STAUGHTONS

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PUBLIC RECORD VERSION
SAHA THAI RESPONSE SEF 254

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PUBLIC RECORD VERSION OF CONF ATTACHMENT "A" – REQUEST NO. 1

Introduction:

The ADC requires that due allowance be made in each case, on its merits, for differences which "affect price comparability".

Specifically, under s 269 TAC(8), where the domestic and export prices are modified in different ways by taxes.

As expressed previously, taxes in our context comprise the VAT and Import Duty paid on imported HRC used to produce locally sold GUC.

Importantly, SAHA needed to evidence that a particular difference affects price comparability.

In terms of VAT applying to domestic sales and not export sales there is no issue and the VAT is excluded for N.V. purposes.

The Commission has verified the amount of duties paid and the volumes of imported HRC used in the production of domestically sold goods.

HRC purchase details are provided on the attached confidential spreadsheets, 'Detail HR', and 'Sheet 2' detailing quarterly purchases of imported and local HRC.

In summary, the purchases of HRC during the I.P. were:-

Tonnes: Imported [redacted]
Local - [redacted]
Total [redacted]

Pricing: WAV prices, CIF, for the respective supply sources were; in A$ per Tonne:
Imported - [redacted]
Local - [redacted]

Methodology:

The imported US$ prices and the local THB prices have been converted to A$ currency at the respective monthly RBA rates of exchange.

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CONCLUSIONS:

(1) Clearly the local WAV price of HRC was [redacted] or [redacted]**%** higher than the imported HRC.

(2) Based on the production tonnes of finished product for domestic sale and export sale, it is basically evidential that imported HRC had to be used to produce domestically sold product.

Production for Domestic Sales -	[redacted]	Tonnes
Production for Australian Sales	[redacted]	
Total Dom & Australian	[redacted]	**Tonnes**

(3) In addition, production for third country exports which had sales of [redacted] Tonnes has to be added.

SUMMARY:

Both logically and evidentially, the cost to make for domestic sales and thus the prices of the produced goods for domestic sales has to be higher because of the Import Duty factor of [redacted]% on imported HRC used for domestic sales production.

This analysis is outlined on Attachment no. 3, on Home Market Prices, and it is based on product 'models' that were used by the Commission in the determination of Dumping Duty Margins being a comparison of Australian export prices and home market 'matching' product model prices.

The analysis demonstrates that SAHA's home market prices are higher than the Australian sales prices in around [redacted]% of cases on (1) an ex-works basis for domestic and (2) on an FOB less packing and cartage for Australian sales. (grouped by quarter and finish).

Our communication to the Commission dated 22nd May 2015 provided documentary evidence of Import Duty of [redacted]% being paid on two shipments of imported HRC at the time of importation.

The Import Duty paid on those shipments totalled was additional to the Import Duty amount of [redacted] paid on HRC used in domestic sales production ex-bonded warehouse.

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We also explained in that communication why it is impractical to reconcile the actual purchase price of 'released' HRC "bonded and imported" prior to the I.P.

Verification Visits

Essentially, based on the WTO Agreement (Annex 1) Verification Visits are to verify information provided but also to obtain further details.

Our concern in this case is that the Commission [redacted]

Whilst appreciating the further opportunity to support our claim for due allowance on Import Duty, [redacted]

There can be no doubt that Import Duties on HRC have an effect and impact on normal value considerations, and the evidence for this is simply considered 'evidential'.

As expressed previously, products of the GUC sold on the domestic market cost more to produce, and thus demand a higher price than if imported HRC was exempt from duty.

We have clearly evidenced that duty exempt HRC is far less expensive than either local HRC or duty paid imported HRC.

Without the duty element, SAHA would sell their domestic GUC product at a lesser price than it needs to and thus the domestic selling prices are modified to account for the duty effect.

SAHA concedes that its accounting records [redacted].

The reasons, however, are simple and unavoidable because of compliance issues.

SAHA's accounting records need to be compliant with the regulator's generally accepted accounting practices and principles which demand SAHA has to have a single cost for each specific type/item of goods in its inventory.

Given that specific/identical product models sold domestically and to Australia have the same physical characteristics – (regardless of their HRC source) SAHA is required to have a uniform cost for inventory valuation purposes.

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Because of this accounting and regulatory requirement, and even though the cost differential is real, that differential [redacted], which of course can only accrue from the manufacturing costs.

Whilst all of the above is true and accurate, the reality in the context of this Anti-Dumping analysis is that the cost differentials are clearly calculable from SAHA's accounting and production records that also satisfy the relevant Australian regulations on record keeping.

SAHA has been consistently profitable for many years, and its other major exports to the USA market are treated as being non dumped by that jurisdiction.

In our opinion and experience the Commission's rejection of what we legitimately consider to be a due allowance will [redacted]

SAHA is prepared to provide whatever further information it can in relation to satisfying any concerns the Commission may still have in relation to the verified costs and sales data for the I.P.

Please contact the writer in that regard, M. Jack Howard on 0459 21 2702 or by email.

We thank the Commission for its consideration,

Regards

Jack Howard