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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 2012/12 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – Alpine Pipe Manufacturing Sdn Bhd Exporter Visit Report**

I refer to the Alpine Pipe Manufacturing Sdn Bhd ("Alpine") Exporter Visit Report ("Report") recently placed on the electronic public file.

OneSteel ATM strongly disputes the acceptance of assertions and inadequate substantiation of information requested during Customs and Border Protection's verification visit with Alpine. Customs and Border Protection ("C&BP") has previously assessed Alpine to be non-compliant in providing full and open disclosure in relation to information impacting normal values. OneSteel ATM's analysis of the current exporter visit report indicates that Alpine has sought to further frustrate C&BP investigation into dumping by Alpine.

It is recalled that Alpine was considered a non-cooperative exporter in Investigation No.144A. Alpine's non-cooperation was attributable to its non-disclosure of rebates received on raw material HRC subsequent to sales for the GUC. Alpine did not disclose the rebate amounts to C&BP. It is OneSteel ATM's view that C&BP would exercise extreme caution in the acceptance of non-verifiable data provided by Alpine. Where inadequate supporting information has been supplied by Alpine, C&BP must assess whether Alpine can be considered cooperative.

OneSteel ATM has a number of concerns with the Alpine Report. As the list of concerns are significant, OneSteel ATM has sought to summarize succinctly each item requiring redress. Please refer below.

Key areas of concern

- (i) *Sale of scrap and downgrade*

Alpine has indicated in previous verification visits that it has sales of scrap and downgrade products. OneSteel ATM questions whether C&BP has adequately benchmarked the selling prices obtained by Alpine, and whether these are consistent with market prices.

(ii) *Break-bulk and containerized sales*

Alpine claims that it could "not distinguish" between break bulk and containerized sales for export sales to Australia. C&BP should not have accepted this claim as export documents detail whether goods are containerized or not. Alpine could have supplied this information.

(iii) *Tracing export sales to source documents*

It is claimed by Alpine that its invoices only disclosed the volume in numbers of pieces and not weight. However, Bill of Lading/Packing List requires weight to be disclosed – did C&BP compare Bill of Lading/Packing List with Alpine's prepared export spreadsheet?

(iv) *Pipe Grades and Thicknesses*

Alpine asserts that it sells 350mpa and 450mpa pipe at the same price. Similarly Alpine argues that the 355 grade HRC it uses to manufacture 450mpa pipe is "not much more expensive" than 350mpa HRC. There is no indication from the report that C&BP verified the coil costs for each grade of pipe produced and has accepted Alpine's assertions. OneSteel ATM disputes the acceptance of these claims as 450mpa sells at a US\$xx/MT premium to 350mpa pipe.

(v) *Date of Sale*

C&BP's acceptance of date of export invoice date for comparison with date of domestic sale is welcomed and reflects OneSteel ATM's long-held position on this issue.

(vi) *Production volumes*

It appears that C&BP has provided a caveat that the information provide by Alpine as to production volumes "created confusion". OneSteel ATM questions how C&BP can accept Alpine's documentation relating to production volumes when there is an absence of clarity. The identified costs (i.e. forming, shearing, slitting and servicing) should all be considered costs of production. However, Alpine's information in respect of production volumes (and ultimately, costs overall) and the "confusion" created with C&BP in its verification, must result in Alpine's production information being disregarded (as unreliable).

(vii) *HRC costs – exclusion of scrap & downgrade, RPMS and servicing*

C&BP verified Alpine's HRC costs that excluded costs for scrap and downgrade, RPMS and servicing. OneSteel ATM challenges the exclusion of these costs. In Alpine's Exporter Visit Report of February 2009¹, C&BP accepted the following:

"Alpine calculated the quantity and value of HRC consumed after taking into account opening and closing inventories and purchases. The quantity and value of sales of HRC scrap were deducted from purchases in calculating the cost of HRC consumed."

The same approach as evident in the February 2009 report was accepted by C&BP in Alpine's August 2006 Exporter Visit Report².

OneSteel ATM does not consider that C&BP should have departed from previously accepted practices for the treatment of total HRC costs by Alpine. C&BP is requested to re-visit the treatment of Alpine's scrap and downgrade.

¹ Alpine Pipe Manufacturing Sdn Bhd Exporter Visit Report, February 2009, P21.

² Alpine Pipe Manufacturing Sdn Bhd Exporter Visit Report, August 2006, P.13.

(viii) *HRC and galvanized coil costs*

Alpine claimed that all coils used in pipe manufacture have the same cost³. The inference is that locally source HRC and imported galvanized coil have the same input prices into Alpine's production costs for the GUC. This is not the case. Alpine imports galvanized coil for use in pre gal HSS production. The cost of the imported galvanized coil is different to locally-sourced HRC. OneSteel ATM understands that benchmark pricing of galvanized coil over HRC over the investigation period approximates US\$xxx per MT (refer Confidential Attachment 1).

C&BP's comments that it conducted an analysis of Alpine's costs by "specification and month" and that the value of the coils "did not vary greatly in price" resulting in a conclusion that Alpine's booked HRC costs were "reasonably the same per tonne for HRC products" cannot be accepted. As is evidenced, galvanized coil sells at a significant premium to standard HRC. C&BP should have been able to evidence this price differential in coil costs at Alpine.

(ix) *Discounts and rebates*

Contrary to C&BP acceptance to permit Alpine to "reverse" the stock rebate received in Alpine's FY2010, OneSteel ATM does not consider that this is "reasonable". Alpine had previously operated on a "two-tier" pricing level for HRC purchases. Alpine was compensated by its HRC supplier for lower realizations on xxxxx sales of HSS to Australia.

Alpine has indicated that the previously described "rebate scheme" is now coined a "quantity discount" scheme. OneSteel ATM challenges C&BP that Alpine in this instance is not referencing the relevant benefit received from xxx rebates. Alpine continues to receive a benefit from its supplier that enables it to export HSS at dumped prices.

OneSteel ATM seeks C&BP to accurately reflect the true impact of the "quantity discount" in the same manner that the rebates were treated in 2009.

(x) *Export credit insurance*

Credit insurance is not required for sales by Letter of Credit. It is likely the insurance is for xxx xxxxx only. C&BP to ensure only the value of the insurance is taken across all export sales, not an average to each export sale.

(xi) *Sales commissions*

Alpine has sought to treat sale commissions to internal staff as if the commissions were to unrelated sales agents. The commissions should be included in Alpine's costs as selling expenses and not excluded.

(xii) *Finance costs*

Alpine claims that its finance costs relate to inventory carrying costs. Alpine has invested in production capacity expansion over recent years and has received Malaysian government incentives for doing so. OneSteel ATM questions why C&BP has not verified finance costs for Alpine associated with recent production expansions?

(xiii) *Specification adjustment*

An upward adjustment to normal value to allow for HSS manufactured to Australian Standards is required. The Alpine visit report does not appear to have accounted for the different specification requirements between domestic HSS and the goods exported to Australia.

³ Alpine Pipe Manufacturing Sdn Bhd Exporter Visit Report . March 2012, P.24.

Additional verified information

Pipe Lengths

HSS exported to Australia by Alpine is in 6.5m and occasionally 8.0m lengths. Pipe sold domestically is in 6.0m and 12.0m lengths. A premium of US\$xx per tonne is charged by Alpine for non-standard lengths (a further US\$xx per tonne is charged for export packaging). OneSteel ATM submits that an upward adjustment to normal value is required to take account of the additional cost of cutting HSS to length specifically for the Australian market.

HDG Outsourcing

Alpine outsources the galvanizing function. Has C&BP verified whether the party is related to Alpine (even though it is stated it is unrelated) and whether the price is consistent with market prices (and recovers the cost of zinc plus appropriate labour)?

Domestic credit notes

C&BP confirmed that it was not possible to allocate domestic credit notes to invoices or products within Alpine's provided domestic sales listing. On this basis, C&BP should not have made an adjustment to domestic selling prices to account for an average credit note value.

Ordinary Course of Trade

C&BP determined that two categories of Alpine's pre-galvanised HSS were not sold in the ordinary course of trade during the investigation period. C&BP has used Alpine's domestic sales of black HSS plus an adjustment for "the physical characteristics of pre-galvanising".

OneSteel ATM disputes this methodology. As indicated above, galvanized coil sells at a premium to standard HRC. The Alpine report indicates that Alpine has coil costs for all HSS that are relatively the same. This suggests that only a minor adjustment (if any) was made to the black HSS selling price for pre-galvanised costs. OneSteel ATM submits that the adjustment should reflect the market differential between galvanized coil and standard HRC.

(xiv) *Adjustments*

Domestic and export sales commissions

C&BP has made adjustments for domestic and export sales commissions. The sales commissions are paid to Alpine staff. OneSteel ATM is concerned that the commissions paid reflect a salary expense rather than actual sales incentive payments. Sales commissions to salaried staff should be excluded from commissions used to adjust normal values.

Domestic credit

Alpine has stipulated domestic credit terms. Where a customer does not make payment according to these terms and extends the collection period beyond the stipulated term, a downward adjustment to normal value should not reflect the extended collection period. OneSteel ATM requests that C&BP limit the adjustment for credit terms to the stipulated credit period and not the greater average collection period.

Inventory carrying costs

C&BP has accepted costs provided by Alpine from its 'Stock Carrying Cost' workbook to adjust Alpine's normal values downward for domestic inventory carrying costs. Alpine has argued that domestic sales includes sales to Singapore, as these are treated as effectively "domestic" sales.

OneSteel ATM rejects this concession provided to Alpine. The holding costs associated with HSS sales to Singapore that are included as a downward adjustment to normal value are not relevant to Alpine's domestic sales in Malaysia. The acceptance of including inventory holding costs for goods that are not sold domestically is inconsistent with the legislative requirements of only making adjustments for cost differences between the sales in the domestic and export market only.

C&BP is requested to re-assess Alpine's downward adjustment for inventory carrying costs.

Conclusion

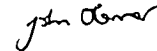
The Alpine Report includes certain matters where C&BP has unable to adequately verify information supplied by the manufacturer. In particular, C&BP could not accurately verify the production costs associated with raw material coil used in the production of HSS. Further, C&BP has accepted Alpine's claim that there are no discernible cost differences between standard HRC and galvanized coil. This claim is unsupported by market information on pricing for the two goods.

OneSteel ATM does not consider that C&BP has identified the relevant rebates Alpine receives from its domestic supplier. It is OneSteel ATM's belief that the benefits received and identified in the previous investigation, continue to be receipted, compensating Alpine for selling into Australia at depressed prices. OneSteel ATM maintains that the rebate/discount is aimed at reducing the HSS export price to Australia and that this is not reflected in the dumping margin determined for Alpine.

The forgoing comments on the Alpine report raise concerns as to the validity of the 3.03 per cent weighted average dumping margin determined for Alpine's exports to Australia. OneSteel ATM submits that the dumping margin is impacted by the matters identified, and that the assessed dumping margin is greater than that determined. It is OneSteel ATM's view that Alpine has not provided information to an adequate level for it to be considered cooperative and that normal values for Alpine cannot be determined under s269TAC(1) or TAC (2)(c) of the Customs Act.

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**