai	Saha Thai Steel Pipe Public Company Ltd
SEF	Statement of Essential Facts

## Public Record

SG&A	Selling, general and administrative costs
Thailand	The Kingdom of Thailand
THB	Thai baht
T/T	Telegraphic transfer
UL	Underwriters Laboratories Inc
USD	United States dollars
VAT	Value-added tax
WTO	World Trade Organization

## 1 BACKGROUND

### 1.1 General

On 10 June 2014, Austube Mills Pty. Ltd. (ATM) lodged an application requesting that the Minister for Industry and Science (the Minister) publish a dumping duty notice in respect of 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. ATM claims that material injury in respect of HSS commenced in June 2012 following the imposition of anti-dumping measures on exports from the People's Republic of China (China), the Republic of Korea (Korea), Malaysia and Taiwan. ATM identified the injurious effects as:

- lost sales volumes;
- lost market share;
- price depression;
- reduced profit;
- reduced profitability;
- reduced capital investment;
- reduced research and development expenditure;
- reduced return on investment;
- reduction in capacity utilisation for like goods;
- write-down of goodwill associated with HSS business;
- reduction in employment levels; and
- reduced attractiveness to re-invest.

After consideration of the application, an investigation was initiated on 21 July 2014, and public notification of the initiation of the investigation was published in *The Australian* on that day.

Anti-Dumping Notice (ADN) No. 2014/59 refers to the initiation of the investigation, and is available at <http://www.adcommission.gov.au/notices-reports/acdn/acdn2014.asp>

A search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that Saha Thai Steel Pipe Public Co. Ltd (Saha Thai) exported HSS to Australia from Thailand during the investigation period (1 July 2013 to 30 June 2014). The Commission wrote to Saha Thai advising it of the investigation and requesting its co-operation by completing an exporter questionnaire.

Saha Thai completed the exporter questionnaire and provided relevant attachments. A confidential version of the exporter questionnaire is at **Confidential Attachment GEN 1**. A non-confidential version of the exporter questionnaire response is available on the public record.

Having assessed the information provided in the exporter questionnaire response, it was determined that a verification visit was required.

## 1.2 Purpose of visit

The purpose of this visit was to verify information submitted by Saha Thai in its exporter questionnaire response.

Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

Prior to the visit, the visit team provided an agenda to Saha Thai. A copy of the visit agenda is at **Confidential Attachment GEN 2**.

## 1.3 Meeting dates and attendees

Company	78 Moo 3 Poochao Road, Bangyapraek, Phrapradaeng, Samuthprakarn, Thailand
Dates of visit	11 – 16 March 2015

The following people were present at various stages of the meeting:

<b>Saha Thai</b>	
Confidential	Anti-Dumping Measure Director, Saha Thai Steel Pipe Company Limited
Confidential	Costing Manager, Saha Thai Steel Pipe Company Limited
<b>Consultants</b>	
Confidential	Director, Staughton's International Trade & Anti-Dumping Advisory Group
<b>Anti-Dumping Commission representatives</b>	
Mr An Chew	Assistant Director, Operations 3
Ms Angela Kidson	Investigator, Operations 4

## 1.4 Investigation process and timeframes

At the verification visit, the visit team advised Saha Thai of the following.

- The investigation period is from 1 July 2013 to 30 June 2014.
- The injury analysis period is from 1 July 2011 for the purpose of analysing the condition of the Australian industry.

- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (19 September 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.
- During the visit, a PAD was made on the 16 March 2015 and provisional measures imposed.
- The Statement of Essential Facts (SEF) for the review is due to be placed on the public record by 28 May 2015, or such later date as the Parliamentary Secretary allows under section 269ZHI of the Act<sup>1</sup>.
- 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. Interested parties are encouraged to make submissions within 20 days of the SEF's release.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary. This final report is due no later than 13 July 2015, unless an extension to the SEF or the final report is approved by the Parliamentary Secretary.
- The Parliamentary Secretary has 30 days from receipt of the final report to make a decision on the report's recommendations.

## 1.5 Visit report

Saha Thai was advised that the visit team would prepare a report of the visit (this report) and provide it to Saha Thai for review of its factual accuracy and to identify those parts of the report that the company considers confidential. It was explained that, in consultation with Saha Thai, the visit team would prepare a non-confidential version of the report and place this on the public record.

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<sup>1</sup> The SEF was due to be published by 9 March 2015; however, on 10 March 2015, the Parliamentary Secretary approved an extension to 28 May 2015 (refer ADN No. 2015/32).

## 2 COMPANY INFORMATION

### 2.1 Company background

Saha Thai is a Thai manufacturer of steel pipes and tubes and first commenced operations in 1968. The company was founded to supply steel pipe as a raw input for the furniture manufacturing industry.

Saha Thai stated that it sells four categories of steel pipe products, which comprises of black steel pipe, furniture steel pipe, galvanised steel pipe and painted steel pipe. It advised that its products are manufactured in a wide range of standards, finishes, gauges and ends. Saha Thai provided copies of its current product catalogues at the verification visit (**Confidential Attachment GEN 3**).

Saha Thai stated that it operates two factories in Thailand, one at Samutprakan and another in Wang-Noi, Ayutthaya. It advised that the Ayutthaya factory was opened in 2009 to respond to rising demand for steel pipe and tube products. Saha Thai stated that the Samutprakan premises has X lines of production and employs approximately [REDACTED] staff whereas the Ayutthaya premises has [REDACTED] lines of production, employing approximately [REDACTED] staff.

Saha Thai sells its products on the domestic and export markets. According to data provided in the exporter questionnaire response, the domestic market accounts for close to [REDACTED]% of Saha Thai's revenue, with the remainder earned from export sales. Saha Thai's major export markets are the USA, Australia, and to a lesser extent Canada and New Zealand.

### 2.2 Corporate, organisational and ownership structure

Saha Thai stated that it is a public company that is owned and controlled by a number of individual shareholders, which form several family groupings. It advised that a number of the shareholders hold executive and operational positions within Saha Thai. The company provided a listing of the board of directors and current shareholdings in its questionnaire response.

Saha Thai stated that it has two wholly owned subsidiaries,

[REDACTED] and  
{Commercially sensitive information}

It advised that [REDACTED] is engaged in coastal port management and services, tug boat services, inland transportation and related merchant marine business. It provides port services to Saha Thai for incoming coil and outgoing pipe. The company accounted for [REDACTED] of total consolidated revenue in 2013.

It also advised that [REDACTED], is engaged in the building and leasing of warehousing facilities. The company accounted for [REDACTED]% of total consolidated revenue in 2013.

## 2.3 Related parties

### 2.3.1 Customers

Saha Thai advised that it only has one Australian customer of HSS, [REDACTED]. [REDACTED] Saha Thai stated that it has a normal commercial relationship (of buyer and seller) with its Australian customer and the sales are arms length transactions. Based on Saha Thai's exporter questionnaire response and the information verified at the visit, the verification team is satisfied that Saha Thai is not related to its Australian customer.

At the verification visit, Saha Thai supplied a table outlining its affiliated companies (**Confidential Attachment GEN 4**). These affiliates included the two subsidiaries identified in section 2.2 above, as well as companies with common shareholders and directors.

The visit team found that Saha Thai made sales to [REDACTED] related affiliated companies during the investigation period. Saha Thai stated that transactions with these companies were made based on market prices in the normal course of business. These related-party transactions are further discussed in section 6.2 below.

Saha Thai stated that other than the [REDACTED] related companies outlined above, it is not related to any of its other customers. The visit team found no evidence of any relationship other than a commercial buyer/seller relationship between Saha Thai and its unrelated customers.

### 2.3.2 Suppliers

One of the companies on the list of affiliates was also identified as a supplier of HRC to Saha Thai. The verification team carried out a price analysis on the HRC purchases to determine whether the transactions were arms length (**Confidential Attachment GEN 5**). Finding no significant difference in pricing between the related and unrelated suppliers, the team is satisfied that these transactions are not influenced by any relationship other than a commercial buyer/seller relationship.

## 2.4 Accounting

Saha Thai advised that its financial year is the calendar year (1 January to 31 December).

In its exporter questionnaire response and during the verification visit, Saha Thai provided the following accounting documents:

- Audited, consolidated financial statements for the years ended 2012 and 2013 (**Confidential Attachment GEN 6**)
- Auditor's Review Report and Consolidated Interim Financial Statements for the three month period ended 31 March 2014, the three month and six month periods ended 30 June 2014. (**Confidential Attachment GEN 7**)
- Internal Income Statement for 2012, 2013 and quarters 1 and 2 of 2014 (i.e. to June 2014) (**Confidential Attachment GEN 8**)
- Chart of accounts (**Confidential Attachment GEN 9**)

Saha Thai stated that it uses [REDACTED] accounting software which is used in both the Ayutthaya and Samutprakan plants. The software handles accounts payable, accounts receivable, general ledger, production and inventory management. During the verification visit, the visit team sighted numerous reports being extracted from these systems.

Saha Thai stated that its financial statements are audited quarterly and annually by Grant Thornton Limited, Bangkok.

### 3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

#### 3.1 Description of the goods subject to anti-dumping measures

The goods the subject of the investigation (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 following categories of HSS are excluded:

- *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.*

#### 3.2 Tariff classification of the goods

The goods may be classified to the following subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 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).

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

#### 3.3 Manufacturing facilities

As noted above, Saha Thai has two factories located at Samutprakan and Ayutthaya. Saha Thai advised that both premises typically operate 7 days a week.

Saha Thai stated that it performs all stages of the production process for HSS at the Samutprakan premises, including slitting, forming, painting and galvanising. HSS are then packed at this site. It also stated that the plant can produce pipe with a maximum diameter of [REDACTED]. Saha Thai advised that the Samutprakan premises also house Saha Thai's executive management group, sales office, warehouse and storage areas, and quality control and accounting sections.

Saha Thai stated that it has a second production facility north of Bangkok in Ayutthaya which contains slitting, forming and painting lines and the plant can produce pipe of up to [REDACTED] in diameter. It advised that most of the HSS produced in the Ayutthaya factory is transported to the Samutprakan premises before being packed and sold.

During the verification visit, the verification team conducted an inspection of the production facilities at Samutprakan. The team observed the operation of the slitting process, the forming lines, the painting lines and the galvanising process.

The goods are manufactured from hot rolled coil (HRC), which is slit into widths appropriate to the particular diameter of pipe required and recoiled. The slit coil is unrolled, "cold formed" through a series of rollers and welded via electric resistance welding into hollow round tubular shapes. The round tubular shapes are further formed through rollers into round, square, and rectangular shapes. The pipes are then cut into lengths of "black" pipe. Various protective coatings can be applied to the pipe such as paint or galvanised. Additionally, circular hollow sections (CHS) are produced in a hot dipped galvanised finish.

According to data provided in the exporter questionnaire response, Saha Thai's production of HSS accounts for about [REDACTED] of the company's total turnover.

### 3.4 Product range

Saha Thai stated that HSS are manufactured to domestic standard certification TIS and international standards ASTM, JIS, DIN, BS, UL, AS/NZS and API. Saha Thai advised that goods made to Australian standards were made to the same tolerances whether intended for the export or domestic market. They further advised that they were required to obtain certification from the Thai Industrial Standards Institute – part of the Ministry of Industry, in order to produce AS1163. The company undergoes a yearly audit to maintain this accreditation. Saha Thai claimed that AS 1163 products command a domestic price premium.

#### 3.4.1 Product codes

Saha Thai use product codes to denote the different types of pipe that they produce. Prior to the verification visit, Saha Thai provided a table documenting the various components of the product codes. The codes provide information on pipe shape and finish, standard, schedule, diameter, length, width and packaging. The table showing the key to Saha Thai's product codes is attached at **Confidential Attachment GEN 10**.

Review of the domestic sales and export sales spreadsheets submitted by Saha Thai revealed that the company sold a number of identical models (as shown by product

code) on both the domestic and export markets. There were also a large number of similar, but not exact matches between the two listings. The team therefore considers that domestic sales of HSS are like to Australian sales of HSS.

### 3.4.2 Model matching

During the visit, the verification assessed the key factors affecting export pricing of HSS for model matching in comparing export prices to the corresponding normal value.

Saha Thai stated that the price extras relating to its export sales to Australia are detailed in its sales contracts. It advised that these price extras did not change during the investigation period. Saha Thai was able to demonstrate the calculation of the invoice prices using the relevant price extras. A summary of the price extras forms **Confidential Attachment GEN 11**.

The visit team considered it appropriate to model match based on the Saha Thai's price extras. Specifically, the models grouped using to the following factors:

- Shape
  - CHS
  - RHS
- Standard
  - AS1163
  - AS1074 or BS 1387
- Finish
  - black
  - lightly oiled
  - painted
  - galvanised
- Thickness range (other than galvanised CHS)
- [REDACTED] Ends
  - plain
  - threaded & coupled
  - threaded one end
  - threaded both ends
- Whether or not impacted tested ([REDACTED])

In relation to the thickness ranges for galvanised CHS, the visit team considers it appropriate to group the models into:

[REDACTED] In comparing export models to domestic models of HSS, the visit team first attempted to match identical domestic models with the export models. Where there were insufficient sales of the identical model, the visit team first matched another model beginning with different impact testing requirements, then ends, then thickness range then lastly finish. In matching a model that is not identical, the visit team had regard to the price extras and made specification adjustments accordingly (see section 8.3 below).

### **3.5 Like goods – preliminary assessment**

The verification team considers that the HSS produced and sold domestically by HSS has characteristics closely resembling those of the goods exported to Australia and are therefore “like goods” in terms of subsection 269T(1) of the Act.

## 4 EXPORTS TO AUSTRALIA

### 4.1 General

Saha Thai exported approximately [REDACTED] tonnes of HSS to Australia during the investigation period. Saha Thai stated that it has an exclusive distributor agreement with [REDACTED], the sole importer during this period.

Saha Thai advised that it does not have an export price list and negotiates on a monthly basis with [REDACTED]. It explained that the selling price is determined by the current world price for HRC with a conversion cost added on. Saha Thai advised that [REDACTED] has a local representative in Thailand to facilitate this process.

Saha Thai explained the sales process for exports to Australia is as follows:

- [REDACTED] negotiates the price with Saha Thai. If [REDACTED] accepts the price, they place an order. The order identifies the goods to be supplied, a tentative delivery date and the respective port of destination in Australia.
- Saha Thai then establish an order confirmation which is sent to [REDACTED] for signature.
- When Saha Thai receives the signed confirmation order, it schedules production [REDACTED]. {Supply Process}
- The goods are packed in hexagonal bundles using [REDACTED] steel straps per bundle. Protective plastic cups are placed on the pipes that have threaded ends. For square pipe the entire bundle is wrapped entirely in plastic sheeting for protection. For CHS, plastic covers are placed on each end for protection.
- Saha Thai liaises with the customer's agent to establish the date of vessel availability for the shipments. Delivery terms are [REDACTED]).
  - If the goods are break-bulk, trucks from an external company transport the finished goods from the factory to the nearby Chao Phraya River where the goods are loaded onto a lighter (barge). The lighter takes the goods down the river to the port of departure, Laem Chabang Port (a deep sea port) and comes alongside the designated vessel. Freight responsibility from this point rests with [REDACTED]
  - If the goods are containerised, trucks transport the goods by road to Laem Chabang Port. Goods are delivered alongside the ship and freight responsibility from this point rests with ~~XXX~~. Saha Thai demonstrated that containerised cargo was packed at its premises and then transported to port.

Saha Thai explained that the lead time for export sales, from order to delivery is up to [REDACTED].

Saha Thai advised that no rebates or discounts were paid during the investigation period. Saha Thai also stated that no warranties were offered for HSS during this period.

Saha Thai's Australian export sales were invoiced and paid for in [REDACTED]. Saha Thai explained that the exchange rates used to convert [REDACTED] figures in export sales were drawn from their system, which is updated monthly.

#### 4.2 Verification of exports to source documents

In its exporter questionnaire response, Saha Thai provided a detailed Australian export sales listing for HSS. The export sales listing included the following information:

- customer name;
- product code;
- product shape (RHS/CHS);
- product standard;
- product dimensions (width, height, length, nominal thickness);
- product grade;
- product finish;
- invoice number;
- invoice date, dispatch date;
- shipping terms;
- payment terms;
- quantity (in pieces);
- theoretical weight (in kilograms);
- gross and net invoice value (in USD and THB);
- exchange rate;
- handling and other charges;

From the export sales listing, the visit team observed that all sales were listed as:

- Delivery terms of [REDACTED];
- Invoiced in [REDACTED]; and
- Payment terms of [REDACTED])

As the shipping terms for all export sales are [REDACTED], Saha Thai incurs no ocean freight or marine insurance costs.

Prior to the verification visit, the visit team selected 12 export sales transactions (covering multiple products over different quarters during the investigation period) from the export sales listing and requested Saha Thai provide copies of the following documents in relation to each selected export sales transaction:

- Purchase order
- Order confirmation
- Commercial invoice
- Proof of payment of commercial invoice
- Packing list
- Discount and rebate source documents (where applicable)

- Inland freight invoices
- Bill of lading
- Associated port and handling charges invoice

Saha Thai provided the source documents at the verification visit; these are included at **Confidential Attachment EXP 1**.

At the verification visit, the team discovered that some of the selected sales were missing purchase contracts, which were listed on the corresponding invoice. These purchase contracts were requested and subsequently provided by Saha Thai (**Confidential Attachment EXP 2**).

Using the source documents, the visit team were able to match the invoice number, grade, dimensions (width, height, length and nominal thickness), finish, quantity (pieces) and gross invoice value to the export sales spreadsheet.

There were some minor discrepancies in the invoice date and dispatch date, which were typically one day out.

There were also minor variances in the [REDACTED]. Saha Thai explained that this was due to rounding between the [REDACTED] used to calculate the [REDACTED] between the purchase contract and the Saha Thai system. It advised that Saha Thai's system uses the [REDACTED] to one decimal place whereas the for the purchase contract, it is down to two decimal places. Saha Thai advises that the invoiced [REDACTED] is based on the quantity recorded on the purchase order. The visit team notes that the variance between the [REDACTED] [REDACTED] between the invoice and the export sales spreadsheet is insignificant at less than 1 per cent. {Confidential commercial practice}

Saha Thai provided remittance advices as evidence of customer payment. The verification team did not find any evidence of discounts or rebates and is satisfied that the invoice price was the price paid.

#### 4.2.1 Inland transport, handling and other expenses

Saha Thai stated that all exportation expenses, including bank charges, terminal handling, clearing expense, port expense, lighterage, inland insurance and bill of lading charge are included under the 'handling and other expenses' column of the export sales spreadsheet. It provided a selling expenses worksheet (**Confidential Attachment EXP 3**) containing the calculation of these exportation expenses for each invoice. Where services were charged for multiple invoices, the expense was applied to each invoice on a per kilo basis. The team considered this approach reasonable. These calculations were supported by accounting journal entries which linked to credit advice/receipts, invoices for terminal handling charges, customs charges, bills of lading and insurance.

Saha Thai advised that inland transport expenses were included in these expenses. The lighterage category covers expenses for goods that were shipped up the river. For goods that were trucked to the port, containerisation and truck expense are

included under terminal handling charges. Invoices were provided for each of these expenses.

The visit team selected one invoice and requested supplemental proof of payment for selected transaction. Saha Thai provided invoices, excerpts from the ledger as well as cheques and credit advice showing proof of payment. The team is satisfied that Saha Thai paid for the expenses listed and that it has allocated these expenses accurately.

The visit team noted that containerisation of the goods attracted a price extra. Saha Thai was able to demonstrate that the containerisation expense for those transactions is included in the export expenses. As explained in section 4.1 the containerised cargo was packed at Saha Thai's premises.

#### **4.2.2 Goods with L0 rating**

The visit team noted that some purchase contracts specified that goods be produced with an L0 rating, which provides evidence of impact testing. The goods with this rating carried a price extra but were not initially identified in the export sales spreadsheet. Subsequently, the visit team requested, and Saha Thai provided, an updated Australian export sales spreadsheet identifying the transactions with the L0 rating. The verification team was then able to crosscheck these sales with the purchase orders for the selected sales to establish that all instances of L0 goods had been recorded for this sample.

#### **4.2.3 Conclusion**

The visit team considers that Saha Thai's Export sales listing is an accurate record of the sales of HSS to Australia during the investigation period.

### **4.3 Verification of export sales to audited financial statements**

The visit team sought to establish the relevance and completeness of Saha Thai's export sales by completing an upwards verification of sales. In order to reconcile export sales of HSS up to the audited financial statements, the visit team used the following documents:

- Consolidated Financial Statement for the year ended 31 December 2013 (**Confidential Attachment EXP 4**)
- Trial balance for the 2013 calendar year ((**Confidential Attachment EXP 5**)
- Trial balance for the investigation period in two parts – Jul–Dec 2013 and Jan-Jun 2014 (**Confidential Attachment EXP 6.1,6.2**)
- System report of the overseas sales account ledger (**Confidential Attachment EXP 7**)
- Sales report of all export sales made during the investigation period (**Confidential Attachment EXP 8**)

The visit team completed the upwards verification using the follow method:

- matching the “Export freight revenue” recorded in the audited consolidated financial statements to the “export sales” figure in the trial balance for the same period;
- matching the “export sales” figure in the trail balance for the investigation period to the system report of the overseas sales account ledger, which included accounting adjustments for reclassification of freight and sales accrued in the accounts system that had not yet registered in the sales system due to timing differences;
- matching the post adjustment export sales figure to the total export sales revenue amount from a download of all export sales from its sales system and categorized by country of sale and product type. The countries included [REDACTED]. Product categories included the goods, as well as products excluded from the goods description, such as pipe with a diameter of less than 21 mm, pipe with diameter of more than 165.1 mm, and [REDACTED]; then
- matching the Australian sales quantity and value from the sales system download which matched the export sales spreadsheet submitted in the exporter questionnaire response.

Having reconciled the export sales spreadsheet provided by Saha Thai to the audited financial statements, the visit team is satisfied that this data is complete and relevant.

#### 4.4 The exporter

The Commission will generally identify the exporter as:

- a principal 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 principal 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.

For all export sales during the investigation period, the verification team considers Saha Thai to be the exporter of the goods because it:

- is the manufacturer of the goods;
- determines the price for the sale of the goods;
- owns the goods at the time prior to export;
- arranges delivery to the port of export (and is listed as the supplier on the bill of lading);
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the [REDACTED] at the port of export;
- is the principal in the country of export from where the goods are knowingly placed in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser.

## 4.5 The importer

The verification team considers that [REDACTED] is the beneficial owner of the goods at the time of importation and therefore is the importer of the goods exported by Saha Thai during the investigation period.

## 4.6 Arms length

In respect of Saha Thai's export sales of HSS to Australia during the investigation period, the visit team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- 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; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification visit team therefore consider that all HSS export sales to Australia, during the investigation period, were arms length transactions.

## 4.7 Export price – preliminary assessment

The verification visit team considers that:

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

The verification team recommends that the export price be determined under subsection 269TAB(1)(a) of the Act, as the price paid by the importer less transport and other costs arising after exportation.

The team's preliminary export price calculations are at **Confidential Appendix 1**.

## 5 COST TO MAKE AND SELL

### 5.1 General

In its response to the exporter questionnaire, Saha Thai provided quarterly cost to make and sell (CTMS) HSS by product codes. It advised that its accounting system does not differentiate between the manufacture of HSS destined for the domestic or export markets as a model of HSS can be sold domestically or exported.

The cost to make (CTM) data provided was broken down into the following items:

- Material costs
- direct labour; and
- manufacturing overheads.

Saha Thai explained that while the total CTM for each product code are actual costs, the split between the three cost items are based on an estimation of the proportion each cost item represents. Accordingly, the focus of the cost verification was on the total actual costs amounts in the cost spreadsheets.

Saha Thai advised that it uses a process costing system with the following cost centres:

- Slitting;
- Forming;
- Galvanising;
- Threading;
- Painting; and
- Packing.

It also advised that it uses actual costs for materials, such as hot rolled coil costs zinc and paint, and standard costs for labour and manufacturing overheads.

### 5.2 Verification of Saha Thai's costs up to audited financial statements

The visit team sought to verify the completeness and relevance of the CTM data provided by Saha Thai in its exporter questionnaire response by reconciling it to its audited financial accounts.

Saha Thai provided us with its cost calculation worksheets showing the cost of production by product code for each quarter (**Confidential Attachment CTMS 1**) and the visit team was are to reconcile the total CTM and production quantity amounts shown in the cost calculation worksheets to the CTMS spreadsheet. The visit team then sought to reconcile the cost calculation worksheets to the audited financial statements. Saha Thai advised that in calculating the CTM at the product code level, it was required to extract the data from its accounting system, and as discussed in section 5.1 above, it uses standard costs for labour and manufacturing overheads. Accordingly, Saha Thai calculated the variance between the CTM reported in its accounting system and the cost of production in its audited financial accounts and

apply that variance in the CTM calculation. Saha Thai provided the visit team with the variance calculation (**Confidential Attachment CTMS 2**) and its cost of goods sold trial balance (**Confidential Attachment CTMS 3**) which enabled the reconciliation between the cost calculation worksheet to the 2013 audited financial account.

In the cost calculation worksheet, Saha Thai also applied an adjustment to offset the revenue of steel scrap to the cost of all products, and a zinc scrap revenue offset adjustment to the cost of galvanised products only. The visit team considers these offset adjustments reasonable.

Having reconciled the CTM data to audited financial statements, the visit team is satisfied that Saha Thai's CTM data is complete and relevant.

### 5.3 Verification of costs down to source documents

The visit team sought to verify the accuracy of Saha Thai's CTM data by reconciling it to source documents. The visit team selected the cost in August 2013 of the following two models for verification:

- 



The visit team then asked Saha Thai to trace the cost of the two selected models from the CTMS spreadsheet down to source documents for hot rolled coil, zinc, paint and electricity.

For the two selected models, Saha Thai provided a costing sheet, inventory movement transaction listings and monthly warehouse stock reports relating to the manufacture and movement of materials through the process costing centres, namely slitting, forming, galvanising (for the galvanised CHS only), painting (for the painted RHS only) and packing (**Confidential Attachment CTMS 4**). Saha Thai was able to demonstrate the cost and movement of the material from one cost centre to another then through to the cost calculation worksheets.

#### 5.3.1 Hot rolled coil

The visit team sought to reconcile the cost of hot rolled coil (HRC) down to source documents for the two selected models. From the corresponding HRC warehouse stock report in the relevant month, we selected HRC received transactions and Saha Thai provided the relevant HRC purchase invoice and other expenses, such as , (**Confidential Attachment CTMS 5**) which summed to the cost of the selected HRC transaction in the in the stock report.

The visit team noted that in tracing the costs between cost centres, there were no direct link between stock entering and leaving the inventory in the warehouse stock report. For material issued out for a particular process, Saha Thai provided documents relating to the last material received into the warehouse. Saha Thai

advised that its system



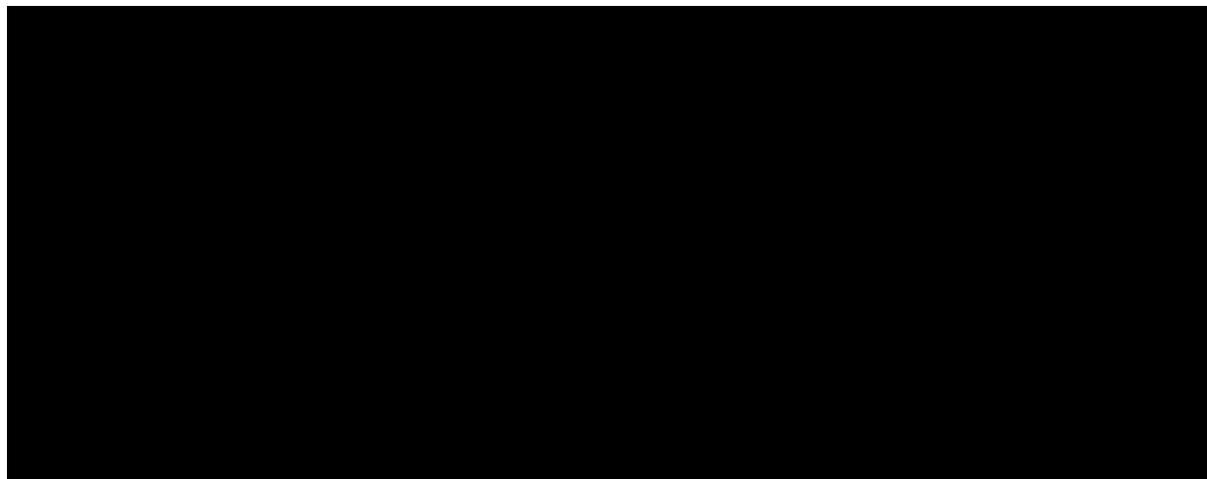
{Raw material selection process}

In the exporter questionnaire response, Saha Thai completed the HRC purchases spreadsheet listing the HRC purchases. The visit team was able to reconcile the HRC purchases of the two selected models from the commercial invoices to the HRC purchases spreadsheet. The visit team also sought to verify the completeness of the HRC purchase spreadsheet. Saha Thai provided an extract from its general ledger of HRC purchases for the investigation period, which reconciled to the HRC purchase spreadsheet (**Confidential Attachment CTMS 6**). From the HRC purchase spreadsheet, the visit team notes that [REDACTED] % of HRC by weight was sourced domestically in Thailand during the investigation period [REDACTED] % of HRC being sourced from [REDACTED] and approximately [REDACTED] % from [REDACTED].

The visit team noted that the [REDACTED] model selected was traced to a [REDACTED] HRC, while the [REDACTED] was traced to a [REDACTED] HRC. The visit team asked Saha Thai whether its usual practice was to use a thinner gauge HRC in the manufacture of HSS. Saha Thai stated that this is not always the case. It advised that due to the lead time required for [REDACTED] HRC, it may be necessary to use HRC of a higher gauge if it did not have a lower gauge HRC in stock that fell within the required tolerance.

The visit team asked Saha Thai how it ensures that the HSS manufactured falls within the relevant mass tolerance. Saha Thai stated that it conducts independently accredited testing of samples to ensure that the HSS manufactured complies with the required mass tolerance and provided an example of a test docket (**Confidential Attachment CTMS 7**).

#### 5.3.1.1 Hot rolled coil import duty



**(Confidential Attachment CTMS 8).**{Government Approved Process for Imported raw materials}

We noted that although Saha Thai's CTMS is calculated down to the product code level, it does not differentiate between the costs of domestic and export HSS and that import duties paid is applied equally between domestic and export HSS. The visit team considered that as exported HSS is exempted from import duties and only HSS sold domestically attracts import duty, a reallocation of imported duty to the cost of domestic HSS is required. Saha Thai argued that if a reallocation of duty was made, a consequential downwards adjustment for the domestic import duty would also be required. The visit team considered Saha Thai's this argument reasonable.

During the visit, the visit team and Saha Thai considered various methodologies to undertake the duty reallocation and settled on a formula to estimate the difference between the total CTMS reported in its accounts and the CTMS as if it attracted the full import duty. After the visit, and in consultation with the case management team, concerns were raised regarding the formula and its assumptions. Accordingly, it was decided that Saha Thai's original CTMS calculation with no duty drawback adjustment would lead to a more accurate outcome.

Saha Thai provided documents to support these calculations at **Confidential Attachment CTMS 9.**

**5.3.2 Zinc**

The visit team sought to verify the zinc costs down the source documents for the selected galvanised HSS model. Saha Thai provided relevant zinc inventory movement transaction listings and monthly warehouse stock reports which reconciled to the galvanising costing sheet. One purchase transaction was then selected from the zinc stock report and Saha Thai provided copies of the relevant commercial invoice, which the visit team was able to match.

**5.3.3 Paint**

The visit team sought to verify the paint costs down the source documents for the selected painted HSS model. Saha Thai provided relevant paint inventory movement transaction listings and monthly warehouse stock reports which reconciled to the painting costing sheet. One purchase transaction was then selected from the paint stock report and Saha Thai provided copies of the relevant commercial invoice, which the visit team was able to match.

**5.3.4 Manufacturing overheads**

As advised in section 5.1 above, manufacturing overheads are based on standard costs. Saha Thai explained that the cost allocation is different for each cost centre as follows:

<b>Cost Centre</b>	<b>Cost driver for allocation</b>
Slitting	[REDACTED]
Forming	[REDACTED]
Threading and coupling	[REDACTED]

Galvanising	
Painting	
Packing	

Saha Thai provided the visit team a spreadsheet that details its labour and manufacturing overheads standard costs for 2013 (**Confidential Attachment CTMS 10**). The visit team selected the forming cost centre for further verification and was able to match the standard cost per machine hour from the stand cost spreadsheet to the forming costing sheet of the two selected models.

#### 5.3.4.1 Electricity

The visit team then selected electricity for further verification. Saha Thai explained that the standard costs are based on the [REDACTED] actual costs, therefore, the electricity standard costs for 2013 are based [REDACTED]. It provided us with a copy of [REDACTED] electricity accounts ledger for the forming cost centre (**Confidential Attachment CTMS 11**) and it was able to demonstrate that the [REDACTED] electricity cost amount was used [REDACTED] of electricity for forming. The visit team then selected one transaction from the [REDACTED] electricity accounts ledger and Saha Thai provided a copy of the commercial invoices (**Confidential Attachment CTMS 12**), which reconciled. {Standard Costing Mechanism}

The visit team selected the electricity expenses for the September 2013 quarter for further verification. Saha Thai provided a copy of its September 2013 quarter electricity accounts ledger and the total electricity cost for the quarter matched the figure used in the variance calculation (**Confidential Attachment CTMS 13**). The visit team then selected a transaction and Saha Thai provided a copy of the relevant commercial invoices, which reconciled.

#### 5.3.4.2 Depreciation

The visit team also selected depreciation for verification, including the depreciation expense for the tooling used in the forming production process. Saha Thai provided a copy of its monthly machinery depreciation schedule for the first half of 2014 and the depreciation expense matched the amounts used in the variance calculation (**Confidential Attachment CTMS 14**). Saha Thai was then able to demonstrate that the depreciation expense of tooling was included by identifying them in the depreciation schedule.

### 5.4 Selling, general and administration (SG&A) expenses

Saha Thai stated that it allocated SG&A expenses as a proportion of cost of goods sold over the investigation period, except for delivery expenses. It advised that the domestic delivery expenses was calculated on a per kilogram bases (see section 6.4.1 for discussion on the verification of domestic delivery). Saha Thai provided a spreadsheet showing its SG&A calculation based on its SG&A accounts ledger (**Confidential Attachment CTMS 15**). The visit team considers Saha Thai's SG&A allocation methodology reasonable.

## 5.5 Cost to make and sell – summary

Having verified Saha Thai's CTMS data for HSS to audited financial accounts and to source documents, the visit team is satisfied that Saha Thai's CTMS data it is complete, relevant and accurate.

Saha Thai's verified CTMS spreadsheet is at **Confidential Appendix 2**.

## 6 DOMESTIC SALES

### 6.1 General

Analysis of the domestic sales listing revealed that Saha Thai sold mainly black pipe (█%), with lesser volumes of galvanised (█%) and painted (█%) finishes. Circular pipe accounted for █ of sales and rectangular pipe the remaining █. The company sold goods in standards ASTM A53 (█), TIS 107 (█), STS-M (█%), BS-A1 (█%) and MK (█%). Over █% of sales were designated commercial / made to order.

The company explained that the market does not recognise brands of HSS and that customers generally selected the goods based on price. Saha Thai stated that the exception is AS standard which is highly regarded in Thailand, being the standard of choice for the construction industry, and which is produced specifically to satisfy automotive requirements and as such, AS 1163 commands a domestic price premium.

Saha Thai described its domestic customers as distributors, with the exception of certain affiliated companies that purchase pipe for their own consumption (see 6.2 below).

### 6.2 Sales to related parties

As stated in section 2.3.1 above, Saha Thai supplied a table outlining its affiliated companies at the visit (Attachment GEN X), however, the team identified one other company from the domestic sales spreadsheet which is owned by members of Mr █ but was not listed in the table. Saha Thai confirmed this to be an affiliated company and was inadvertently missed. The visit team updated the spreadsheet with this information.

Saha Thai made sales

█ during the investigation period. Saha Thai advised that █ of these companies purchase a small amount of HSS for their own internal use. Two of the companies, █ purchase and resell HSS. Only █ Ltd represented any notable share of domestic sales, █ of net invoice sales during the investigation period. In total, approximately █ per cent of domestic sales were made to related parties during the investigation period.

Saha Thai claimed that domestic sales to these related companies were arms length transactions and the prices were reflective of market prices. The financial statement for 2013 also state that goods are sold either at market price or by mutual agreement to related parties.

The visit team examined the weighted average unit price by type, grade, finish and gauge, within each quarter, and noted the prices for related and unrelated party transactions were reasonably similar (**Confidential Attachment Dom 1**). At times the related party average was lower, and at other times higher, without any pattern or

significant differences. Therefore, the visit team is satisfied that the domestic sales of HSS between Saha Thai and the related customers are arms length transactions.

### 6.3 Domestic sales process, pricing and terms

Saha Thai explained that the sales process for HSS to its domestic customers is as follows:

- Saha Thai's customers generally contact Saha Thai by telephone to place orders.
- A price list is not used. Rather, the selling price is set by the Managing Director based on the cost of HRC.
- No written agreements or contracts are made between Saha Thai and its customers. However, the Managing Director is selective in confirming customers to ensure that they were able to meet payment terms.
- Saha Thai checks their inventory for the requested product. Most domestic sales are made to order, but sometimes there is stock available for immediate delivery.
  - If the goods are in stock, Saha Thai will organise for delivery or pickup by the customer the next day
  - If the goods are not in stock, Saha Thai will advise the customer on a production timeframe. This is typically [REDACTED].
- In the domestic market, the goods are sold and invoiced by the "piece", and not by tonnes.
- Payment terms vary for each transaction. The company advised that due to careful selection of customers, Saha Thai does not have any bad debts.
- Delivery was made by transport companies and sometimes with Saha Thai's trucks.

Saha Thai stated that no rebates or discounts were offered for HSS during the investigation period.

### 6.4 Verification of domestic sales to source documents

In its exporter questionnaire response, Saha Thai provided a detailed domestic sales listing for HSS. The domestic sales listing included the following information:

- customer name;
- product code;
- product shape (RHS/CHS);
- product standard;
- product dimensions (width, height, length, nominal thickness);
- product finish;
- invoice number;
- invoice date, dispatch date;
- delivery terms;
- quantity (in pieces);
- theoretical weight (in kilograms);
- gross invoice, discounts and net invoice value (in THB);
- inland transport.

Prior to the verification visit, the visit team selected 12 domestic sales transactions (covering multiple products over different quarters during the investigation period) and requested that Saha Thai provide copies the relevant source documents. During the visit, Saha Thai provided the following documents in relation to each selected sales transaction:

- Commercial invoice
- Proof of payment of commercial invoice

Saha Thai provided the source documents at the verification visit; these are included at **Confidential Attachment DOM 2**.

Using the source documents, the team reconciled the invoice number, product type, standard, dimensions (width, height, length and nominal thickness), finish, quantity (pieces), gross invoice value, discounts and net invoice value to the domestic sales spreadsheet.

While the domestic source documents recorded the quantity in pieces, it does not record the [REDACTED]. Saha Thai advised that the weight listed in the domestic sales spreadsheet is [REDACTED] that is recorded in its sales system and was able to demonstrate [REDACTED] calculation to the visit team.

#### **6.4.1 Delivery terms and inland transport**

Saha Thai stated that all of its domestic sales are inclusive of delivery. Saha Thai advised that most of its customers are located in the Bangkok region but that an extra charge is applied for the transport of goods outside this area.

Saha Thai stated that domestic delivery is provided by an external company or the company's own truck. In the domestic sales spreadsheet, Saha Thai calculated a weighted average Inland transport cost [REDACTED] and allocated this amount to all domestic sales transactions. Saha Thai provided the calculation of this rate in Confidential Exhibit E.1 of the exporter questionnaire response.

The visit team sought to verify the transport cost and Saha Thai provided a copy of the transportation account ledger for the investigation period which matched the total domestic transportation expense in Confidential Exhibit E.1. The visit team then selected a transaction from the ledger and requested documentation for this transaction. Saha Thai provided the relevant commercial documentation, which reconciled to the ledger figure (Confidential Attachment DOM 3).

#### **6.4.2 Discounts and credit notes**

Saha Thai advised in the exporter questionnaire response that it does not have a policy to provide any commissions, discounts, rebates or allowances on domestic sales. Saha Thai did however apply revised invoices by way of discounts during the investigation period, which it stated were for defective products. The domestic sales spreadsheet shows that these discounts range from [REDACTED]% to [REDACTED]% of the net invoice price for the affected goods.

The visit team notes that the discounts were applied to fewer [REDACTED] of domestic sales transactions. Discounts appear on the invoice for the relevant transactions and were verified by the team back to the sales listing.

Saha Thai also stated that it grants credit notes to correct errors of price or quantity for a previous sale, which is shown separately on the domestic sales spreadsheet.

### 6.4.3 Credit costs

As noted above, payment terms were not provided in the domestic sales listing and are not recorded in its sales system. Saha Thai explained that payment methods were negotiated with customers for each order, meaning that terms could vary for the same customer from one transaction to the next.

Nonetheless, Saha Thai calculated the average turnover of its domestic customer's accounts receivable and the average interest rate of its short term borrowing costs and provided a spreadsheet detailing these calculations (**Confidential Attachment DOM 4**).

### 6.4.4 Proof of payment

The domestic sales source documents included proof of payment by Saha Thai's domestic customers for 11 of the 12 selected invoices. Invoice number [REDACTED] did not have proof of payment and when asked about this, Saha Thai explained that the customer was a subsidiary and had not yet paid the invoice. Saha Thai does however report trade balances between related parties in its consolidated financial statements. The team is therefore satisfied that for the domestic sales made in the investigation period, the invoice price was the price paid (**Confidential Attachment DOM 5**).

### 6.4.5 Conclusion

The visit team considers that Saha Thai's domestic sales listing is an accurate record of its domestic sales of HSS during the investigation period.

## 6.5 Verification of domestic sales to audited financial statements

The visit team sought to reconcile the domestic sales listing to the audited accounts in order to ensure that the listing was complete and relevant. Section 4.3 above sets out the method for linking the audited financial statements to a trial balance for the investigation period. From this point, the verification team matched the figure for domestic sales in the trial balance to a sales system report of all domestic sales made during the investigation period (**Confidential Attachment Dom 6**). The report showed the total value and volume (weight) of domestic sales by product category. In addition to the goods, other products sold domestically by Saha Thai include [REDACTED] with diameter of less than [REDACTED] and greater than [REDACTED]. [REDACTED] {Saha Thai product range}. The visit team was then able to reconcile the quantity and value for the goods to the domestic sales listing.

The visit team is therefore satisfied that Saha Thai's domestic sales listing is relevant and complete.

## 6.6 Arms length

As discussed in section 6.2 above, although Saha Thai made sales to related parties on the domestic market during the investigation period, the visit team found that prices to the related parties were consistent with the prices to unrelated customers.

In respect of Saha Thai's domestic sales of HSS during the review period, the visit team found no evidence that:

- there is any consideration payable for or in respect of the HSS other than their price; or
- 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; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The visit team therefore considers that all domestic sales during the investigation period were arms length transactions.

## 6.7 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade (OCOT).

The verification visit team compared the net sales value (the net invoice sale value minus any applicable discounts) for each domestic sale of HSS to the CTMS for each quarter. Where the volume of unprofitable sales exceeded 20% for the product category, the team then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.

The verification team found that overall, ■■■% of domestic sales of like goods were made in the OCOT.

## 6.8 Volume of domestic sales

Section 269TAC(2) of the Act provides that certain domestic sales may be unsuitable for use in determining normal values because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in section 269TAC(14) of the Act as less than 5% of the total volume of goods under consideration that are exported to Australia.

The visit team first compared the volume of like goods sold in OCOT on the domestic market to the volume of the goods export to Australia over the investigation period and found that there were sufficient sales.

The visit team then tested individually whether the volumes of domestic sales made in OCOT for each model was at least 5% of the total volume of the comparable model exported to Australia using the model matching methodology outlined in section 3.4.2 above. The visit team found there were sufficient volumes of comparable models sold in OCOT on the domestic market for all export models.

## **6.9 Domestic sales – preliminary assessment**

The verification team found sufficient volumes of domestic sales of HSS by Saha Thai that were arms length transactions and at prices that were in OCOT. Based on the information provided and the verification processes conducted on site, the verification team are satisfied that prices paid in respect of domestic sales of HSS are suitable for assessing normal values under section 269TAC(1) of the Act.

The domestic sales spreadsheet is at **Confidential Appendix 3**.

## 7 THIRD COUNTRY SALES

In its exporter questionnaire response, Saha Thai provided a summary of HSS sold to third countries during the investigation period. This summary did not contain a line by line listing. However, during the upwards export sales verification to audited financial statements, Saha Thai provided a report from its sales system with a complete list of all export sales during the review period (section 4.3 above refers).

The visit team considers that it is in possession of sufficient verified information from the exporter questionnaire response and the visit to calculate normal values for HSS using domestic sales or costs. For this reason, the visit team did not undertake a detailed verification of third country sales.

## 8 ADJUSTMENTS

To ensure that the normal value was comparable to the Australian export price, the following adjustments were made.

### 8.1 Domestic credit terms

The visit team considers a downward adjustment for domestic credit terms is required to ensure fair comparison to the export price. A downward adjustment for domestic credit terms was made based on the average credit term provided by Saha Thai to its domestic customers and Saha Thai's average short-term borrowing rate from its short term borrowings as discussed in section 6.4.3.

### 8.2 Domestic inland freight

The visit team considers a downward adjustment for domestic inland freight is required to ensure fair comparison to the export price. The visit team applied a downwards adjustment based on weighted average domestic inland freight as discussed in section 6.4.1.

### 8.3 Weight tolerance and grade adjustment

As discussed in section 3.4 above, Saha Thai sells AS1163, AS1074 and BS1387 standards on the domestic market. In addition, there were sufficient volumes of AS1163, AS1074 and BS1387 sold on the domestic market during the investigation period. Accordingly, the visit team did not consider an adjustment for weight tolerance or grade adjustment necessary to enable a fair comparison to the export price.

### 8.4 Specification adjustment

As discussed in sections 3.4.2 and 6.8 above, where there were insufficient domestic sales of an identical export model, the visit team matched the next closest matching domestic model and applied an adjustment, either upwards or downwards if required, based on the export price extras.

### 8.5 Export packaging

The visit team considers an upwards adjustment for export packaging cost is required to ensure fair comparison to the export price. The visit team applied a weighted average upwards adjustment over the investigation period based on the packaging expenses shown in the export sales listing.

### 8.6 Export inland freight, handling and port charges

The visit team considers an upward adjustment for export inland freight, handling and port charges is required to ensure fair comparison to the export price. The visit team applied a weighted average upwards adjustment over the investigation period based on actual export inland freight, handling and port charges listed for each transaction as discussed in section 4.2.1.

## 8.7 Export credit terms

As discussed in section 4.2, export sales are at cash payment terms. Therefore, the visit team does not consider an adjustment for export credit terms is required.

## 8.8 Adjustments – conclusion

The visit team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Domestic credit terms	<b>Deducted</b> cost for domestic credit terms
Domestic inland freight	<b>Deducted</b> cost for domestic freight
Specification adjustment	<b>Add or deducted</b> price extras for model differences
Export packaging	<b>Add</b> cost for export packaging
Export inland freight, handling and port charges	<b>Add</b> cost of export inland freight, handling and port charges

## 9 NORMAL VALUE

The visit team found sufficient volumes of domestic sales of like goods by Saha Thai that were arms length transactions and at prices that were sold in the OCOT over the investigation period. The visit team is therefore satisfied that prices paid in respect of domestic sales of HSS are suitable for assessing normal values under section 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, the visit team considers that certain adjustments, in accordance with section 269TAC(8) of the Act, are necessary to ensure comparability of normal values with export prices as outlined in Chapter 8 above.

The normal value calculations are at **Confidential Appendix 4**.

## 10 DUMPING MARGIN – PRELIMINARY ASSESSMENT

The dumping margin has been assessed by comparing the weighted average export prices to the corresponding weighted average normal values for the investigation period.

The dumping margin in respect of HSS exported to Australia by Saha Thai for the investigation period is 5.7 per cent.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

<b>11</b>	<b>LIST OF APPENDICES AND ATTACHMENTS</b>
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<b>Confidential Appendix 1</b>	Export sales
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales
<b>Confidential Appendix 4</b>	Normal value
<b>Confidential Appendix 5</b>	Dumping margin
<b>Confidential Attachment GEN 1</b>	Confidential Exporter Questionnaire Response
<b>Confidential Attachment GEN 2</b>	Visit agenda
<b>Confidential Attachment GEN 3</b>	Product catalogue
<b>Confidential Attachment GEN 4</b>	Table of affiliated companies
<b>Confidential Attachment GEN 5</b>	Price analysis of HRC purchases
<b>Confidential Attachment GEN 6</b>	Audited, consolidated financial statements for the years ended 2012 and 2013
<b>Confidential Attachment GEN 7</b>	Auditor's Review Report and Consolidated Interim Financial Statements for the three month period ended 31 March 2014, the three month and six month periods ended 30 June 2014
<b>Confidential Attachment GEN 8</b>	Internal Income Statement for 2012, 2013 and quarters 1 and 2 of 2014
<b>Confidential Attachment GEN 9</b>	Chart of accounts
<b>Confidential Attachment GEN 10</b>	Key to product codes
<b>Confidential Attachment GEN 11</b>	Price extras summary
<b>Confidential Attachment EXP 1</b>	Source documents for selected export sales
<b>Confidential Attachment EXP 2</b>	Missing purchase contracts
<b>Confidential Attachment EXP 3</b>	Selling expenses worksheet

<b>Confidential Attachment EXP 4</b>	Consolidated Financial Statement for the year ended 31 December 2013
<b>Confidential Attachment EXP 5</b>	Trial balance for the 2013 calendar year
<b>Confidential Attachment EXP 6</b>	Trial balance for the investigation period
<b>Confidential Attachment EXP 7</b>	System report of the overseas sales account ledger
<b>Confidential Attachment EXP 8</b>	Sales report of all export sales made during the IP
<b>Confidential Attachment CTMS 1</b>	Cost calculation worksheets
<b>Confidential Attachment CTMS 2</b>	Variance calculation
<b>Confidential Attachment CTMS 3</b>	Cost of goods sold trial balance
<b>Confidential Attachment CTMS 4</b>	Costing sheet, inventory movement transaction listings and monthly warehouse stock reports
<b>Confidential Attachment CTMS 5</b>	HRC purchase invoice and other expenses
<b>Confidential Attachment CTMS 6</b>	Extract from the general ledger of HRC purchases
<b>Confidential Attachment CTMS 7</b>	Mass tolerance test docket – HSS
<b>Confidential Attachment CTMS 8</b>	Quarterly reports, monthly declarations and invoices of the duty paid over the investigation period
<b>Confidential Attachment CTMS 9</b>	Duty drawback documents and calculations
<b>Confidential Attachment CTMS 10</b>	Labour and manufacturing overheads standard costs for 2013
<b>Confidential Attachment CTMS 11</b>	2012 electricity accounts ledger for the forming cost centre
<b>Confidential Attachment CTMS 12</b>	Commercial invoices for selected electricity accounts transaction
<b>Confidential Attachment CTMS 13</b>	September 2013 quarter electricity accounts ledger
<b>Confidential Attachment CTMS 14</b>	Monthly machinery depreciation schedule for the first half of 2014

<b>Confidential Attachment CTMS 15</b>	SG&A calculation
<b>Confidential Attachment DOM 1</b>	Domestic sales analysis (related parties)
<b>Confidential Attachment DOM 2</b>	Source documents for selected domestic sales
<b>Confidential Attachment DOM 3</b>	Transportation account ledger transaction – documents
<b>Confidential Attachment DOM 4</b>	Credit costs spreadsheet
<b>Confidential Attachment DOM 5</b>	Proof of payment selected sales
<b>Confidential Attachment DOM 6</b>	Sales report of all domestic sales made during the IP