



INVESTIGATION 223

**ALLEGED DUMPING OF HOT ROLLED STRUCTURAL STEEL
SECTIONS**

**EXPORTED FROM JAPAN, THE REPUBLIC OF KOREA,
TAIWAN AND THAILAND**

VERIFICATION REPORT - EXPORTER

SIAM YAMATO STEEL CO LTD

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

MAY 2014

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ABBREVIATIONS

\$	US Dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Commission	Anti-Dumping Commission
Commissioner	Anti-Dumping Commissioner
CTMS	Cost to make & sell
EPR	Electronic Public Record
G300	HRS manufactured to Australian Standard AS/NZ 3679.1:2010 grade 300
HRS	Hot rolled structural steel
Korea	Republic of Korea
MPa	Megapascals
OneSteel	OneSteel Manufacturing Pty Ltd
PAD	Preliminary Affirmative Determination
P & L	Profit and loss statement
REQ	Response to exporter questionnaire
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative costs
SS/SM400	HRS manufactured to Thai Standard TIS 1227:1996 Dual Grade SM400/SS400
SYS	Siam Yamato Steel Co Ltd
TCO	Tariff Concession Order
TKM	ThyssenKrupp Mannex Pty Ltd
the goods	the goods the subject of the application (also referred to as the goods under consideration)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry

1 BACKGROUND AND PURPOSE

1.1 Background

On 26 August 2013, OneSteel Manufacturing Pty Ltd (OneSteel) lodged an application under the *Customs Act 1901* (the Act), requesting that the then-relevant Minister, the Minister for Home Affairs, publish a dumping duty notice in respect of hot rolled structural steel sections (HRS) exported from Japan, the Republic of Korea (Korea), Taiwan and Thailand.

OneSteel provided further information and data in support of its application, the last of which was received on 1 October 2013, restarting the 20 day period for consideration of the application.

The application alleges that the Australian industry has suffered material injury caused by HRS exported to Australia from Japan, Korea, Taiwan and Thailand at dumped prices. The application claims the industry has been injured through:

- price depression;
- price suppression;
- reduced profits and profitability;
- reduced domestic revenues;
- reduced production capacity utilisation;
- reduced employment; and
- reduced attractiveness for reinvestment.

Public notification of the initiation of the investigation was made on 24 October 2013 in *The Australian* newspaper and through Anti-Dumping Notice (ADN) No. 2013/75, notifying of the initiation of the investigation and key procedural matters.

1.2 Remote verification of data

The Anti-Dumping Commission's (Commission) preferred approach to verification of information submitted in the response to the exporter questionnaire (REQ) is by face-to-face meeting with the relevant exporter and their representatives. However, for a period of six months between December 2013 and May 2014, the Australian Department of Foreign Affairs and Trade advised that Thailand was affected by on-going civil unrest and political tension.¹ As a result of this advice, the Anti-Dumping Commissioner (Commissioner) made the decision to conduct verification of information provided by Siam Yamato Steel Co Ltd (SYS) remotely from Australia on the basis of safety concerns for travelling officers. A delegation from SYS' Thai offices was able to meet with the Commission in Melbourne, Australia from 10 to 13 June 2014.

1.3 Data examined

SYS' REQ contained a background to its activities, details of exports to Australia, details of exports to other countries, cost to make and sell (CTMS) information, details of

¹ Refer to <http://www.smartraveller.gov.au/zw-cgi/view/Advice/Thailand>

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domestic sales and information on adjustments to domestic selling prices. The REQ was supported by multiple attachments. Information provided was assessed through a remote verification process and has been used to make preliminary assessments regarding:

- like goods;
- identifying the exporter and the importer;
- export prices;
- normal values; and
- dumping margin.

Information provided was examined for completeness, accuracy and relevance by the Commission during the meeting with SYS in Australia, and through requests for documents and data to verify the information provided.

1.4 Procedural matters

Following initiation of the investigation, the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) has assumed responsibility for anti-dumping decisions under the Act.

SYS were provided a summary of the investigation process and timeframes.

Key points are as follows:

- The investigation period for the investigation is 1 October 2012 to 30 September 2013.
- The Commission will examine the Australian HRS industry from 1 July 2009 to determine whether that industry has suffered material injury.
- A preliminary affirmative determination (PAD) for the investigation was made on 14 March 2014. The PAD provided for ad valorem securities at a rate of 14.2% in respect of HRS imports from SYS.
- The Statement of Essential Facts (SEF) for the investigation is now due to be placed on the electronic public record (EPR) by 17 July 2014, or such later date as the Parliamentary Secretary allows under s.269ZHI of the Act.

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 (submissions received in response to the SEF will be considered by the Commission when compiling the final report and recommendations to the Parliamentary Secretary).

- The final report to the Parliamentary Secretary is due no later than 31 August 2014, unless an extension to that date is approved.
- The Parliamentary Secretary will have 30 days from the date of receipt of the final report to make a final decision.

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- Certain interested parties have the right to seek a review to the Anti-Dumping Review Panel in relation to the Parliamentary Secretary's final decision, or certain decisions that the Commissioner may make prior to the Parliamentary Secretary's decision (if any).

SYS were advised that information provided during the verification would be treated as confidential, other than a public report which the company has the opportunity to review and approve prior to its release.

1.5 Cooperation

SYS was co-operative during the verification and supplied requested documentation.

2 COMPANY INFORMATION

2.1 Company background and structure

SYS was established in 1992 as a joint venture between Yamato Kogyo Co., Ltd., Mitsui & Co. (Thailand) Ltd., Sumitomo Corporation (Thailand) Co., Ltd. and the Siam Cement Co., Ltd. It is a producer and seller of hot rolled steel on the domestic and export markets.

In its response to the REQ, SYS provided an organisational structure showing its major divisions, departments and key personnel (refer to **Confidential Attachment 1**). SYS also provided a listing of the company's board of directors and management (**Confidential Attachment 2**).

The company also provided a brochure containing an overview of its activities and products (**Confidential Attachment 3**). It stated that it has two plants in the Rayong area, at Map Ta Phut Industrial Estate and at Hemaraj Industrial Estate, both of which are within close proximity to each other, and are close to the Rayong Bulk Terminal deep-sea port. SYS informed the Commission that both plants produce the goods under consideration.

2.2 Related parties

SYS engages in several different types of transactions with its related parties, as outlined in the sections below.

2.2.1 Suppliers

SYS purchases scrap from related companies [REDACTED] and [REDACTED] [related supplier company names]. It has no relationship with any other scrap supplier.

2.2.2 Customers

SYS sells HRS domestically to [REDACTED] related customers:

- [REDACTED], and
- [REDACTED] [related customer names]

These customers represent [REDACTED]% of SYS' domestic sales value and volume.

SYS stated it has no relationship with any other domestic or export customers.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods description

The goods the subject of the investigation (the goods) are:

Hot rolled structural steel sections in the following shapes and sizes, whether or not containing alloys:

- *universal beams (I sections), of a height greater than 130mm and less than 650mm;*
- *universal columns and universal bearing piles (H sections), of a height greater than 130mm and less than 650mm;*
- *channels (U sections and C sections) of a height greater than 130mm and less than 400mm; and*
- *equal and unequal angles (L sections), with a combined leg length of greater than 200mm.*

Sections and/or shapes in the dimensions described above, that have minimal processing, such as cutting, drilling or painting do not exclude the goods from coverage of the investigation.

Goods excluded from this investigation are:

- *hot rolled 'T' shaped sections, sheet pile sections and hot rolled merchant bar shaped sections, such as rounds, squares, flats, hexagons, sleepers and rails; and*
- *sections manufactured from welded plate (e.g. welded beams and welded columns).*

In support of the goods description, OneSteel stated in their application:

In Australia the goods are commonly known as universal beams, universal columns, universal bearing piles, parallel flange channels and both equal and unequal angles. Universal columns typically have their web lengths similar to their flange lengths, whereas universal beams typically have longer webs than flanges. In some other countries the term "H beams" applies to both universal beams and universal columns and the term "I beams" denotes tapered flange beams.

The common grades of steel that the goods subject to this application are sold to are grade 300 and grade 350. The minimal yield stress of the grade 300 refers to 300 Mega Pascals (MPa) and the minimal yield stress for grade 350 is 350 MPa.

The type of alloys that may be incorporated into the HRS steel sections include but is not limited to boron (typically with a boron amount above 0.0008 per cent or chromium above 0.3%). For clarity, the inclusion of alloy(s) is limited to the shapes and sizes identified above.

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The majority of the goods that are subject to this application are manufactured to comply with or exceed the requirements set out in AS/NZS 3679.1:2010 Structural steel Part 1: Hot-rolled bars and sections.

Imported goods are mostly quoted to AS/NZS 3679.1, but if not will generally be quoted to an international standard that stipulates nominal yield strength of 300 Mega Pascals (MPa).

3.1.1 Tariff classification

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

- 7216.31.00 statistical code 30 (*channels – U and C sections*);
- 7216.32.00 statistical code 31 (*universal beams – I sections*);
- 7216.33.00 statistical code 32 (*universal column and universal bearing piles – H sections*); and
- 7216.40.00 statistical code 33 (*equal and unequal angles – L sections*).

For the tariff subheadings outlined above, the general rate of duty is 5% for goods imported from Japan, and 0% for imports from Korea, Taiwan and Thailand.

The Commission has received advice from the Tariff Policy section of the Australian Customs and Border Protection Service, indicating tariff subheading 7216.50.00 may also be applicable to C sections, only in circumstances whereby these goods are differentiated by industry members and consumers from U sections.

Goods identified as hot rolled other alloy steel sections, as per the specified shapes and sizes described above, are classified to tariff subheading 7228.70.00 in Schedule 3 of the *Customs Tariff Act 1995*. The applicable duty rate for imports from Japan, Korea and Taiwan is 5%, and Thailand is 0%.

In Consideration Report 223, the Commission indicated that Tariff Concession Order (TCO) 0513491 and 0513492 may apply to such goods that are classified to tariff subheading 7216.32.00 and 7228.70.00, respectively. After further examination of the description of the goods under consideration and relevant technical specifications, as well as the goods description contained in TCO 0513491 and 0513492, the Commission has determined that neither of the TCOs applies to the goods under consideration.

On 5 January 2014, TCO 0513492 was revoked due to two years of non-use. The revocation of TCOs, which have not been used for a period of two years, is part of the review of Schedule 4 of the *Customs Tariff Act 1995*, and was announced as part of the Government's better regulation and micro-economic reform agenda.²

² See ACN 2010/18 – Review of Schedule 4 of the *Customs Tariff Act 1995*.

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3.2 Product range and manufacturing facilities Exported goods

During the period of investigation, SYS manufactured and exported HRS to one Australian customer, ThyssenKrupp Mannex Pty Ltd (TKM). SYS advised that when making these sales it was aware that the goods were destined for export to Australia.

During the investigation period, SYS exported a total of [REDACTED] tonnes of HRS to TKM, comprising parallel flange channels, universal beams and universal columns of varying dimensions and length.

All HRS exported to Australia was non-alloy carbon steel, of 300 grade, and sold as meeting the relevant Australian standard (AS/NZ 3679.1:2010), hereafter referred to as 'G300.'

The goods exported to Australia were:

Shape	Description	Nominal size	Length (metres)
PFC	Parallel Flange Channels	150 PFC 180 PFC 200 PFC 230 PFC 250 PFC 300 PFC	9,10.5,12,13.5,15, 16.5,18
UB	Universal Beam	150 UB 180 UB 200 UB 250 UB 310 UB 360 UB 410 UB 460 UB 530 UB 610 UB	9,10.5,12,13.5,14.3,15,16.5,18
UC	Universal Column	150 UC 200 UC 250 UC 310 UC	9,10.5,12,13.5,14.3,15,16.5,18

Table 1 - Exported goods to Australia

3.2.2 Domestic sales

HRS produced for sale on the domestic market by SYS comprised:

- equal angles,
- H-beams,
- channels (tapered flange)
- I-beams and
- cut beam (T-section)

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Each product was produced in various sizes and dimensions. Cut beam (T-section) is outside of the scope of the investigation and sales volumes for these goods were not provided to the Commission in the domestic sales spreadsheet (**Confidential Attachment 4**).

Furthermore, SYS considered all sales of HRS made on the domestic market (within the shape and size range of the goods subject to investigation) and identified relevant like goods to the HRS exported to Australia. On the domestic market, SYS sold [REDACTED] tonnes of like goods during the investigation period. SYS identified only H-beams and channels as like goods in the domestic sales spreadsheet.

This HRS was mainly manufactured to dual-grade SS/SM400, and sold as meeting various international standards, but predominantly sold under the Thai standard (TIS 1227:1996). A small number of sales were of SS400 JIS grade, G300, and A36 grade.

Grade	Quantity - tonnes (Theoretical weight)	% of total
A36	[REDACTED]	[REDACTED]
G300	[REDACTED]	[REDACTED]
SS400	[REDACTED]	[REDACTED]
SS/SM400	[REDACTED]	[REDACTED]
Total	[REDACTED]	100%

Table 2 - Domestic HRS by grade

3.2.3 Manufacturing facilities

As noted above, SYS produce HRS at two manufacturing facilities at Map Ta Phut Industrial Estate and Hemaraj Industrial Estate in Rayong with a production capacity of 1.1 million tonnes per year.

3.2.4 Production process

SYS provided a diagram of its HRS production process, which differs slightly for each of its two mills:

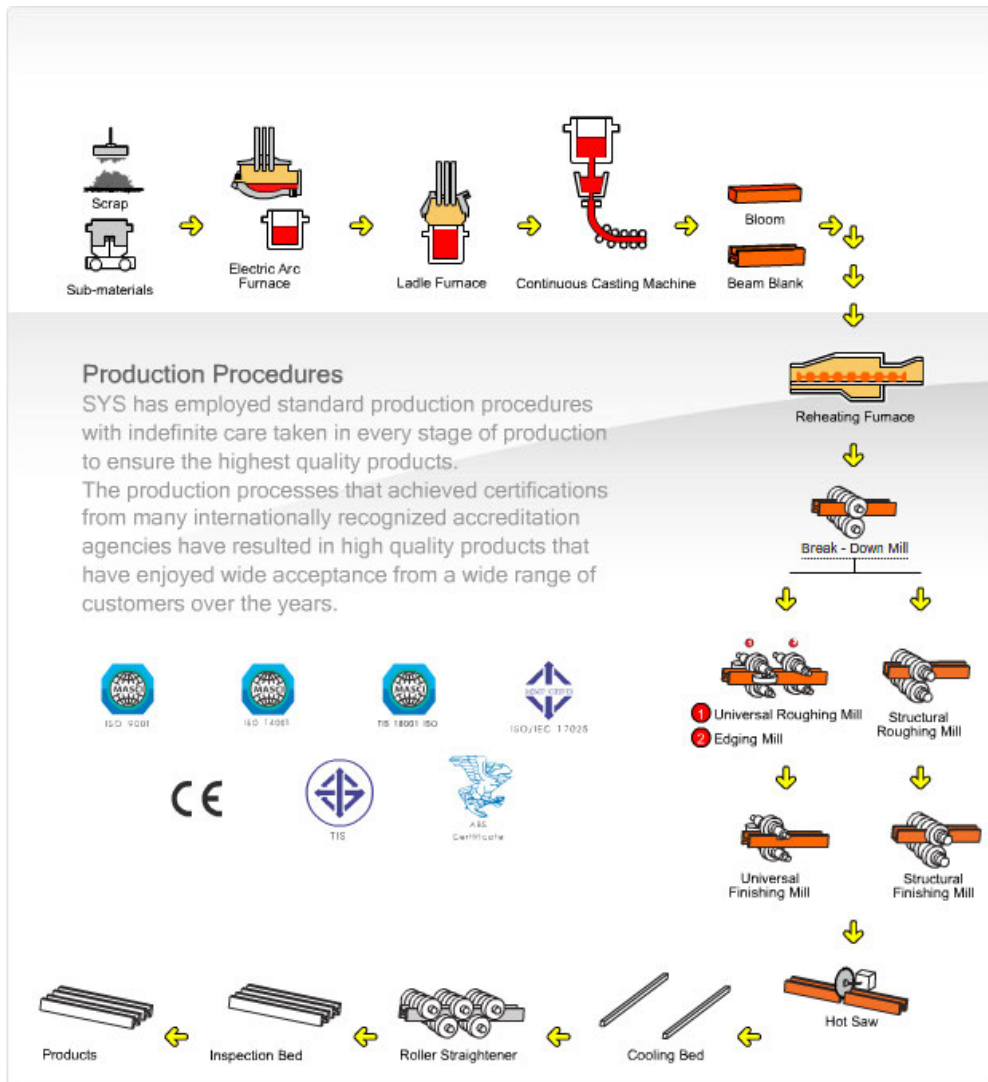


Figure 1 - Steel production process

3.3 Like goods

Section 269T(1) of the Act defines like goods as:

Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

Prior to the verification visit, the applicant, OneSteel, provided the Commission with an exporter briefing and an individual submission for SYS, which was published on the EPR for the investigation. In that submission, OneSteel outlined its view on the grade differences between the domestically produced HRS and that exported to Australia, and the requirement for a positive adjustment to normal value to reflect the differences, based on yield strength. The Australian industry indicated that in its view, the closet comparable grade in the Thai market to G300 is SM490.

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At the verification we asked SYS for their view on like goods for comparison purposes. SYS explained that the most appropriate grade for comparison purposes to the exported G300 is SS/SM400. During the course of the verification, SYS provided brochures for their product specifications for both domestic and export sales, coupled with various test certificates (**Confidential Attachment 5**) as they relate to steel grade SM490A, SS400, SS/SM400 and G300. The Commission analysed the test certificates by comparing and contrasting the differing mechanical properties (e.g. yield and tensile strength) and chemical composition to the differing standards governing their production, coupled with comparing the actual specifications produced of like goods and the goods under consideration.

When assessing HRS produced for the Thai domestic market and that are exported, it was identified that domestically sold goods cannot be classified as identical in all respects to the goods under consideration, given the differences in physical characteristics.

The Commission has determined that all HRS produced have characteristics closely resembling each other when considering physical likeness (e.g. shape, dimensions, appearance), functional likeness (e.g. end use) and production likeness.

3.3.1 Like goods – preliminary assessment

The Commission considers HRS sold domestically by SYS has characteristics closely resembling those of the goods exported to Australia during the investigation period. The Commission is therefore satisfied that HRS sold by SYS on the domestic market in Thailand are like goods in accordance with subsection 269T(1).

Whilst we consider all HRS sold domestically to be like goods, the Commission has selected a subset of like goods which it considers the most comparable to the goods under consideration for the purposes of calculating normal value.

4 SALES TO AUSTRALIA

4.1 General

Section 3.2 of this report details a summary of the shapes, dimensions, lengths and grades of goods manufactured and exported to Australia by SYS.

In its REQ, SYS provided a detailed *Australian sales* spreadsheet listing each sale made during the investigation period, and including the following information:

- Customer name;
- Level of trade;
- Model;
- Grade;
- Shape;
- Dimension;
- Product code;
- Finish;
- Imperial or metric;
- Invoice number;
- Invoice date;
- Date of sale;
- Order number;
- Shipping terms;
- Payment terms;
- Quantity;
- Theoretical weight;
- Gross invoice value;
- Invoice currency;
- Invoice exchange rate;
- Net invoice value; and
- Inland transport.

Export sales data contained within the *Australian sales* spreadsheet was examined as part of the verification process. Further discussion of the verification process is contained in section 4.4.

4.2 Export price setting

SYS explained that its selling price is negotiated having regard to cost and market conditions. SYS stated that it considers and sets selling prices before releasing a price offer to its customer online once per month. The price offer is valid for two weeks before it is revised due to the dynamic nature of the HRS market.

4.2.1 Export sales process

SYS explained the export sales process as follows:

- Monthly price offers, valid for [REDACTED] are distributed by SYS;
- A purchase order is received by email from the customer and confirmed by order confirmation email;
- A sales order form is generated and goods scheduled for production;
- Commercial invoice is produced at the time of product leaving SYS' warehouse for delivery.

The company stated after-sales warranty for product faults is available, [REDACTED] [number of] claims were made during the investigation period.

4.2.2 Currency

The commercial documents provided to the Commission evidence that SYS invoices its Australian customer in [REDACTED] [currency].

4.2.3 Terms of trade

The shipping terms entered into between SYS and TKM is [REDACTED]
[Incoterm used].

4.2.4 Payment terms

Payment terms for approximately [REDACTED] % of sales are [REDACTED], with remaining sales [REDACTED] [payment types].

4.2.5 Discounts, rebates and allowance

The company stated that no [REDACTED] [certain payment types] are applied to export sales to Australia, and no evidence of any discounts or rebates for exported goods to Australia were observed during verification of data.

4.2.6 Date of sale

In the *Australian sales* spreadsheet, SYS listed two dates related to selling: a date of sale, which is the [REDACTED] [nominated date of sale]; and the invoice date, which is the date of invoice. The Commission will ordinarily use the invoice date as the date of sale unless it can be demonstrated by the exporter that another date is more suitable, for example on the grounds that the date is the first date which finalises material terms of sale.

SYS claimed that [REDACTED] [its nominated date of sale] should be considered the date of sale. It also explained that after [REDACTED] [the document containing SYS's nominated date of sale] is issued, a change of order request may be made by the customer which alters the order terms of sale, including [REDACTED] [REDACTED] [aspects of the terms of sale which may be altered]. There may be several order changes requested, and after each change a new [REDACTED] [document] is issued. It claimed that the order confirmation date in the sales data provided was the most recent revision, however SYS did not cite any evidence that this was the case. SYS also acknowledged that whether the date of sale was taken to be the [REDACTED] [nominated date of sale] date or the invoice date would have no material impact due to the operation of forward exchange contracts. After considering the evidence and arguments put by SYS, the Commission, consistent with policy outlined in the *Dumping and Subsidy Manual*, has used the invoice date as the date of sale. SYS have advised that they disagree with this approach. SYS has been invited to make submissions regarding any disagreement with the Commission's findings.

4.3 Verification of sales to audited financial statements – export and domestic

The verification team sought to verify the completeness and relevance of the export and domestic sales revenues and volumes up to the audited financial statements. For the purposes of this report, verification of export and domestic sales information to audited financial statements was conducted jointly and forms the basis of the discussion in this section.

As part of its REQ, SYS completed the *Sales Summary/Turnover* spreadsheet (turnover spreadsheet) reflecting the total turnover of all products and turnover of the goods under consideration for both the 2013 financial year and the investigation period. It also

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provided a copy of its 2012 audited financial statement, and during the meeting a copy of its 2013 audited financial statement (**Confidential Attachment 6**).

The Commission requested that SYS demonstrate the reconciliation process between the values and volumes for all sales recorded in the spreadsheet and its financial statements. SYS explained that its financial statements were prepared using [redacted] [accounting system used by SYS]. It showed the total volume and value of all products sold during the investigation period as recorded in using [redacted] [accounting system used by SYS]. The total values recorded reconciled, however a small discrepancy in the total volume was observed between the using [redacted] [accounting system used by SYS] record and the turnover spreadsheet. SYS explained that the difference was due to a [redacted] [redacted] [type of distribution] of some products that are outside of the goods description. The Commission considered the explanation of the volume discrepancy reasonable.

The reconciliation process between the values and volumes for the goods under consideration recorded in the spreadsheet and SYS' financial statements was demonstrated live in using [redacted] [accounting system used by SYS] by SYS. The company explained that isolating the goods under consideration was performed by classifying each product model as either 'goods under consideration' or 'non goods under consideration' then filtering sales accordingly. To determine the volume and value of sales to Australia, SYS filtered by customer in addition to goods. Domestic sales were also determined by customer group, while third country volume and value of sale was determined by deducting Australian sales from all other exports. The Commission collected extracts from using [redacted] [accounting system used by SYS] to support this analysis, and reconciled it to the information in the REQ (**Confidential Attachment 7**), confirming to a reasonable level of assurance that sales provided are complete and relevant.

4.4 Verification of export sales to source documents

To assess sales data for accuracy, verification to source documents was undertaken. In its REQ, SYS provided source documentation to verify two Australian sales listed in the submitted sales listing. A further ten sales were selected from the submitted *Australian sales* spreadsheet for verification by provision of source sales and commercial documents, as outlined below:

Order Number	
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Table 3 - Selected export sales transactions

The selected transactions included various shapes, grades, dimensions and dates within the investigation period. SYS were requested to provide supporting documentation for each selected sale.

The following types of documents were provided for each of the selected sales transactions:

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- Purchase order
- Order confirmation
- Commercial invoice
- Packing list
- Bill of lading
- Letter of Credit (where applicable)
- Bank credit advice
- Bank statement; and
- Contract with transport company for inland freight

These documents form **Confidential Attachment 8**.

4.5 Invoice, sales data and payment

The sales information provided in the source documents matched the data contained in the detailed *Australian sales* spreadsheet including sales volumes and values. This included theoretical weight, goods characteristic (dimensions, grade and shape), customer details, order number, and shipping and payment terms.

The proof of payment documents were reviewed in conjunction with reconciliation documents and bank remittance advices (**Confidential Attachment 9**). SYS explained that individual shipments can be traced to the sales ledger and through to the accounting ledger into using [REDACTED] [accounting system used by SYS].

4.6 Exchange rate

SYS stated that it used forward exchange contracts purchased through the Bank of Thailand, and that it recorded each transaction on an actual cost incurred basis, adjusted at the end of each month for losses and gains. SYS stated that the losses and gains were recorded as 'other income' in using [REDACTED] [accounting system used by SYS].

It was identified that SYS, in preparing its REQ had assigned to each transaction foreign exchange data from 2014, rather than the rates applicable during the investigation period. Revisions were made to the exchange rate nominated as a result, and a revised exchange rate schedule was provided (**Confidential Attachment 10**) to verify that the correct exchange rates had been allocated to each transaction. SYS explained that the exchange rate and forward exchange contract or contracts used for each sale had to be determined by it manually, and that to provide source documents for the large number of Australian sales transactions made during the investigation period was not practical. As a result, SYS provided the exchange rate information and contracts related to ten selected sales transactions as a sample only. The total difference in net invoice value following the revision of exchange rates was [REDACTED] %.

4.7 Inland freight

The *Australian sales* spreadsheet includes amounts for inland transport expenses. Export sales to Australia are transported via truck to the port in Sriracha. Inland transport expenses were verified against the inland transport contract provided (**Confidential Attachment 11**). SYS explained that freight costs were first estimated for the month based on the previous month's expenditure for the customer, and then an adjustment was made in using [REDACTED] [accounting system used by SYS] to reflect actual expenditure for freight for each specific customer. Freight costs were then allocated on an apportionment

basis per tonne of the goods under consideration transported. The Commission considered this approach reasonable.

4.8 Conclusion

Having been able to reconcile *SYS Australian sales* listing down to source documents, the Commission is satisfied that the data provided is accurate.

4.9 The exporter

The Act does not define the exporter; however it is the Commission's policy as outlined in the Dumping and Subsidy Manual, to consider the circumstances (e.g. the role of the parties, their functions and responsibilities) surrounding the exportation of the goods in order to determine the exporter.

SYS is considered the exporter of HRS on the basis that it:

- is the manufacturer of the goods; and
- sells the goods with knowledge that the goods are destined for export to Australia.

4.10 The importer

The importer is defined in s.269T(1) as the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed. The Commission considers ThyssenKrupp Mannex Pty Ltd (TKM) to be the sole importer of HRS produced by SYS.

It is observed that it:

- is listed as the importer on the Customs declaration;
- is listed as the consignee on the Bill of Lading; and
- arranges for the post-FAS charges and shipment of the goods.

Consequently, TKM is considered the beneficial owner of the goods at the time of importation, and therefore the importer.

4.11 Arm's length

In respect of exports sales to Australia during the investigation period, we 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.

Accordingly, all export sales to Australia during the investigation period are considered arm's length transactions within the meaning of s269TAA.

4.12 Export price – preliminary assessment

The Commission concludes 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 by the importer were arm's length transactions.

In relation to exports by SYS to its Australian customer, the verification team recommend that the export price be determined under subsection 269TAB(1)(a), being the price paid by the importer less transport and other costs arising after exportation.

Details of the export price calculations are at **Confidential Appendix 1**.

5 COST TO MAKE & SELL

5.1 General

In its REQ, SYS provided CTMS data by quarter and by shape, incorporating universal columns, universal beams and channels in the response (**Confidential Attachment 12**). SYS explained that these costs reflected actual costs based on its standard costing methodology plus variances where applicable. SYS explained that within the CTMS spreadsheet, the costs recorded were based as follows:

- Material costs: based on standard costing as recorded in the using [redacted] [accounting system used by SYS];
- Direct labour: based on actual costs recorded
- Manufacturing overheads: based on actual costs recorded
- Other costs: recorded the variances between actual and standard costs for materials
- Selling, general and administrative costs (SG&A): actual costs recorded and allocated based on sales volumes.

SYS explained that it allocated costs between domestic and export production based on sales volumes. The data provided in the CTMS spreadsheets was extracted from the using [redacted] [accounting system used by SYS]. SYS demonstrated how the data was extracted from the live system and then showed how the allocations were calculated and applied using spreadsheets (**Confidential Attachment 13**). SYS was able to demonstrate the data extraction on an annual, monthly and quarterly basis where requested. The Commission selected the month of December 2012 from the investigation period to examine in detail.

We sought to verify the CTMS data that was submitted by SYS as part of its REQ to both audited financial statements and source documents, such as invoices, to ensure the accuracy, completeness and relevance of the data submitted.

5.2 Verification Upwards to Audited Financial Statements

As noted above, SYS informed us that it extracted the data in the CTMS spreadsheet from using [redacted] [accounting system used by SYS] on a quarterly basis. It provided us with a copy of the system extract for the like goods for the October-December 2012 quarter, as well as the individual reports for each of the months for the investigation period (**Confidential Attachment 14**).

We were able to reconcile the costs in the quarterly using [redacted] [accounting system used by SYS] system report for October-December 2012 to the CTMS spreadsheet and to the sum of the individual monthly reports for October, November and December 2012. The total of the costs recorded for the investigation period were able to be traced from the management reports generated by using [redacted] [accounting system used by SYS] to the income statement provided by SYS which then corresponded to the audited financial statements.

SYS demonstrated how costs were allocated across products that were included in the goods under consideration and those that were not. It demonstrated how totals for

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domestic and export goods under consideration and non-goods under consideration were extracted in a spreadsheet based on sales volumes. SYS advised that it maintained separate cost centres for its two plant operations, however the total figures from each plant were combined in using [REDACTED] [accounting system used by SYS] to provide a total picture of the production costs and sales for the company of the goods under consideration. SYS provided a complete general ledger print out from using [REDACTED] [accounting system used by SYS] by month for the investigation period and by calendar year for 2012 and 2013. Figures from the using [REDACTED] [accounting system used by SYS] annual reports were able to be traced to the audited financial statements. SYS provided a copy of the audited annual financial statement for 2012 as part of its REQ and then provided a copy of the audited financial statements for 2013 at the verification visit (Confidential Attachment 6).

We were satisfied that the CTMS spreadsheet was complete and relevant.

5.3 Production volumes – actual and theoretical weights

SYS explained that production volumes were captured in its costing system by direct entry from the logistics department on site at the two plants on a daily basis. Finished goods were labelled individually with barcodes which were then manually scanned by the logistics department. Once an item was scanned it loaded data into the using [REDACTED] [accounting system used by SYS] system which then allocated costs based on the standards entered in the system. SYS advised that standard costs recorded in using [REDACTED] [accounting system used by SYS] were updated monthly based on the previous month's actual costs recorded. SYS also provided a copy of the standard cost per tonne for the SM400 bloom WIP produced in SYS plant 1 (**Confidential Attachment 15**). SYS explained that the document showed the mix of materials and other production inputs used to create this particular product at various stages of production. We requested further documentation to support the figures contained in the standard cost sheet, however we were advised that this data was input by the production department and that it was unable to provide any source documentation to support the figures contained in the costing standard.

We asked SYS if it was able to provide any reports directly from the logistics department to support the figures provided in the production data provided which had been generated by using [REDACTED] [accounting system used by SYS], it advised that it was unable to do so. It was only able to provide the information as it was recorded in using [REDACTED] [accounting system used by SYS]. SYS demonstrated on the live using [REDACTED] [accounting system used by SYS] how the production figures had been derived for the REQ and was able to replicate the data provided in the live system download.

The company explained that it only recorded theoretical weights in its production (and sales) volume and that it has never captured the actual weight of production. SYS explained that it measures the dimensions of the HRS it produces throughout a production run and this was the stage at which it sought to ensure that the product met the required specifications. SYS explained that while tolerances of a variance of plus or minus 4% were allowed in production weights, it aimed to produce to a variance of only plus or minus [REDACTED]% at most. We asked if there was any evidence to support this claim, SYS advised that it based all calculations on the theoretical weights and the measurements it took as spot checks were the basis for its claims. SYS stated there has been no change to the theoretical weights established and used in production for many years.

5.4 Verification downwards to Source Documents

We then sought to verify the CTMS spreadsheet downwards to source documents to check for accuracy.

5.4.1 Scrap costs

We identified that raw materials, particularly scrap, constituted the main cost of HRS and we sought to verify scrap costs to source documents. As outlined above, we were able to reconcile the costs in the CTMS spreadsheet to the general ledger which then was able to be traced to the audited financial statements. SYS provided an example of four separate types of scrap purchases included in the CTMS for December 2012 tracing the data from the general ledger through to an individual invoice for each. Each type of scrap is recorded in its own account code. We noted that these four examples were all for domestic purchases of scrap from non-related parties. We requested that in addition to those invoices provided, SYS provide copies of invoices for scrap purchases from imported sources together with an invoice for a domestic scrap purchase from a related entity so that we could compare the difference in price as claimed by SYS in its REQ (**Confidential Attachment 16**). SYS provided a table showing the difference in price per tonne between the different sources of scrap (**Confidential Attachment 17**). From the table we could identify scrap purchases from several related parties within the SYS group. SYS informed us that purchases from related parties were made at market prices. We examined the price from the related SYS companies and found that the price was comparable to those from unrelated parties and the invoices provided by SYS post verification confirm this.

In the examples of scrap purchases provided, SYS demonstrated the different cost elements involved in recording the purchase and use of scrap through the inventory ledger. Each type of scrap was maintained in a separate inventory ledger. SYS explained the differences between the different types of scrap provided. For each example the inventory ledger showed an opening balance rolled over from the prior month, the total amount of scrap received for the month of December 2012 in both quantity (tonnes) and value (THB), then showed the amount 'issued' being the amount taken out for use in production for the month, it then also showed an amount paid labelled 'provision scrap.' SYS explained this 'provision scrap' payment was an amount of [REDACTED] [payment type] paid to the particular supplier when [REDACTED] [certain purchasing conditions] were met.

SYS demonstrated how the amount recorded in the inventory movement ledger traced to the general ledger for the month of December 2012 and provided a corresponding invoice for a selected individual amount supplied. SYS provided a copy of the general ledger account for December 2012 for each of the four types of scrap detailing all the purchases and production issues for the month and corresponding invoices (**Confidential Attachment 18**). For one of the examples we noted that the total amount recorded in the general ledger and the amount issued in the inventory ledger did not match. After further investigation SYS advised that the amount had been entered incorrectly in the general ledger and was able to show the journal entry that had been entered to correct the error after the fact. We requested that SYS provide a copy of an invoice to support one of the provisional payments shown in the ledger (**Confidential Attachment 19**).

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SYS explained that raw material input costs were captured in a number of different elements in the P & L due to the use of standard costs and the necessity to then account for variances. Scrap costs were captured on the P & L under the cost of goods sold category 'material costs,' the variance in production costs were recorded in the 'other costs' category under COGS. The values in these general ledger accounts could be traced back to the raw material inventory report which showed the total volume and value of different types of raw material at the beginning and end of the month as well as that purchased and consumed in production as outlined above. We were therefore satisfied that the scrap cost reflected in the CTMS spreadsheet were accurate.

5.4.2 Direct Labour

SYS extracted the direct labour cost data from using [REDACTED] [accounting system used by SYS] to demonstrate how the figure had been allocated in the CTMS for domestic and export purposes. The total cost consisted of several account codes combined to make up the total. SYS explained that direct labour was an actual expense recorded allocated based on sales volumes. SYS provided a copy of the extract from using [REDACTED] [accounting system used by SYS] for the month of December 2012 (Confidential Attachment 18).

5.4.3 Manufacturing Overheads

The total recorded for manufacturing overheads consisted of the following accounts:

- Sriracha
- FOH
- Std.Cost Variance
- Depreciation
- FOH – Adjustment

For each of the accounts above we reviewed the detailed general ledger for the month of December 2012 and selected one transaction at random. We asked that SYS provide an invoice for each of the transactions selected, except for depreciation which is discussed below. SYS provide copies of original invoices for each of the amount selected. We note that there were no variances detected between the entries recorded and the invoice amounts on the source documents. Copies of the source documents provided for manufacturing overheads and the corresponding general ledger detail report can be found at **Confidential Attachment 20**.

5.4.4 Depreciation

We also sought to verify depreciation which was included in the total manufacturing overheads recorded in the CTMS.

SYS provided then us with a depreciation report for the months of November 2012 and December 2012, which included depreciation amounts for buildings, machinery, vehicles, tools, land, software and intangibles. We were able to reconcile the total depreciation cost for the month of December 2012 which was calculated by calculating the difference between the total year to date depreciation recorded in the December 2012 report and the total year to date deprecation calculated from the November 2012 report. The difference being the monthly deprecation cost was traced to the general ledger through the manufacturing overhead cost and recorded in the CTMS.

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We were therefore satisfied that depreciation costs were accurate. Document relating to the verification of depreciation are at **Confidential Attachment 21**.

5.4.5 Other Costs

SYS record raw materials based on standard costs. The variance between actual and standard costing is allocated to the 'other costs' account for cost of goods when calculated and allocated each month. SYS provided detailed records showing the calculation and allocation of the amount of the variance to the standard for the month of December 2012 including copies of journal vouchers to support the entries made (**Confidential Attachment 22**).

5.5 Selling, General and Administrative expenses

We then sought to understand how SG&A expenses had been applied to the goods under consideration. SYS provided a summary of the general ledger accounts that were combined to make up the amount allocated.

SYS explained that the SG&A costs in the CTMS spreadsheet reflected the following cost items:

- Selling costs – actual transport costs incurred in the sale of domestic and export models, marketing and advertising;
- Administrative costs – administrative costs, which also included amounts for claims made by suppliers, incurred by SYS applied to production (domestic and export) on the basis of sales volume;
- Financial costs – including domestic bank charges and interest on loans; and
- Other costs – consisting of extraordinary items such as uncollected VAT output and penalties and surcharges. They were applied on a per tonne sales basis for domestic versus export allocation.

We considered that this was a reasonable allocation of SG&A expenses. We selected several individual transactions recorded during December 2012 for each of the categories and SYS provided copies of corresponding invoices where applicable (**Confidential Attachment 23**).

5.6 Conclusion

We were able to reconcile all relevant data provided to audited accounts and source documents. In doing so, we formed the view that the cost data contained in SYS' REQ was an accurate, relevant and complete reflection of the actual costs incurred in manufacturing the goods.

We consider sufficient cost to make and sell information was obtained and verified to conduct ordinary course of trade assessments in accordance with section 269TAAD and/or determine normal values under section 269TAC(1) of the Act.

The cost to make and sell spreadsheets form **Confidential Appendix 2**.

6.3 Price

SYS explained that a number of factors were taken into consideration when pricing its goods including the current market in Thailand, and cost of raw material inputs. SYS stated it offered [explanation of rebate structure] [REDACTED]

6.4 Level of trade

SYS' domestic customers are referred to in the REQ at page 24 as 'distributors (dealers)' and 'end-users,' on page 15, 'dealers (stockists),' 'sub-dealers' and 'end-users.' However in the accompanying spreadsheet D-4, domestic customers are referred to as 'retailers' and 'end users,' with end users comprising [REDACTED]% of sales. The REQ also states that SYS has [REDACTED] dealers as customers, however it was observed in the domestic sales spreadsheet that SYS in fact has 20 end user customers and [REDACTED] retailer customers. Furthermore, page 17 of the REQ indicates that only SYS dealers and regional dealers are eligible for [REDACTED] [certain payment types], however the domestic sales spreadsheet indicates that customers described as end users and retailers have also received [REDACTED] [the same payments].

The Commission requested that SYS clarify the roles and identities of its domestic customers. Based on discussion at the visit the Commission confirmed with SYS that there was no difference between the level of trade of any customer. Subsequent to the visit SYS revised this position with the Commission and stated that 'distributors, retailers and dealers are the same level of trade' in the domestic market, whilst 'end-users' are a different level of trade. The Commission found no discernable pattern of difference in prices between the different levels of trade claimed in the domestic market sales data.

6.5 Verification of sales to audited financial statements – domestic

Verification of domestic sales to the audited financial statements is explained in section 4.3. As discussed in this section, SYS' *Domestic sales* spreadsheet was able to be reconciled to its audited financial accounts. The Commission therefore has a reasonable level of assurance that the domestic sales data presented is complete and relevant.

6.6 Verification downwards to source documents

To assess sales data for accuracy, verification to source documents was undertaken. In its REQ, SYS provided source documentation to verify two domestic sales listed in the submitted sales listing. A further ten sales from the submitted *Domestic sales* spreadsheet were selected for verification, as outlined below:

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Selected Domestic Sales Invoices	
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████

Table 4 - Selected domestic sales

SYS provided copies of the following documents to support the accuracy of its domestic sales records presented in the REQ:

- Quotation or price offer
- Purchase order
- Sales order
- Invoice
- Receipt
- Bank statement
- Management fee agreement
- Technical service agreement
- ██████████ [certain payment type] schedule (where applicable)
- Inland transport using ██████████ [accounting system used by SYS] extract (where applicable)

These documents form **Confidential Attachment 24**.

6.6.1 Invoice, sales data and payment

SYS revised and resubmitted REQ data several times following detection of errors. The final versions presented to the Commission of the *Australian sales* spreadsheet and *Domestic sales* spreadsheet reconciled to the sales information in the source documents (either the through the invoices or data extracted from using ██████████ [accounting system used by SYS]) including the sales volume and value, steel grades, shapes, dimensions, delivery terms, quantity, theoretical weight, order and invoice numbers and payment terms.

Proof of payment was reviewed as discussed at section 4.5.

6.6.2 Delivery terms and inland transport

The Commission observed that about ██████████% of sales of HRS during the investigation period were delivered with CFR terms, while the remaining ██████████% were ex-works. SYS explained that for delivered sales, each customer has a transport costs ledger in using ██████████ [accounting system used by SYS] in which their total freight costs are recorded. In order to allocate inland transport amounts to sales of the goods under consideration, the total inland transport monthly cost for each customer was apportioned to the goods under consideration and other goods, then the total for the goods under consideration was allocated on a per-tonne basis to each transaction for that customer for each month. The Commission considered this approach reasonable.

6.6.3 Credit terms

SYS identified that there were several credit terms applicable to domestic customers:

- [REDACTED] days;
- [REDACTED] days;
- [REDACTED] days;
- [REDACTED] days; and
- [REDACTED] days.

It was observed that [REDACTED]% of sales had no credit terms, while credit terms for about [REDACTED] of sales was [REDACTED] days, and that the second-most common credit period was [REDACTED] days ([REDACTED]% of sales). We verified the credit terms as part of our payment reconciliation for the selected samples to ensure accuracy. The cost of credit was set by SYS' parent company at [REDACTED]% per annum. The Commission viewed a contract between SYS and [REDACTED] [SYS' parent company] which showed this interest rate was the rate applicable during the investigation period (**Confidential Attachment 25**).

6.6.4 Packing costs

SYS explained that there is no difference between export and domestic packaging costs and process.

6.6.5 Domestic sales – conclusion

The documentation and information provided to support the data provided in the *Domestic sales* spreadsheet has been examined. On the basis of downwards verification to source documents we are satisfied that the data in the domestic sales spreadsheet is accurate.

6.7 Arm's length

In respect of SYS' domestic sales of HRS, no evidence was found to indicate 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.

SYS' domestic sales can therefore be treated as arm's length transactions under s.269TAA.

6.8 Ordinary course of trade and suitability of sales

We sought to identify which domestic sales of like goods were made in the ordinary course of trade (OCOT) for possible use in normal values under s.269TAC(1) of the Act.

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In its REQ, SYS identified what it considered as like goods, that being similar, but not identical to the goods exported to Australia over the investigation period by listing sales of those goods in its domestic sales spreadsheets. Not all sales of the goods under investigation were captured in the domestic sales data provided by SYS. During the verification, SYS provided all sales of HRS regardless of grade, shape and dimension for the investigation period. The Commission applied model matching criteria to identify the goods most closely resembling the goods under consideration.

The table below summarises the models matched, which was based on:

- SS/SM400 and G300 grades, selected on the basis of review of standards and comparison of actual physical specification, i.e. the mechanical and chemical qualities of HRS produced based on test certificates provided by SYS (Confidential Attachment 5);
- Shape; and
- Length of HRS (equal to or greater than 12m, and less than 12m lengths).

In order to test the profitability of SYS' domestic sales per section 269TAAD, we compared the unit domestic selling price to the fully absorbed CTMS of the shape and dimension in the relevant quarter of sale. We found that domestic sales at a loss were not in substantial quantities (i.e. not greater than 20% of domestic sales volume of like goods) for any models, therefore all sales are considered made in the ordinary course of trade.

Grade	Model	Profitable Qty	Quantity (kg)	Profitable
SS/SM400	Channels >12m	██████████	██████████	██████████
SS/SM400	Channels <12m	██████████	██████████	██████████
SS/SM400	H beams >12m	██████████	██████████	██████████
SS/SM400	H beams >12m	██████████	██████████	██████████
G300	Channels >12m	██████████	██████████	██████████
G300	Channels <12m	██████████	██████████	██████████
G300	H beams >12m	██████████	██████████	██████████
G300	H beams >12m	██████████	██████████	██████████

Table 5 - Profitability test

6.9 Sufficiency and suitability of sales

We also calculated whether the domestic sales volume of each model that was sold domestically in sales that were in OCOT, were in sufficient volume (i.e. 5% or greater than the corresponding export volume, measured separately for each model).

Grade 300 HRS sold in the domestic market was model matched to grade 300 HRS exported to Australia by shape and length. It was found that one of the four models was sold in sufficient volume in terms of s.269 TAC(2)(a) and s.269TAC(14), two models were sold in insufficient volumes and a fourth model was not sold domestically during the investigation period. As a result, the grade 300 model found in sufficient volume was used for normal value calculations, while surrogates were used for the remaining insufficient volume models. As it was found that the volume of domestic sales for each model exceeded 5% of export sales for

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dual grade SS/SM400, these sales have been used for the purposes of calculating normal value where sales of grade 300 models identical to those exported to Australia have not been suitable under s.269TAC(2).

The sufficiency testing performed is summarised in the table below:

Grade	Model	Domestic Qty	Export Qty	Sufficiency
SS/SM400	Channels >12m	████████	████████	████████
SS/SM400	Channels <12m	████████	████████	████████
SS/SM400	H beams >12m	████████	████████	████████
SS/SM400	H beams <12m	████████	████████	████████
Grade 300	Channels <12m	████████	████████	████████
Grade 300	Channels >12m	████████	████████	████████
Grade 300	H beams >12m	████████	████████	████████
Grade 300	H beams <12m	████████	████████	████████

Table 6 - Sufficiency test

Profitability, recoverability and sufficiency of sales assessments are at **Confidential Appendix 1.**

7 THIRD COUNTRY SALES

In its REQ, SYS provided a summary of its export sales to third countries.

The Commission considered, but did not undertake detailed verification of third country data as it was not required for normal value purposes.

8 ADJUSTMENTS

Adjustments were claimed by SYS to ensure that the normal value was comparable to the Australian export price. SYS claimed that adjustments should be based on the following factors:

- Inland freight
- Credit terms
- Physical characteristics
- Level of trade

The Commission considered the merits of each claimed adjustment within the scope of the Act, the Anti-Dumping Agreement and the policy advice within the *Dumping and Subsidy Manual*.

8.2 Domestic and export inland freight

8.2.1 Domestic inland freight

As discussed in the preceding sections, we verified the inland freight costs for domestic sales and were satisfied that the amounts included in the domestic sales spreadsheet were accurate. Not all domestic transactions specified inland freight costs. We made a downwards adjustment to the normal value for domestic inland freight on those transactions where costs were allocated by SYS.

8.2.2 Export inland freight

We verified the inland freight costs for export sales and were satisfied that the amounts included in the Australian sales spreadsheet were accurate. We made an upwards adjustment to all export transactions to the normal value based on the weighted average export inland freight costs over the period of investigation.

8.3 Credit terms

We identified that domestic and export sales incurred different credit terms and that credit terms affected the price. For example, some domestic customers were provided credit terms and some were not. All export sales were [REDACTED] or via [REDACTED] [payment methods].

We therefore consider that a downwards adjustment is required to the normal value for domestic credit terms where applicable. SYS' domestic credit terms during the investigation period were calculated based on a specified number of days a rate of [REDACTED]% per annum. SYS provided evidence supporting the [REDACTED]% rate used (Confidential Attachment 25).

No adjustment was made to domestic sales where no credit terms were supplied. No adjustment was made to export sales for credit terms as none were applicable.

8.4 Level of trade

8.4.1 SYS' claims

SYS claimed an adjustment of █% was required as a result of level of trade differences between its export and domestic customers. It stated that the level of trade differences between sales to its Australian customer, TKM, and its domestic customers of HRS had a significant impact on the selling prices which should be adjusted for in the dumping margin calculation. SYS advised that as a wholesaler, TKM bought products from SYS at a price lower than SYS would expect to obtain if it sold directly to the customers TKM on-sold the products to. SYS claimed that the customers TKM sell to in Australia are at the same level of trade as SYS' domestic customers. In the REQ SYS advised that:

- it sold to both dealers and end users in the domestic market;
- domestic selling prices varied according to the customer's level of trade; and
- 'prices to dealers are lower than prices to end-users.'³

However at the verification meeting the Commission noted SYS revised its views and advised that despite using difference terminology for different domestic customers, there was no difference in the level of trade on the domestic market. Subsequent to the visit SYS advised this was not the case and that there were two levels of trade within the domestic market.

8.4.2 The Commission's analysis

SYS assumes that if sales to Australian customers were at the same level of trade as its domestic customers, prices to those Australian customers would be higher than current prices to TKM. It is the Commission's understanding that SYS is seeking a level of trade adjustment based on the amount of TKM's sales margin to TKM's Australian customers.

We discussed with SYS the effect of selling to an Australian customer the same level as its domestic customers. Whilst a higher price may be a potential outcome, there would also be additional expenses incurred in selling to retail or end user level customers in the Australian market that are not currently incurred by selling to a distributor. These additional costs would need to be factored in to any adjustment considered based on the methodology suggested by SYS.

8.4.3 Assessment of claim

We have considered the claims made by SYS and agree that an adjustment for level of trade should be made in this case. However, we do not agree with the basis for, nor the amount claimed, for the level of trade adjustment claimed by SYS. In accordance with the Commission's *Dumping and Subsidy Manual* an adjustment may be made based upon the difference in costs associated with each activity the exporter has performed in the domestic market but did not perform in its exports to

³ SYS exporter questionnaire response, question D-2, page 15.

Australia.⁴ No adjustment is made for differences in potential profit levels. As outlined above, SYS claims that it sells to a different level of trade to customer in its export and domestic markets. It is reasonable that there may be additional sales costs associated with the domestic sales that are not incurred in export sales. The Commission examined the differences in costs to sell associated with domestic and Australian export sales and noted a small difference between the two. The difference was calculated to be on average [REDACTED] baht per tonne for SG&A across the investigation period, which has been incorporated as a downward adjustment reducing the domestic selling price.

8.5 Physical differences

8.5.1 Production Cost

In the REQ SYS claimed that the cost to produce the goods under consideration (G300) is less than that to produce like goods sold in the domestic market (SS400/SM400) because of the following:

'1. Materials cost.

Scrap for SS400/SM400 has to be screened and blended differently in order to ensure appropriate quality; and

2. Manufacturing overhead.

Extra cost is incurred as a result of [REDACTED].'

We examined these claims with SYS and determined that there were no differences between export and domestic production based on the items claimed above. When imported scrap is purchased by SYS for use in production, the supplier provides SYS with a test certificate report detailing the composition of the scrap supplied. When scrap is purchased domestically, it is not supplied with a [REDACTED] [document]. Instead, domestically sourced scrap is visually inspected by SYS upon delivery to the plants only. After discussing how the screening process worked, SYS advised it was actually the blend of scrap used in production which created the need for an adjustment not the screening process and production yield as claimed in the REQ. SYS revised its position from the REQ and claimed that the reason for the adjustment is that imported scrap was [REDACTED] [different in price] than scrap from domestic sources.

SYS provided a summary comparing the standard cost for SS/SM400 to G300 to demonstrate the different costs based on the different blend of imported and domestic scrap used in each grade (**Confidential Attachment 26**). We noted that in the initial spreadsheet provided the price of scrap from the same source was recorded differently for each of the grades. We questioned why there were different prices for the same scrap source. SYS reviewed the data and amended the sheet then resubmitted a corrected version. The summary indicated that SS/SM400 consisted of [REDACTED]% imported scrap and [REDACTED]% domestic scrap while G300 was made up

⁴ Anti-Dumping Commission Dumping and Subsidy Manual December 2013, page 65.

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of ■% imported scrap and ■% domestic scrap. SYS claimed that this accounted for a cost difference of ■ THB per tonne between the two grades.

We asked SYS to provide documents to evidence the blends of imported versus domestic scrap used in the production of each of the grades. SYS advised that this was controlled by the production team at the plant sites and it was unable to obtain any supporting evidence. Given no evidence was provided to support the difference claimed in production mixes we are unable to make an adjustment on this basis.

8.5.2 Cutting cost

In the REQ domestic sales data SYS claimed an amount of 300 THB per cut for cutting costs in domestic sales of lengths under 12 metres. SYS explained that while sales of lengths shorter than 12 metres were also exported, export products were cut during the production process at the plant. The additional expense for domestic sales of shorter lengths was due to domestic product only being produced in lengths of either 12 or 18 metres. If a domestic customer required any other length it was taken offsite to the warehouse and cut to order. SYS stated that there is no such additional cost for exports to Australia at lengths less than 12 metres because shorter lengths are produced on site at the plants during the production process. There is therefore no additional cost for cutting for exports.

We observed that the additional cutting cost for domestic sales was passed onto the customer and billed as a separate line item on the invoice. Price offers to domestic customers also advised the additional cost that would be incurred by the customer if they required different lengths. Given that the additional cutting expense is passed directly onto the customer for reimbursement, we do not consider that an adjustment should be made for this additional cost to domestic sales as it is added to the sale price of the domestic product before being sold.

8.6 Other matters considered

8.6.1 Foreign exchange gains and losses

At the same time as submitting new exchange rate data, as discussed at section 4.6, SYS amended their *Australian sales* spreadsheet to include an adjustment for exchange rate losses and gains as a result of foreign exchange contract carry forward. This adjustment amounted to a difference of ■ THB, or ■%. The Commission has not accepted this adjustment on the basis that it has not been demonstrated by SYS that this particular difference affects price comparability.

8.6.2 'Rolled in' brand identifier

SYS informed us it applies a 'rolled in' brand identifier to both export and domestic HRS. SYS confirmed that the costs associated with the 'rolled in' brand identifier, such as changing the rolls and roll replacement are not materially different whether the product was marked for the domestic market or exported. Therefore no adjustment has been made to normal value to account for this physical difference.

8.7 Adjustments – Conclusion

We are satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with s.269TAC(8) of the Act, and we consider these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment type	Description
Domestic inland freight	Deduct the weighted average domestic inland freight costs where applicable.
Export inland freight	Add the weighted average export inland freight cost over the investigation period (to arrive at an FAS price).
Domestic credit terms	Deduct the actual cost of domestic credit where applicable.
Export credit terms	Not applicable
Production SG&A adjustment	Deduct [REDACTED] baht per tonne from normal value for each domestic sale to account for differences in selling costs

Table 7 - Adjustments

9 NORMAL VALUE

As discussed in section 6.8, SYS sold HRS models on the domestic market that were comparable to models exported to Australia. These sales were in the ordinary course of trade and were in sufficient volumes.

Accordingly, the domestic selling prices of the comparable models were used as the basis of normal value in terms of section 269TAC(1) of the Act. Domestic selling prices were adjusted to ensure normal values were properly comparable with export prices. These adjustments were made in terms of section 269TAC(8) and are outlined in section 8 of the report.

Normal value calculations based on domestic sales are at **Confidential Appendix 1**.

10 DUMPING MARGIN

We compared the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period and found that the goods exported to Australia were dumped at a margin of **19.80%**.

Details of the dumping margin calculations are at **Confidential Appendix 1**.

11 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price calculations, CTMS, OCOT & Sufficiency Analysis, Normal Values and Dumping Margins
Confidential Appendix 2	CTMS spreadsheet
Confidential Attachment 1	SYS' organisation structure
Confidential Attachment 2	List of shareholders
Confidential Attachment 3	Company brochure and product information
Confidential Attachment 4	Domestic sales spreadsheet
Confidential Attachment 5	Product test certificates
Confidential Attachment 6	Audited financial statement 2013
Confidential Attachment 7	Reconciliation to SAP records
Confidential Attachment 8	Export sales documents
Confidential Attachment 9	Exchange rate schedule
Confidential Attachment 10	Inland transport contract and invoice
Confidential Attachment 11	CTMS information provided in the exporter questionnaire response
Confidential Attachment 12	SAP extracts for CTMS
Confidential Attachment 13	Monthly CTMS reports
Confidential Attachment 14	Standard cost per tonne for SM400 bloom WIP produced in SYS plant 1
Confidential Attachment 15	Scrap purchase invoices
Confidential Attachment 16	Documents relating to the verification of scrap
Confidential Attachment 17	Scrap invoices and explanation of types
Confidential Attachment 18	Scrap ledger provisions payments
Confidential Attachment 19	Direct labour for December 2012
Confidential Attachment 20	Manufacturing overheads GL extract

PUBLIC RECORD

Confidential Attachment 21	Depreciation verification documents
Confidential Attachment 22	December 2012 journal vouchers for other costs
Confidential Attachment 23	Invoices to support SG&A allocations
Confidential Attachment 24	Domestic sales documents
Confidential Attachment 25	Annual credit rate from Siam Cement Co Ltd
Confidential Attachment 26	Standard costs for SS/SM400 and G300 grades