

10 June 2014

Mr Adam Yacono  
Manager  
Anti-Dumping Commission  
Customs House  
1010 La Trobe Street  
DOCKLANDS VICTORIA 3008

By email: [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au)

Dear Adam

**Dumping investigation ADC 223 - Hot rolled structural steel sections exported from Japan, Korea, Taiwan and Thailand**

We refer to the submission from One Steel Manufacturing Pty Ltd (OSM) dated 28 May 2014 and provide the following response:-

**I. Like goods**

- a. We consider the OSM assessment of grade SS490A as fair comparison for AS3679.1 grade 300, to be inaccurate and opportunistic, rather than objective (as OSM claim). We consider it is a blatant misrepresentation in order to have a higher value grade, used for normal value calculation purposes.
- b. OSM are correct they highlighted this issue to the Commission prior to Tung Ho Steel (THS) exporter verification visit, which the Commission's investigating team discussed, reviewed and verified THS actual production data. In addition, reference to Customs and Border Protection' previous assessment in Investigation 79, in not valid, in comparison to actual production data produced and verified for each individual case and exporter.
- c. A comparison of minimum specified requirements of various international requirements is not an accurate assessment of like goods compared to comparison of actual physical properties of actual goods produced during the investigation period.
- d. As demonstrated by THS, THS manufacture semi-finished goods to exceed minimum specified requirements of like goods of similar standard. This was verified through THS internal costing systems through utilisation of Product Code Number (PCN) system.



- e. THS produce ASTM A36, AS/NZS 2679G300, CNC 2473 SS400 and BS EN 10025 S275JR from the same semi-finished goods that were produced to exceed the minimum specified requirements of the aforementioned standards. Actual costing of these goods are captured in THS accounting and costing systems under PCN XXXX2, which the Commission’s investigating team verified.
- f. THS produce ASTM A572G50, CNS 2947 SM490A and BS EN 10025 S355JR from the same semi-finished goods that were produced to exceed the minimum specified requirements of the aforementioned standards. Actual costing of these goods are captured in THS accounting and costing systems under PCN XXXX5, which the Commission’s investigating team verified.
- g. OSM’s claim that “*the investigating team’s flawed assessment that AS/NZS 3679.1 grade 300 is most alike to grade SS400 appears to be based solely on claims made by THS that grade SS490A has ferroalloys added and that products produced to AS/NZS grade 300 doesn’t*”, is inaccurate which the above demonstrates, and is an insult to the integrity of the Commission, to imply that the Commission’s investigation team accepted addition of ferroalloys as the sole basis for the finding that SS490A are not alike to AS/NZS 3679.1 grade 300.
- h. For clarification, THS didn’t state that no ferroalloys were added to XXXX2 PCN, however additional ferroalloys were required for XXXX5 PCN, which was verified by the Commission’s investigation team.
- i. OSM assertion regarding suitability for welding is another opportunistic attempt to have a higher value grade considered for normal value calculation purposes. Again, reference is to minimum specified requirements of various standards and not physical properties of actual goods produced, is not valid. THS demonstrated physical properties of goods produced, which exceeded suitability for welding minimum specified requirements even when not specified by applicable standard.

## II. Cost of ferroalloys

- a. OSM misinterpreted section 6.3.3 the Commission’s Exporter Visit Report. The Commission’s investigation team concluded that it was not necessary to reallocate ferroalloys from “other manufacturing overheads” to “raw materials”, due to the insignificance as a percentage of total raw material costs.
- b. The Commission’s Exporter Visit Report in section 6.3.3 states:-

“Although we consider ferris alloy to be a raw material input, the materiality of the cost was deemed insignificant (less than X% of the steel making cost) to warrant reallocation from manufacturing overheads to raw materials during verification. We were satisfied that the cost of ferris alloy used in the



manufacture of steel was included in the total cost to make under manufacturing overheads.”

- c. If the reallocation was not conducted, (as claimed by OSM incorrectly) it would result in a reduced cost for XXXX2 PCN CTMS compared to XXXX5 PCN CTMS, however this would likely only influence OCOT calculations where 100% of THS domestic sales of like goods were verified to be profitable and/or recoverable. Any reduction in cost of XXXX2 PCN would have benefited THS if OCOT assessments were less than 80%.

### III. Theoretical and actual weights

- a. THS provided both “actual weights” and “theoretical weights” on a transaction by transaction basis for both domestic and export sales.
- b. The Commission’s investigation team verified this data as accurate.
- c. For OSM to imply that THS assert “to produce HRS where the actual weight is close to the theoretical weight” and to assume the Commission’s investigation team accepted such a statement on face value, is an insult to the integrity of the Commission and THS, alike.
- d. THS remain anxious to receive a copy of OSM’s “benchmark report” to test its validity, independence and accuracy.
- e. Although the weighted-average difference between theoretical and actual weights for domestic and export sales has been assessed by the Commission’s investigation team as “insignificant”, THS agree with OSM’s statement as follows:-
  - i. *“It is submitted that “insignificant” requires consideration in the context of the dumping margin determined for THS.”*
- f. Note domestic actual weights exceeded theoretical weights by X.XX%, while Australian export actual weights were X.XX% less than theoretical weights, (as per page 27 of THS Exporter Visit Report).
- g. We will be requesting the Commission make an appropriate adjustment to account for difference between actual and theoretical weights between normal value domestic sales and Australian export sales, in calculation of dumping margins.

### IV. Exclusion of related party sales

- a. As verified by the Commission’s investigation team, sales to related parties were to subsidiary companies of THS who are construction contractors tendering for construction contracts.
- b. The price is fixed for an extended period pending the subsidiary being successful or unsuccessful in tender process. This is not offered to any other domestic customers.
- c. THS receive “*consideration payable for in respect of the goods other than price*”, through profits earned or losses incurred, by the subsidiary company and included in consolidated accounts of THS.



- e. In addition “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” due to the related party status and group realization of profits and losses through consolidation.
- f. For OSM to submit that these related party transactions be included, is another opportunistic submission in light that the weighted average invoice price of related party transactions being above non-related during the investigation period. We wonder what OSM stance would be if they were less than non-related.

#### V. Level of Trade

- a. As explained and verified by Commission’s investigation team, THS differentiate domestic customers into the following sub-sets:-
  - i. Distributor;
  - ii. Producer; and
  - iii. Wholesale/Retailer.
- b. Distributor customers purchase in significant volumes and on regular basis similar to Australian customer Sanwa, while Producer and Wholesale/Retailer domestic customers purchase small volumes on an irregular basis. Producer and Wholesale/Retailer customers pricing structures are structured accordingly, to justify reward for effort and not to impact profitability of distributor customers.
- c. Sanwa sell to smaller Producer and Wholesale/Retailer customers in the Australian market, this is the function they provide to THS.
- d. Sanwa could receive different pricing within the same month, however this does not relate to which end customer Sanwa is selling to (as OSM imply), but a number of external factors e.g. change in raw material costs, foreign exchange movements between USD/NTD, competitive pressures both in Australia and internationally, bids from Sanwa etc.

#### VI. Credit terms

- a. Without the benefit of sighting the “Sanwa facsimile dated 30 May 2013” we cannot verify the contents for accuracy, however we assume OSM are getting confused with the terms offered by Sanwa to its Australian customers, not the terms offered by THS to Sanwa.
- b. THS provided credit terms on a transaction by transaction basis for both domestic and export sales which was verified by the Commission’s investigation team.

#### VII. Domestic marketing charges

- a. OSM are making assumptions regarding THS operations.
- b. THS did not visit any export customers during the investigation period, and does not visit export customers as a general practice. General practice is export customers (including Sanwa) visit Tung Ho in Taiwan at their expense as part of the exporter’s business model.

#### VIII. Pricing Extras

- a. As adjusted by the Commission investigation team, where extras were charged in domestic market and not in the Australian market this was accounted for through appropriate model adjustment and comparison.



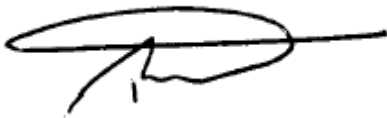
**X. Conclusion**

- a. With the exception of bullet 2 of OSM submission conclusion, we submit that requests for the Commission to re-assess normal values for THS by OSM, are not appropriate as they are ill conceived and/or unsubstantiated by OSM in comparison with actual verified information by the Commission’s investigation team.
- b. We are concerned by the number of opportunistic nature of the stance of many of the requests, together with unsubstantiated accusations, that may reflect OSM business practices, not THS.
- c. We are particularly concerned regarding implications of accusations from “benchmarking report” on THS manufacturing reputation. We refer to our previous submission on this matter on 3 June 2014, and demand OSM provide adequate information regarding this “benchmarking report” for THS to verify validity, independence and accuracy. THS will pursue adequate recourse should verification of the “benchmark report” be deemed inadequate.

Should you require any additional information, please contact the writer.

This letter is non-confidential and can be placed on the public record for this case.

Yours faithfully



Troy Morrow

