



Australian Government

Australian Customs and  
Border Protection Service

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**INVESTIGATION INTO THE ALLEGED DUMPING OF  
HOLLOW STRUCTURAL SECTIONS**

**EXPORTED FROM**

**KOREA, MALAYSIA, TAIWAN AND THAILAND AND THE  
PEOPLES REPUBLIC OF CHINA**

**EXPORTER VISIT REPORT**

**PACIFIC PIPE PUBLIC 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 CUSTOMS AND BORDER  
PROTECTION**

January 2012

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**2 BACKGROUND****2.1 Background to the current investigation**

On 12 August 2011, OneSteel Australian Tube Mills Pty Ltd on behalf of the Australian industry manufacturing certain hollow structural sections<sup>1</sup> (HSS), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of HSS exported to Australia from China, Korea, Malaysia, Taiwan and Thailand and a countervailing duty notice in respect of HSS exported to Australia from China.

The investigation was initiated on 19 September 2011. Public notification of initiation of the investigation was made in *The Australian* newspaper on 19 September 2011. Australian Customs Dumping Notice (ACDN) No. 2011/43 provides further details of this investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

The application identified Pacific Pipe Public Co., Ltd (Pacific pipe) as an exporter of HSS from Thailand. A search of Customs and Border Protection's import database also indicated that Pacific Pipe exported HSS from Thailand to Australia during the investigation period (1 July 2010 to 30 June 2011). Customs and Border Protection wrote to Pacific pipe advising them of the initiation of the investigation, requesting co-operation with the investigation and providing copies of the exporter questionnaire for them to complete.

Pacific Pipe completed the exporter questionnaire, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) expenses.

**2.2 Purpose of visit**

The purpose of the visit was to verify information submitted by Pacific pipe in its exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaires. Non-confidential versions of the exporter questionnaire responses were placed on the public record.

Customs and Border Protection will use the verified information to make preliminary assessments of:

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

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<sup>1</sup> Refer to the full description of the goods in section 4 of this report.

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**2.3 Meeting dates and attendees**

Verification meetings were held at Pacific pipe's Bangkok head office on Wednesday 11 to Friday 13 January 2012.

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

<b>Pacific Pipe</b>	
Ms Sunisa Kwanbunbumpen	Executive Director
Mr Pert Leevilaikunratt	Assistant Vice President
Ms Napaporn Pornanuwong	Assistant Account Manager
Ms Janthakan Sadjarak	Business Relations Manager
Ms Viriya Ampornapakul	Managing Director
<b>Consultants</b>	
Mr Roger Simpson	Roger D Simpson & Associates Pty Ltd
<b>Australian Customs and Border Protection Service</b>	
Mr Chris Vincent	Manager, Operations 1
Mr Carl Halpin	Supervisor, Operations 2

**2.4 Preliminary issues**

Prior to the meeting, we forwarded Pacific Pipe an exporter visit agenda that included the sales transactions selected for detailed verification.

At the commencement of the meeting, we outlined the investigation timeframes:

- A preliminary affirmative determination was made on 23 December 2012. Provisional measures may be imposed at the time of the preliminary affirmative determination. Customs and Border Protection has not imposed provisional measures on Pacific Pipe's exports of HSS to Australia.
- A statement of essential facts was due to be placed on the public record by 9 January 2012. Due to the complexity of the issues surrounding the investigation, as well as extensions of time allowed for various interested parties to supply information, Customs and Border Protection requested an extension of the deadline for the publication of the statement of essential facts. The Minister has, under s. 269ZHI of the *Customs Act 1901*, extended the deadline for the publication of the SEF. The statement of essential facts will now be placed on the public record no later than 23 April 2012. The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The statement of essential facts will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is now due no later than 7 June 2012.

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We informed Pacific pipe that anti-dumping measures may only be imposed where the Minister is satisfied that the goods were dumped and the dumped goods had caused or were threatening to cause material injury to the Australian industry.

We explained to Pacific pipe that we would prepare a report following our visit and that we would provide the company with a draft of the report to review its factual accuracy and to identify those parts of the report it considered confidential. We further advised that, following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

Customs and Border Protection considers that the dumping margin is not itself confidential information, but rather an aggregate figure derived from confidential data. The dumping margin will be published in the public record version of the visit report.

Pacific pipe cooperated with the verification of the exporter questionnaire responses and provided further information when requested.

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**3 COMPANY INFORMATION****3.1 Company information**

The company was established in 1972 as Tang Mong Seng factory to produce and sell toy cars. It started to make steel pipe in 1981 and in 1991 Pacific Pipe Company Limited was formed with paid up capital of 200 million Baht and a production capacity of 66,000 tonnes. Family members established Tang Mong Seng Holding Co., Ltd to hold shares in the company rather than family members having individual share holdings. The company changed its name to Pacific Pipe Public Co., Ltd in 2004 and was listed on The Stock Exchange of Thailand with a registered capital of 660 million Baht.

Pacific Pipe took over Meesub Transport Co., Ltd in 2006. This company currently operates the logistics functions for Pacific Pipe.

Pacific Pipe's core business is the manufacture and distribution of steel pipes. It now operates three plants and two distribution centres:

- the main pipe plant with installed capacity of [REDACTED] tonnes per year;
- a large pipe plant with installed capacity of [REDACTED] tonnes per year;
- the galvanising plant with installed capacity of [REDACTED] tonnes per year (this plant galvanises pipe produced in the other plants); and
- two distribution centres that service the entire domestic market, each with a storage capacity of [REDACTED] tonnes.

Each plant contains [REDACTED] slitting lines which slit hot rolled coil (HRC) into the required width for making pipe and a number of forming lines.

Pacific Pipe stated that it sells standard and commercial grade pipe. It explained that standard grade pipe conforms to the specifications of a particular standard (for example BS1387/85) in terms of properties and specifications. Commercial grade pipe meets the technical specifications of a standard but not the dimensions. For example, a two inch pipe that met the technical requirements of BS1387/85, but had a thickness less than the thickness specified in the BS1387/85 standard, would be classified as commercial pipe.

Pacific Pipe markets its products through a subsidiary company, Tamose Trading Company Limited (Tamose). Standard grade pipe is sold under the Pacific brand, whilst commercial grade pipe is purchased from Pacific Pipe by Tamose and sold under Tamose's brand. Pacific Pipe explained that the reason for the segregation is to ensure that the quality product, being standard grade, is associated with the Pacific Pipe brand name, whilst the commercial grade is not.

During the investigation period about [REDACTED]% of Pacific Pipe's total sales were exported.

### 3.2 Accounting

Pacific Pipe's financial statements are audited annually. It also prepares quarterly financial statements, but these are not audited, and monthly financial reports. All plants use the same accounting system and there are numerous cost centres, for example [REDACTED]. Pacific Pipe uses the [REDACTED] accounting system to produce both its financial statements and management reports. It uses another system called [REDACTED] for costing purposes. Pacific Pipe uses actual costs and stated that its accounting practices do not differ from the generally accepted accounting principles in Thailand.

Pacific Pipe's financial year is January to December. Its 2010 audit report stated:

*In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2010 and 2009 and the results of operation and cash flows for the years then ended of Pacific Pipe Public Company Limited and its subsidiaries, and Pacific Pipe Public Company Limited, respectively, in accordance with generally accepted accounting principles.*

### 3.3 Production process

Hot rolled coil (HRC) is unrolled, slit and re-rolled into smaller coils ready for use in the pipe and tube mills. Slit coil is fed into the forming lines via an accumulator or similar mechanism which allows a continuous flow of slit coil into the production process. The slit coil is then cold formed through a series of rollers and continuously welded via the electric resistance welding process into hollow round tubular shapes. The round tubular shapes are further formed through rollers into round, square, rectangular and other shapes. The pipes are then surface finished by applying various protective coatings such as paint, varnish, oil or galvanising. The product is finally cut to length.

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**4 GOODS UNDER CONSIDERATION AND LIKE GOODS**

The goods the subject of the application are:

*Certain electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS.*

*Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1277.3mm. Categories of HSS excluded from the goods are conveyor tube; precision RHS with a nominal thickness of less than 1.6mm and air heater tubes to Australian Standard (AS) 2556.*

The application includes the following information to clarify the nature of the goods.

Finishes

All HSS regardless of finish is included in the application. Finish types for the goods include in-line galvanised (ILG), pre-galvanised, hot-dipped galvanised (HDG) and non-galvanised HSS. Non-galvanised HSS is typically of painted, black, lacquered or oiled finished coatings.

CHS with other than plain ends (such as threaded, swaged and shouldered) are also included in the application.

Standards

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS). HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals (MPa).

HSS may also be referred to as extra-light, light, medium or extra heavy according to its wall thickness.

Excluded goods

The following categories are excluded from the goods subject of the application:

- conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1 mm on outer surface and 0.25 mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6 mm in order to maintain vibration free rotation and minimum wind noise during operation);



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- precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- air heater tubes to AS 2556.

**Tariff classification**

The application stated that the goods are classified to the following tariff subheadings:

- 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37);
- 7306.61.00 (statistical codes 21, 22 and 23); and
- 7306.69.00 (statistical codes 26, 27 and 28).

The goods exported to Australia from Korea and Taiwan are subject to a 5% rate of duty.

For China and Malaysia the goods exported to Australia are subject to a 4% rate of duty.

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

**Like goods**

Based on information in the application, information in Pacific Pipe's exporter questionnaire response and previous reports on visits to Pacific Pipe, we consider that HSS sold on the domestic market in Thailand possesses similar physical characteristics and manufacturing processes and is commercially and functionally substitutable with HSS exported to Australia.

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## 5 SALES TO AUSTRALIA

## 5.1 Export sales process

Pacific Pipe sells to one unrelated Australian customer, [REDACTED]. [REDACTED]. It is responsible for export sales and marketing activities, but Tamose is used for export document processing, [REDACTED].

Pacific Pipe does not have price lists. When [REDACTED] make an inquiry, Pacific Pipe provide a quotation [REDACTED]. [REDACTED] either accepts the price or enters into price negotiation with Pacific pipe. When both parties agree on prices:

- [REDACTED] places a consolidated order for its Australian customers;
- Pacific Pipe reviews the order and checks with its production department that the goods can be produced (the sales contract [REDACTED]);
- Pacific Pipe sends a proforma invoice to [REDACTED] (this is the order confirmation and the contract between the parties which establishes the material terms of the sale);
- [REDACTED] use the proforma invoice [REDACTED];
- [REDACTED] contacts the shipping company to arrange a shipping schedule; and
- Pacific Pipe arrange shipment according to the shipping schedule.

While Pacific Pipe does not have price lists, price [REDACTED]. We categorised each export transaction into one of three thickness categories. The thickness categories are:

- A – thicknesses of 2 mm or less;
- B – thicknesses above 2 mm and up to 5 mm; and
- C – thicknesses above 5 mm and up to 9 mm.

Invoices were expressed in [REDACTED]. [REDACTED]. Payment terms were [REDACTED] and delivery terms were [REDACTED].

**Discounts, rebates and allowances**

Pacific Pipe stated that [REDACTED].

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**Date of sale**

Pacific Pipe claims that the date of the proforma invoice is the date of sale, not the date of invoice. It stated that the proforma invoice:

- confirms all the terms and conditions of the sale;
- establishes a price that cannot be changed;
- provides the ground for issuing a production order; and
- [REDACTED].

Pacific Pipe was subject to a new shipper review by the US Department of Commerce. It provided a copy the report that stated that

*We used Pacific Pipe's invoice date as the date of sale for the home market and the pro forma invoice date for the US sale.*

The footnote to section 2.4.1 of the WTO Anti-Dumping Agreement states that

*Normally, the date of sale would be the date of contract, purchase order, order confirmation, or invoice, whichever establishes the material terms of sale.*

We consider that Pacific Pipe has provided sufficient evidence to demonstrate that the proforma invoice represents the sales contract between Pacific Pipe and [REDACTED]. We have used the proforma invoice date as the date of sale.

**Theoretical and target weight**

Pacific Pipe stated that each specification of pipe has a [REDACTED] and that this is reflected in the company's product brochures. However, the company's engineering department has calculated [REDACTED] for each specification. This is the [REDACTED] that Pacific Pipe can achieve and still be within tolerances. An example is at **confidential attachment EXP 1** and a summary of the [REDACTED] for all exports during the investigation period is at **confidential attachment EXP 2**.

Pacific Pipe's sales and costs systems [REDACTED]

We noted that:

- the weights in the export sales spreadsheets [REDACTED];
- a download of export sales from Pacific Pipe's accounting system [REDACTED];
- weights in the domestic sales spreadsheets reflected weight in a download of domestic sales from Pacific Pipe's accounting system; and

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- [REDACTED] in the export and domestic sales downloads were the same for the same product specifications.

We [REDACTED] calculated unit export prices [REDACTED] and to ensure that domestic and export prices were comparable.

## 5.2 Export sales - reconciliation to financial statements

Pacific Pipe provided downloads of domestic and export sales from its accounting system. Summaries are at confidential attachment EXP 3 (domestic) and confidential attachment EXP 4 (export). Pacific Pipe explained that all domestic customer codes begin with "D" while all export customer codes begin with "E". These summaries identified quantities (pieces and kilograms) and values for each month from January 2010 to June 2011. Pacific Pipe also provided a sales reconciliation at confidential attachment EXP 5.

- Total sales revenue for 2010 from Attachment A-6 reconciled to the audited income accounts.
- Total domestic and export sales from the sales download reconciled to Attachment A-6. We noted that there were some insignificant difference between the downloaded data and the general ledger data (0.01% of the general ledger balance).
- The export sales download identified exports to all destinations; all exports to Australia were the goods under consideration. The download identified exports to Australia in July 2010 that were not included in the export sales spreadsheet. Pacific Pipe explained that the dates in the accounts were the dates of customs clearance, but the commercial invoices were issued in June and the goods were exported in June. Copies of these invoices are at confidential attachment EXP 6.
- The total number of pieces from the export sales spreadsheet reconciled to the export sales download. The total weight from the export sales spreadsheet reconciled to the [REDACTED] at confidential attachment EXP 2 and the [REDACTED] from confidential attachment EXP 2 reconciled to the export sales download.
- The total value in US dollars from the export sales spreadsheet reconciled to the export sales download, but the value in Baht did not reconcile. Pacific Pipe stated that this difference was due to exchange rates. The exchange rates in the export sales spreadsheets were the rates at the date of the proforma invoices. The exchange rates used for accounting purposes were the rates at the dates of customs clearance. We verified that the difference was due to exchange rates.

During this verification we found that the exchange rate used in the export sales spreadsheet was the average selling rate, but the exchange rate used in the accounts was the average buying rate at sight. Pacific Pipe agreed that the average buying rate at sight should be used in the export sales spreadsheet. We amended the export sales spreadsheet accordingly.

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We consider the export sales information provided by Pacific Pipe is complete.

**5.3 Export sales – verification to source documents**

The export sales spreadsheets provided by Pacific Pipe included line by line information relating to:

- customer;
- level of trade;
- product specifications;
- invoice date and number;
- date of sale;
- order number and proforma number;
- shipping and payment terms;
- sales quantity (pieces and tonnes);
- revenue;
- exchange rate;
- inland transport;
- handling and other charges; and
- commissions.

Prior to the visit, we requested that Pacific Pipe provide supporting documents for four selected shipments to Australia. Pacific Pipe provided the following documents for each of these shipments during the verification visit:

- customer order;
- proforma invoice;
- letter of credit;
- commercial invoice, packing list and bill of lading;
- proof of payment to Pacific Pipe by its Australian customer.

These documents are at **confidential attachment EXP 7** and Bank of Thailand exchange rates are at **confidential attachment EXP 8**.

We verified the volume and value of sales for the selected shipments to the export sales spreadsheet. We identified a keying error when the exchange rate for one shipment was entered. This error applied to a number of proforma invoices issued on this date. We corrected the error. We also reviewed the export sales spreadsheet and found that all other exchange rates were correctly entered. As noted above, we calculated export prices using [REDACTED].

We consider that the export sales data provided by Pacific Pipe is complete and relevant.

**5.4 The exporter**

We consider Pacific Pipe was the exporter. Pacific Pipe:

- manufactured the goods to the specific order of the Australian customer;

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- is listed as the supplier on the bill of lading;
- invoices the Australian customer for the goods;
- arranges and pays the inland freight;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

### 5.5 The importer

We noted that the Pacific Pipe's Australian customer:

- negotiate directly with Pacific Pipe for the purchase of the HSS;
- are named as the consignee on the bills of lading; and
- arrange customs clearance, logistics, and delivery of the goods after they have been delivered to the Australian port.

We consider that the Australian customer is the importer of HSS exported by Pacific Pipe and consider this customer to be the beneficial owner of the HSS at the time of importation.

### 5.6 Arms length

In respect of the Pacific Pipe's sales of HSS to its Australian customer 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;
- 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.

We therefore consider all of Pacific Pipe's export sales to Australia during the investigation period were arms length transactions.

### 5.7 Export price – preliminary assessment

We consider:

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

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Therefore, we are satisfied that export prices for direct export sales can be established under s. 269TAB(1)(a) of the *Customs Act 1901*<sup>2</sup>, being the price paid or payable by the importer less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation.

A summary of export prices is at **confidential appendix 1**.

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<sup>2</sup> A reference to a section or subsection in this report is a reference to a provision of the Act, unless otherwise specified.

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**6 COST TO MAKE & SELL****6.1 Introduction**

Pacific Pipe provided completed CTMS spreadsheets which were the basis for the verification. It advised that the majority of the cost of HSS was the HRC which was confirmed by the data presented in the CTMS worksheets. To verify the cost data provided Pacific Pipe were well prepared with production data, HRC costing source documents and plant production cost summary documentation.

**6.2 Production volumes**

Pacific Pipe produces HSS across two manufacturing plants. For each plant, Pacific Pipe provided production cost summaries (**confidential attachment COSTS 1**) for the investigation period which were supported by the raw to finished goods ledgers (**confidential attachments COSTS 2 and COSTS 3**) and production vouchers (*production report forming*) (**confidential attachment COSTS 4**) for each plant. During the visit we selected December 2010 and May 2011 for verification.

We selected transactions from the raw to finished goods ledger for verification downwards to the production reports from each of the factories to verify the information contained within the ledger. The *production report forming* reconciled to the ledger for each of the selected months. The raw to finished goods ledgers for each plant were then reconciled upwards for each of round, square and rectangular pipe to the production summary sheets for May and December.

The production summary sheets for each factory were added together to provide the overall production quantity for the investigation period. This reconciled to Attachment G1 (Production) provided in the exporter questionnaire response.

**6.3 Cost to make****6.3.1 Verification upwards to financial statements**

To verify the total cost of goods sold to the 2010 audited financial statements Pacific Pipe provided a cost of goods sold reconciliation (**confidential attachment COSTS 5**). This was supported by plant production summaries, an additional plant production cost summary for the galvanising plant, coating cost summaries, trial balances for June 2010 and June 2011 and finished goods ledgers.

The costs of black pipe manufactured by the two main plants were added to the cost of the galvanised plant and coating operations to provide a total cost of manufacturing for the investigation period of [REDACTED] Baht.

The cost of goods manufactured during the investigation period was adjusted upwards [REDACTED] and the finished goods balance at July 2010. It was adjusted downwards to include withdrawals of product for sampling and internal use and the closing finished goods balance at June 2011. The total cost of goods sold for the investigation period was [REDACTED] Baht.



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The downwards adjustment included [REDACTED], however this accounted for less than [REDACTED] % of all costs. Documents to support the adjustments are included within **confidential attachment COSTS 6**.

The cost of goods sold between January and June 2010 was taken from the general ledger and added to the cost of goods sold during the investigation period. The costs of goods sold between January and June 2011 was subtracted to arrive at the cost of goods sold during 2010. The total cost of goods sold was [REDACTED] Baht. There was a variance of [REDACTED] Baht between the calculated figure and the audited financial statement. This variance was less than 0.00% of the figure in the audited accounts.

**6.3.2 Verification downwards to source documents**

In order to verify the cost elements of the production summary reports we selected the following major components of the costs to verify to source documents:

- HRC;
  - HRC scrap adjustment;
- operational overhead costs;
  - labour;
  - electricity;
  - repair and maintenance; and
  - depreciation.

These items represent over [REDACTED] % of the cost of manufacturing expense items.

**6.3.3 HRC****Upwards from production cost summary reports**

The price paid for HRC represents the majority of the cost of the finished goods. To verify the prices shown in the CTMS spreadsheet in the exporter questionnaire response Pacific Pipe used the production summaries and finished goods ledgers that were provided while verifying the production volumes.

In order to calculate the weighted average cost of HRC for all production across the two plants as shown in the exporter questionnaire response, Pacific Pipe added the cost of HRC from each plant as shown in each of the plant production cost summaries and divided this by the total weight of production across the two plants. The same methodology for apportioning labour, depreciation and other expenses to the CTMS worksheet was also used.

During the visit we were satisfied that the information presented in the production summary reports reflected the information provided in the exporter questionnaire response and thus verified downwards from the production summary reports to source documents.

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**Downwards from production cost summary reports to source documents:**

The finished goods ledgers were provided (confidential attachments COSTS 2 and COSTS 3) which reconciled the costs and weights to the production summary reports for each plant.

A purchase of HRC on 2 December 2010 was selected for verification to source documents. Pacific Pipe produced the invoice, weight summary sheet and proof of payment for this shipment at confidential attachment COSTS 7. We noted that the invoiced weight did not reconcile exactly with the actual weight of the shipment, with a variance of [REDACTED]%. Pacific Pipe explained that the purchase of HRC are

[REDACTED]  
[purchasing details]

Pacific Pipe provided the HRC stock card for December which showed all purchases of HRC that entered stock during December as well as the opening stock balance carried forward from November. Pacific Pipe used the weighted average cost inventory basis which for December was calculated to be [REDACTED] Baht/kg for HRC.

To connect the HRC stock card to the slit stock card, Pacific Pipe provided the slit coil production report and slit stock card at confidential attachment COSTS 8. During the conversion from HRC to slit there is some production loss as scrap resulting in the increase in the value of slit coil cost from [REDACTED] Baht/kg to [REDACTED] Baht/kg. The weighted average cost inventory basis of HRC slit is then calculated for each month, which for December for product 0245BS was calculated at [REDACTED] Baht/kg. This value then reconciled with the costing values on the input side of the finished goods ledger (confidential attachments COSTS 2).

The total weight and costs from the finished goods ledgers were then reconciled to the production reports (confidential attachments COSTS 1).

**Scrap**

A downwards adjustment was made to the CTMS spreadsheet to account for the revenue obtained from the sale of scrap HRC during the manufacturing processes. To verify this claim Pacific Pipe presented a summary of scrap sales from general ledger code 4121010 (scrap sales) which summed the value of scrap sold and divided this by the total weight of production to arrive at a per kilogram scrap recovery rate for each month. We selected May and December for verification of the value of the scrap. Pacific Pipe provided copies of the scrap ledger for each of those months, which each reconciled to the summary provided.

Pacific Pipe provided invoices and proof of payment for selected transactions in each month which reconciled to the general ledger. These documents are at confidential attachment COSTS 9.

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**6.3.4 Operational overhead costs**

Pacific Pipe provided plant overhead reports which summarised information from the general ledger for each plant across the investigation period at **confidential attachment COSTS 10**. We selected direct labour, depreciation, electricity and repairs and maintenance for further verification.

**Labour**

Salaries are paid [REDACTED] Pacific Pipe provided a summary by month of the plant overhead expense reports for each plant. Salary expenses included salaries and wages, overtime and bonus' to provide a total monthly labour expense for each of the plant cost centres.

To verify the overhead expense reports, Pacific Pipe provided the sub ledger for overhead expenses which reconciled with the summary amounts provided in the overhead expense reports. Additionally the sub ledgers were supported with payment summaries showing the total salary expense [REDACTED] for the selected months for each plant, including the outwards approval for payment for each payment cycle. These documents are at **confidential attachment COSTS 11 and COSTS 12**.

The total monthly labour expenses for each plant were combined and divided by the total production amount across each both plants for the month to provide a weighted average labour expense per kilogram of production. The weighted average labour costs for May were verified to be [REDACTED] Baht/kg and were representative of the costs provided across the investigation period. The weighted average labour costs for December were verified to be [REDACTED] Baht/kg which are higher than all other months. This was attributed to [REDACTED] paid during December which were not paid during other months.

**Electricity**

Electricity was the highest other operating overhead expense on the ledger. Pacific Pipe provided the purchase voucher, invoice from the Electrical Authority and proof of payment to the electrical authority which reconciled to the amounts shown in the general ledger and overhead expense reports. These documents are located at **confidential attachment COSTS 13**.

**Repairs and maintenance**

Repairs and maintenance expenses shown in the operating overhead expense report for December were examined which identified one transaction representing over [REDACTED] % of the general ledger expense code. This item was identified to be [REDACTED] and the purchase voucher, invoice and proof of payment were provided which reconciled to the amount shown in the general ledger expense code 9102050. These documents are at **confidential attachment COSTS 14**. The remaining items within the repairs and maintenance code were small and we did not verify further.

### Depreciation

To reconcile the amounts for depreciation shown on the operating overhead expense report, Pacific Pipe provided the journal vouchers for May and December for each plant. The journals included total depreciation for buildings, machinery, equipment and tools and models. The total of the journal entries for December reconciled [REDACTED] [REDACTED] % to the amounts shown on the overhead expense reports for plants PM2 and PP respectively. The total of the May journal entry for plant PP reconciled within [REDACTED] % while the PM2 reconciled without variance.

The journal entries were supported with depreciation calculation spreadsheets for each sub-item for each plant which demonstrated the items and amounts for which depreciation had been calculated. These documents are at confidential attachment COSTS 15.

### **6.4 Selling, general and administration expenses**

Pacific Pipe provided copies of the general ledgers for selling, finance and administration expenses. Each ledger provided the total expenses for the month, which was then divided by the total sale weight for each month to arrive at a selling, administration and finance cost per kilogram of goods sold. These documents are at confidential attachment COSTS 16.

### **6.5 Cost to make and sell – summary**

We are satisfied that sufficient information was available and verified to substantiate the CTMS HSS by Pacific Pipe. We consider these CTMS are suitable for:

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The CTMS the various models is summarised at confidential appendix 2.

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**7 DOMESTIC SALES****7.1 Domestic sales process**

Pacific Pipe sells to traders and end-users on the domestic market, but prices [REDACTED]. It sells commercial grade pipe to a related company, Tamose, but Pacific Pipe does not consider these to be like goods to the goods the subject of the investigation. Pacific Pipe uses Tamose to sell standard grade pipe in domestic market and pays Tamose [REDACTED]. It has are no agency or distribution contracts with its customers.

Pacific Pipe does not have price lists. Prices are negotiated [REDACTED].

Orders are received by phone, fax or email. When an order is received it is entered into the system and details are emailed to the relevant distribution centre. The goods are delivered from Pacific Pipe's warehouses or distribution centres. Invoices are raised at the time of delivery. Credit terms vary [REDACTED] after delivery.

The price includes the cost of delivery to customers in the Bangkok area. Customers pay separately for delivery outside the Bangkok area and the delivered prices are discounted accordingly.

Pacific Pipe stated that to its knowledge no domestic sales were subsequently exported.

**Discounts, rebates and allowances**

Pacific Pipe stated that it does not provide discounts or rebates to its customers except where the customer has paid separately for freight outside the Bangkok area. It does not provide any financial assistance to its customers.

**Date of sale**

Pacific Pipe claimed that the date of sale for domestic sales was the invoice date. It stated that when orders are received details are emailed to the relevant distribution centre for delivery as soon as possible from stock on hand.

We noted that by far the majority of domestic sales were standard six metre lengths (export sales are typically eight metre lengths). The domestic sales spreadsheet did not include order date. However, the domestic sales download identified the order date. We calculated that the average time between invoice and order date for all domestic sales from May 2010 to June 2011 was [REDACTED].

We have used the invoice date as the date of sale.

**7.2 Domestic sales - reconciliation to financial statements**

In section 5.2 we reconciled the domestic sales download to the audited financial statements. A summary of the domestic sales download is at confidential attachment

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**EXP 3.** This summary identifies the monthly quantities and values of goods that are not the goods under consideration:

- galvanised pipe (Pacific Pipe did not export galvanised pipe to Australia);
- lip channel;
- commercial grade pipe; and
- pipe outside the range of the goods the subject of the application.

We verified that sales in the domestic sales spreadsheet plus the above goods reconciled to the domestic sales download. We consider the domestic sales information provided by Pacific Pipe is complete.

### 7.3 Domestic sales – verification to source documents

The domestic sales spreadsheets provided by Pacific pipe included line by line information relating to:

- customer;
- level of trade;
- product specifications;
- invoice date and number;
- order number;
- shipping and payment terms;
- sales quantity (pieces and tonnes);
- gross and net revenue;
- discounts;
- inland transport;
- commissions;
- duty drawback;
- credit cost; and
- handling and other charges.

Prior to the visit, we requested that Pacific Pipe provide supporting documents for ten selected shipments to Australia. Pacific Pipe provided the following documents for each of these shipments during the verification visit:

- sales order;
- commercial invoice;
- packing list; and
- proof of payment to Pacific Pipe by its domestic customer..

These documents are at **confidential attachment DOM 1**.

We verified the volume and value of sales for the selected shipments to the domestic sales spreadsheet. We consider that the domestic sales data provided by Pacific Pipe is complete and relevant.

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**7.4 Arms length transactions**

In respect of Pacific Pipe's domestic sales of HSS, 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.

We therefore consider Pacific Pipe's domestic sales during the investigation period were arms length transactions.

**7.5 Volume and suitability of sales**

Domestic sales cannot be used to establish normal values if the volume of domestic sales is less than 5% of the volume of comparable goods exported to Australia. We compared the volume of Pacific Pipe's export sales of each type and thickness category with comparable domestic sales over the investigation period. The volume of domestic sales is more than 5% of the volume of comparable goods exported to Australia

**7.6 Ordinary course of trade**

We compared the unit invoice price paid for each domestic sale with the fully absorbed CTMS those models for the corresponding month. We then compared the selling prices of the loss making sales with the weighted average CTMS for the investigation period to test whether some of those sales may be taken to be recoverable within a reasonable period of time. We found that less than 20% of Pacific Pipe's domestic sales of each type and thickness category were not profitable and not recoverable over the investigation period. We therefore used all domestic sales of like goods to establish normal values.

**7.7 Sales by other sellers**

There are other sellers of HSS in Thailand. Customs and Border Protection is visiting another Thai producer of HSS and a third provided an exporter questionnaire response.

**7.8 Domestic sales – summary**

We found a sufficient volume of sales in the domestic market that were arms length and sold at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by Pacific Pipe, and the verification processes conducted on site, we consider that prices paid in respect of domestic sales are suitable for assessing normal value under s. 269TAC(1).

A summary of domestic sales suitable for establishing normal values is at **confidential appendix 3**.

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**8 THIRD COUNTRY SALES**

Pacific pipe provided a summary of sales to third countries. The export sales download included details of sales to third countries. We consider we have sufficient verified information to establish normal values using domestic sales or costs.



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**9 ADJUSTMENTS**

Pacific Pipe claimed adjustments to the normal value for the following items.

**9.1 Adjustments in respect of domestic sales****9.1.1 Credit terms**

Credit terms for domestic sales vary from cash to [REDACTED] days after delivery. Pacific Pipe provided a summary of all short term borrowings during the investigation period (confidential attachment ADJ 1) and calculated an average rate of [REDACTED]% for the period. Pacific Pipe calculated the credit cost by applying this rate to the credit terms for each sales.

We calculated the credit cost for each month and made a negative adjustment the domestic selling price.

**9.1.2 Domestic freight**

Pacific Pipe obtained domestic freight costs from general ledger account code:5106010 (domestic freight). It then calculated the quantity delivered by deducting the volume of ex-factory sales from the total domestic sales volume and calculated the cost of domestic freight per kilogram for the investigation period. These calculations are at confidential attachment ADJ 2.

We noted that Pacific Pipe claimed an adjustment for domestic handling costs, being the cost of its two distribution centres. These costs also included costs for general ledger account code:5106010. Pacific Pipe agreed that these costs had been double counted and submitted revised domestic freight costs (confidential attachment ADJ 3).

We made a negative adjustment for domestic freight. We used the freight costs in each month rather than the average for the investigation period.

**9.1.3 Domestic commissions**

Pacific Pipe uses Tamose to sell standard grade pipe in domestic market and pays Tamose [REDACTED]. It provided invoices for export and domestic commissions in each month of the selected domestic sales, a summary identifying the commission paid for each selected sale and bank statements, providing evidence of payment. These documents are at confidential attachment ADJ 4.

We made a negative adjustment for domestic commissions.

**9.1.4 Domestic handling charges**

Pacific Pipe operates two distribution centres which only service the domestic market. Details of costs for these distribution centres are at confidential attachment ADJ 5. These details identify the cost for a number of general ledger

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account codes. We checked selected entries to a download of the general ledger and confirmed the amounts were for cost centres for the distribution centres.

We made a negative adjustment for domestic handling charges.

### 9.1.5 Duty drawback

Pacific Pipe claimed an adjustment for duty drawback. A summary of the claim for each exportation and an import declaration to Thai Customs supporting the amount claimed is at **confidential attachment ADJ 6**. Pacific Pipe does not pay import duty on HRC, it simply provides a letter of guarantee which is settled when finished product is imported. It claimed that the domestic price of HRC is an import parity price (that is, it includes duty). It provided a report by the US Department of Commerce in respect of a new shipper review that stated

*We made an upwards adjustment to the export price for duty drawback Pacific Pipe received.*

Most imported HRC is used in exported product and locally produced HRC is used in product sold on the domestic market. No import duty is paid in either case. We did not allow the adjustment claimed for duty drawback.

Pacific Pipe stated that the duty drawback adjustment calculated according to Customs and Border Protection's policy would not be material.

## 9.2 Adjustments in respect of export sales

Pacific Pipe provided details of inland freight, handling costs and export commissions in its export sales spreadsheet. A summary of these costs is at **confidential attachment ADJ 7**. It provided supporting documents for the selected shipments. A summary of these costs for each shipment is at **confidential attachment ADJ 8**.

### 9.2.1 Painting cost

Pacific Pipe provided details of the painting expense for exported goods across two manufacturing plants. It calculated the painting expense (coating expense) per kilogram across each plant and divided this by the total weight of goods produced. The weighted average coating costs for the investigation period was calculated at **■** Baht/kg. A summary of these calculations is provided at **confidential attachment ADJ 9**.

We made a positive adjustment for painting costs.

### 9.2.2 Export inland freight

Export inland freight includes freight from the plant to the port and barge costs. Supporting documents, including evidence of payment, are at **confidential attachment ADJ 10**.

We made a positive adjustment for export inland freight.

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Handling, loading and ancillary expenses includes items such as certificate fees, congestion surcharges, bill of lading charges, export clearance charges and various port charges. Supporting documents are at confidential attachment ADJ11.

We made a positive adjustment for handling, loading and ancillary expenses.

**9.2.4 Export commissions**

Pacific Pipe uses Tamose for export document processing, for which it pays Tamose [REDACTED]. Pacific Pipe provided a worksheet reconciling tax invoice numbers with commercial invoice numbers (confidential attachment ADJ 12) and supporting documents, including evidence of payment (confidential attachment ADJ 13).

We made a positive adjustment for export commissions.

**9.2.5 Specification differences**

We analysed export and domestic prices and suggested to Pacific Pipe that an adjustment for specification differences may be appropriate. Pacific Pipe stated that an adjustment for specification differences was not warranted. It stated that:

- [REDACTED]
- [REDACTED]; and
- [REDACTED]

[reasons for not making an adjustment for specification differences]

We did not make an adjustment for specification differences.

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**10 MARKET SITUATION**

Pacific Pipe stated that it could not provide any further information than was provided in the exporter questionnaire response. It advised that the list of products under supervisory as at October 2006.

Pacific Pipe stated that HRC in Thailand is not subject to price regulation by the Thai Government. It provided a Thai Government document that specified a suggested ex-factory price for HRC in March 2009. Pacific Pipe stated that this suggested price is not a ceiling price and that suppliers can sell at above the suggested price without the permission of the Thai government. Suppliers selling at prices above the suggested price must inform the Thai government of their prices and provide reasons for them being above the suggested price seven days in advance of sales at such prices. We asked why there was a range of prices for HRC. Pacific Pipe stated that they did not know the reason for this and that as it was a Thai Government document enquiries should be directed to the Thai Government.

We found that during the investigation period Pacific Pipe's domestic purchase prices of HRC were less than the Thai Government's suggested price.

Subject to further enquiries with the Thai Government, we have relied on verified selling prices and costs to calculate export prices, normal values and dumping margins.

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**11 NORMAL VALUE**

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under s. 269TAC(1). We have made adjustments to the normal value under s. 269TAC(8) for:

- domestic credit;
- domestic freight;
- domestic commissions;
- domestic handling costs;
- painting;
- export inland freight;
- export handling costs; and
- export commissions.

We did not allow the adjustment claimed for duty drawback.

We calculated normal values using sales in the domestic market that were arms length transactions and sold at prices that were in the ordinary course of trade. A summary of normal value calculations is at **confidential appendix 4**.

**12 DUMPING MARGIN – PRELIMINARY ASSESSMENT**

In calculating the dumping margin we compared each export transaction with the corresponding normal value for the corresponding type and thickness category of pipe. We have not used domestic sales with thicknesses above 9 mm as there were no exports of these goods. The weight average product dumping margin, subject to a market situation assessment, is minus 8.8%. A summary of dumping margin calculations is at **confidential appendix 4**.

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**13 LIST OF APPENDICES AND ATTACHMENTS**

Confidential appendix 1	Export price summary
Confidential appendix 2	CTMS summary
Confidential appendix 3	Domestic sales summary
Confidential appendix 4	Normal values and dumping margin summary
Confidential attachment EXP 1	██████████ xample
Confidential attachment EXP 2	Summary of ██████████
Confidential attachment EXP 3	Summary of download of export sales
Confidential attachment EXP 4	Summary of download of domestic sales
Confidential attachment EXP 5	Sales reconciliation
Confidential attachment EXP 6	Invoices for goods exported in June 2010
Confidential attachment EXP 7	Documents supporting selected transactions
Confidential attachment EXP 8	Bank of Thailand exchange rates
Confidential attachment COSTS 1	Production cost summaries
Confidential attachment COSTS 2	Raw to finished goods ledgers – December 2010
Confidential attachment COSTS 3	Raw to finished goods ledgers – May 2011
Confidential attachment COSTS 4	Production vouchers
Confidential attachment COSTS 5	Cost of goods sold reconciliation
Confidential attachment COSTS 6	Stock adjustments
Confidential attachment COSTS 7	Documents supporting HRC purchases
Confidential attachment COSTS 8	Slit coil production report and silt stock card
Confidential attachment COSTS 9	Documents supporting scrap sales
Confidential attachment COSTS 10	Plant overhead reports
Confidential attachment COSTS 11	Documents supporting labour costs – December 2010
Confidential attachment COSTS 12	Documents supporting labour costs – May 2011
Confidential attachment COSTS 13	Documents supporting electricity costs
Confidential attachment COSTS 14	Documents supporting repairs and maintenance costs
Confidential attachment COSTS 15	Documents supporting depreciation charges
Confidential attachment COSTS 16	Documents supporting SG&A costs
Confidential attachment DOM 1	Documents supporting selected transactions
Confidential attachment ADJ 1	Short term borrowings
Confidential attachment ADJ 2	Domestic freight costs
Confidential attachment ADJ 3	Revised domestic freight costs
Confidential attachment ADJ 4	Documents supporting domestic commissions
Confidential attachment ADJ 5	Distribution centres costs
Confidential attachment ADJ 6	Documents supporting duty drawback
Confidential attachment ADJ 7	Summary of costs for export adjustments

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Confidential attachment ADJ 8	Details of costs for selected shipments
Confidential attachment ADJ 9	Summary of painting costs
Confidential attachment ADJ 10	Documents supporting export inland freight
Confidential attachment ADJ 11	Documents supporting export handling charges
Confidential attachment ADJ 12	Document reconciling tax and commercial invoices
Confidential attachment ADJ 13	Documents supporting export commissions