



6 August 2014

NON-CONFIDENTIAL

Ms Candy Caballero
Director Operations
Australian Anti-Dumping Commission
Customs House
1010 La Trobe St
Docklands Vic 3008

Dear Ms Caballero,

**HOT ROLLED STRUCTURAL STEEL SECTIONS FROM JAPAN, KOREA,
TAIWAN AND THAILAND**

This submission, made on behalf of Siam Yamato Steel Co Ltd (“SYS”), further addresses issues we have with the Commission’s calculation of a 19.8% dumping margin in relation to SYS’ exports to Australia. These issues are-

- a) The date of sale of exports to Australia;
- b) Conversion of Australian dollar (“AUD”) prices of exports to Australia to Thai baht (“THB”); and
- c) Rejection of our normal value due allowance claims for-
 - cutting cost;
 - production cost difference; and
 - level of trade.

Our comments in relation to these issues follow.

Date of Sale

Contrary to the Commission’s statement in section 4.2.6 of its Verification Report, SYS has provided evidence that the [redacted] [nominated document] finalises the material terms of sale.

Included in the sets of documents for the selected Australian export transactions are final [redacted] [nominated document] confirming the dates of sale in the Australian sales spreadsheet and invoices in relation to those [redacted] [nominated document]. Details of the invoices and the final [redacted] [nominated document] match, proving that the material terms of the export sales to Australia are established by [redacted] [nominated document] and therefore dates of sale are the dates of final [redacted] [nominated document] as reported in the Australian sales spreadsheet. To not accept these dates will be inconsistent with the footnote to Article 2.4 of the Anti-Dumping Agreement.

Conversion of AUD export prices to THB

The Commission has erroneously dealt with the exchange [redacted] [exchange process] reported in SYS' Australian sales spreadsheet as a due allowance claim because of its impact on export and domestic price comparison.

This exchange [redacted] [exchange process] adjustment is not an adjustment concerning price comparability, it is part of the conversion of AUD export prices to THB, being an element of SYS' exchange rate [redacted] [exchange process] with its banks. It is a bank adjustment to its payment of the THB equivalent of AUD export amounts [redacted] [redacted] [exchange process]. This has been explained and evidenced to the Commission who expressed its acceptance of it at the verification meeting.

There is no valid reason to not accept the verified banks' conversion of AUD export amounts to THB [redacted] [exchange process].

Cutting cost adjustment

The Commission's Verification Report acknowledges that in domestic sales of lengths less than 12 metres, domestic customers are required to pay an additional THB [redacted]/mt to meet SYS' additional cutting cost at its domestic distribution centre.

The verification team's understanding that the additional cost of cutting domestic sales at lengths less than 12 metres is added to the sale price of domestic product is correct, but they do not appear to understand that there is no such additional cost for exports to Australia at lengths less than 12 metres and therefore no such price inclusion. The cutting of exports to ordered lengths is done on-line at the mill and forms part of production cost, whereas the cutting of domestic sales to lengths less than 12 metres is done at their distribution centre with an additional THB [redacted]/mt charged to domestic customers. The production cost of domestic sales includes the mill's cutting cost for all lengths (including exports less than 12m) and the THB [redacted]/mt cutting cost for less than 12 metre lengths at the distribution centre is an additional charge to domestic customers.

It is clear that the additional amount included in domestic prices of less than 12 metre lengths, which is not included in export prices to Australia of less than 12 metre lengths, effects fair comparison of domestic prices and export prices to Australia of lengths less than 12 metres and should therefore be adjusted for.

Production cost difference adjustment

As demonstrated in our submission of 30 July 2014, because Thai domestic dual grade SS/SM400, used by the Commission as the comparable domestic grade for the purpose of normal value calculation for SYS' grade AS300 exports to Australia, includes grade SM400 which is of higher quality than grade SS400, it has higher production cost and a price premium. And it is demonstrated by the said submission that SS400 is the most comparable domestic grade to AS300 exports to Australia.

Verified attachments G-3 and G-4 to SYS' exporter questionnaire response demonstrate that during the IP the production cost of SS/SM400 was THB [redacted]/mt higher than that of AS300.

This is essentially because of the higher cost of higher quality scrap with lower levels of phosphorous and sulphur required to provide better weldability for SS/SM400. Verified attachment D-4 to SYS' questionnaire response demonstrates that domestic SS/SM400 [redacted] [product description] have a price premium over domestic SS400 [redacted] [product description] because of their higher quality/cost.

Consequent upon the foregoing, to enable fair comparison between normal values based on domestic sales of SS/SM400 and AS300 export prices to Australia, it is necessary to make due allowance for the effect of the additional production cost of SS/SM400 on its selling price. The amount of this due allowance should be the cost of production difference of THB [redacted]/mt plus the gross domestic sales margin of [redacted]%, ie THB [redacted]/mt.

Level of trade adjustment

First I would like to bring to your attention the Commission's legal and international agreement obligations to make the claimed level of trade adjustment to enable a fair comparison between export price and normal value:

- **Customs Act, Section 269TAC(8)**

Where the normal value of goods exported to Australia is the price paid or payable for like goods and that price and the export price of the goods exported:

- (a) relate to sales occurring at different times; or*
- (b) are not in respect of identical goods; or*
- (c) are modified in different ways by taxes or the terms or circumstances of the sales to which they relate;*

that price paid or payable for like goods is to be taken to be such a price adjusted in accordance with directions by the Minister so that those differences would not affect its comparison with that export price.

- **WTO Anti-Dumping Agreement, Article 2.4**

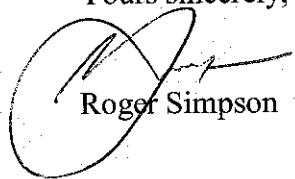
A fair comparison shall be made between the export price and the normal value. This comparison shall be made at the same level of trade, normally at the ex-factory level, and in respect of sales made at as nearly as possible the same time. Due allowance shall be made in each case, on its merits, for differences which affect price comparability, including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics, and any other differences which are also demonstrated to affect price comparability.

It is clear from the above provisions that the Commission is obliged to make an adjustment (due allowance) for differences in levels of trade which affect a fair comparison between export price and normal value.

In this case, fair comparison between normal value and export price to Australia is significantly affected by, among other things, the level of trade of SYS' domestic customers, viz distributors and end-users, and the level of trade of its sole Australian customer, a trader who on-sells to [redacted] [customer levels].

We trust that the content of this submission will be taken into account in the final report to the Parliamentary Secretary.

Yours sincerely,



Roger Simpson