



**Australian Government**  
**Australian Customs and  
 Border Protection Service**

## INVESTIGATION INTO HOLLOW STRUCTURAL SECTIONS (HSS)

### RECORD OF MEETING

#### **CUSTOMS AND BORDER PROTECTION AND AUSTRALIAN STEEL ASSOCIATION (ASA)**

**Date:** Tuesday, 1 May 2012

**Attendees:**

ASA

David Birrell  
*Chief Executive Officer, ASA*

ASA Members

Troy Morrow  
*Financial Controller, Croft Steel*

Darren Hicks  
*National Marketing Manager Long  
 Products, CMC Australia*

Consultant

Merton (Jack) Howard *Consultant,*  
*Howard Consulting P/L*

Customs and Border Protection

Geoff Gleeson  
*Director, Operations 3*

Andrea Stone  
*Manager, Operations 3*

Michelle Gibson  
*Manager, Operations 3*

Rebecca Higgins  
*Supervisor, Operations 3*

**Discussed:**

The ASA explained that it intends to lodge a formal submission in response to the Statement of Essential Facts (SEF), which will provide further details on the matters discussed during the meeting.

Like Goods

- The ASA submitted that hot dipped galvanised pipe (HDG) and large diameter HSS should not be considered 'like goods' for the purposes of this investigation.
- The ASA advised that OneSteel ATM (ATM) no longer produces HDG pipe themselves, but rather has it post-galvanised by an external commercial galvaniser (resulting in an inferior product to imported HDG pipe).
- The ASA further contended that post- galvanising (also known as 'industrial batch galvanising') is not a viable option/substitute for imported HDG pipe for the following reasons:

- pipe below 65mm in wall thickness can not be post-galvanised to commercial standards because the inner part of the pipe can not be cleared sufficiently of the zinc;
  - the pipe after post-galvanising is physically distorted and is not able to be straightened;
  - the post-galvanised pipe is not suitable for bending;
  - the commercial galvaniser cannot 'air blow' the pipe after galvanising, resulting in an inferior finish;
  - the cost is prohibitive;
  - additional material handling affect leadtime, cost and significantly increase the likelihood of surface damage and
  - there are insufficient galvanisers in Australia to meet even half the demand for galvanised HSS.
- The ASA submitted that ATM cannot produce HSS in large dimensions, and stated that they would include details in their formal submission on this point.
  - Customs and Border Protection noted that although the SEF outlined the possibility of applying for an exemption in some cases for goods that fall with the goods description, there is some question as to whether this can in fact be done under the current legal framework.

#### Ascribed Profit

- The ASA observed that the profit margins of Chinese exporters are based on the profit achieved on sales in the ordinary course of trade prior to the uplift of Chinese HRC costs.
- The ASA submitted that this is unreasonable, if the exporters' costs were higher (i.e. post-uplift) they were unlikely to achieve as much profit.

#### Particular Market Situation – Thailand

- The ASA asked Customs and Border Protection to clarify the nature of its ongoing inquiries in respect of the Thai Particular Market Situation assessment.
- Customs and Border Protection responded that it has requested the Government of Thailand provide further information on the nature of its measures with respect to HRC. The letter to the Government of Thailand outlining the inquiries Customs and Border Protection is making, is available on the public record.

#### Material Injury Preliminary Determination & Other Factors

- The ASA submitted that the fact that there was a new Australian manufacturer that entered the HSS market during the investigation period and allegedly grown during this period indicates that the Australian industry is not being materially injured by imports.
- The ASA contended that ATM did not lose sales volume over this period and gained market share, choosing to sacrifice price to gain additional volume and share.
- The ASA submitted that the exchange rate has been formally noted by ATM as impacting the competitiveness and prices attainable in media releases to the market.
- The ASA stated that imports from the countries under investigation have declined by 18 percent during the investigation period, while imports from countries not subject to the investigation, including those from ATM, rose by 66 percent during the investigation period.

- The ASA contended that ATM has made a series of decisions that have adversely affected its business, including its refusal to sell directly to some distributors but rather direct them to their distribution network to purchase ATM-produced HSS, a lack of investment over the investigation period and ATM's decision in 2008 (the peak period for HSS profits) to limit its HDG HSS capacity and to focus on 'high end' HSS products.

#### Non Injurious Price

- The ASA requested Customs and Border Protection consider the following sources in its determination of the non-injurious price (NIP);
  - Customs and/or Bluenet data to consider ATM imports from the countries not subject to the investigation, and
  - Additional imports deemed not to have been dumped should also be considered to determine the lowest source of undumped product.
- The ASA contended ATMs profit from the first nine months of 2008 is an inappropriate profit to apply. The ASA submitted that this period is broadly acknowledge across the industry as being unprecedented period of demand and profitability and is not representative of normal market conditions. The ASA proposed that any profit should be taken from the period 2 years prior and 2 years hence. Additionally profits should be an average of the industry rather than just from the Applicant in isolation.

#### Other

- The ASA queried how a recent subsidy of \$64 million to ATM would be considered as an offset or via a direct reduction in ATMs cost to make and sell?
- The ASA resubmitted that the date of sale should be the date of contract.