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Mr Geoffrey Gleeson
Director, Operations 3
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Mr Gleeson

Public File**ATM Correspondence 2012/09 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – Saha Thai Steel Pipe Co., Ltd Exporter Visit Report**

I refer to the Saha Thai Steel Pipe Co., Ltd ("Saha") Exporter Visit Report recently placed on the electronic public file.

OneSteel ATM highlights with Customs and Border Protection the following concerns.

Product code costs

It is noted at Section 3.4 that Saha does "not have separate cost codes for each product finish". However, in Section 6 of the Saha Report reference is made to the cost codes for various raw materials (e.g. HRC, cold-rolled coil, etc.). It is evident that Saha has all the costs associated with the Goods under consideration ("GUC"), however, not the finished goods. This would seem unlikely. In any event, OneSteel ATM submits that Customs and Border Protection could have used actual costs from the relevant cost codes for raw materials, etc to arrive at a cost-to-make-and-sell ("CTM&S") each product finish within the GUC.

Actual v Theoretical weights

It is stated that Saha maintains its financial records on the basis of actual costs and that there is a reference point to a "Table" for which actual v theoretical weights are measured.

The Saha Visit Report does not indicate that Customs and Border Protection has evidenced any weighing of goods sold domestically or for export, and that any referenced "Table" can only be viewed as a guide and should not be relied upon for cost conversions.

The Saha Visit Report states that domestic HSS is sold by piece (not weight) hence the sale represents a sale by theoretical weight. Export sales – it is claimed – are on the basis of theoretical weight (i.e. like-for-like).

Prior to the departure of verification teams to Thai HSS exporters, OneSteel ATM raised concerns that exporters would seek to adjust domestic sales that are sold on an actual weight basis compared with export sales that are sold on a theoretical weight basis.

OneSteel ATM indicated that an adjustment would be reasonable on the grounds it could be demonstrated that the exporter physically weighed the goods on all domestic and export sales to accurately measure the difference in weight between domestic and export sales – and that it affected the sale price.

If, however, the difference between actual and theoretical could be verified (and it impacted price), in all instances, it would be necessary for C&BP to make an upwards adjustment due to the very fact (as presented by some exporters) that the Australian tolerance is tighter than the TIS tolerance.

For example:

- HRC cost \$xxxx/MT (represented as actual purchase cost for HRC)
- TIS standard roll light tolerance : up to 12.5% below specified thickness allowed
 $\$xxxx * xxxx = \$xxxx/MT$ – actual cost per theoretical metric tonne (1 actual metric tonne of HSS = 1.11 theoretical tonne of HSS)
- Aust standard roll light tolerance : up to 4% below specified thickness allowed
 $\$xxxx * 0.95 = \$xxxx/MT$ – actual cost per theoretical metric tonne (1 actual metric tonne of HSS = 1.05 theoretical tonne of HSS)

From this example, it is evident that the cost to make for Aust. Standard is higher than that of the TIS standard. Accordingly, an upwards adjustment to the normal value would need to be applied.

Like Goods

It is OneSteel ATM's position that domestic product sold to the Thai International Standard ("TIS") is of an inferior quality to the exported goods that are required to achieve the Australian. It is further submitted that the cost of production of the exported goods is approximately A\$xxx-xxx per metric tonne more expensive to produce than HSS to the TIS.

In light of these cost differentials, it would be expected that Saha's normal value should be uplifted by the cost differential between the domestic-produced TIS HSS and the exported AS HSS. No adjustment has been made and it is OneSteel's position that an adjustment of this nature is required.

HRC

Saha purchases HRC from both Thai and international suppliers¹. Whilst it is [comment on differential] breakdown applies for imported HRC used for HSS sold domestically and for export, it is evident there has been no adjustment to Saha's normal value to take account of the pricing differentials apparent between domestic and imported HRC purchases.

OneSteel ATM has specifically addressed HRC pricing in Thailand for Saha (and Pacific) in OneSteel ATM Correspondence 2012/06. Please refer to this document.

Zinc cost

The "value of galvanizing services" appears to represent an outsourced function (refer P. 22). This could include outsourcing to a related party/entity (located on site). The public file version of the report does not indicate whether the cost of the galvanizing was tested to determine whether it represented a market price for similar services.

¹ Refer Saha Thai Steel Pipe Co., Ltd Exporter Visit Report, P.22

Export inland freight

It is noted that there does not appear to be an adjustment of export inland freight to take account of Saha's inland freight costs for moving goods from factory to wharf for export to Australia. i.e. local road and/or barge costs.

An upward adjustment for this expense is warranted.

Specification adjustment

It is noted that the adjustment for specification adjustments is positive and negative. It is submitted that a specification adjustment would likely be positive due to the tightness of the Australian Standard for the GUC exported to Australia, as compared with goods sold domestically. If the adjustment reflects a differential between theoretical and actual weight, as indicated above a positive adjustment is required for the tighter gauge tolerance. In addition, it would be expected that surface finish and product features required to meet the AS standard of the exported goods in all cases would warrant a positive adjustment i.e. it is unlikely that any negative adjustments could be justified on the basis of specification.

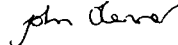
Domestic and export packing expenses

It is noted that Customs and Border Protection has provided Saha with adjustments to normal value for domestic and export packing expenses.

Saha provided Customs and Border Protection with an "Excel Spreadsheet" with the calculations of the packing expenses, and a "monthly summary of packing materials" identifying certain categories of packing materials. OneSteel ATM is curious that Customs and Border Protection did not seek to establish – via evidencing actual packaging requirements for domestic sales v export sales – what products were used in either sale. There appears to be no means of assessing whether claimed materials for export packaging were actually consumed for that purpose.

If you have any questions concerning this submission please do not hesitate to contact me on (07) 3342 1921.

Yours sincerely



John O'Connor
Director

Cc **Stephen Porter, General Manager Sales – OneSteel Manufacturing**