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22 May 2012

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 2012/17 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – Market Situation for HSS in Thailand**

OneSteel ATM has reviewed the submission of the Government of Thailand ("GOT") dated 14 May 2012 in response to Statement of Essential Facts ("SEF") No. 177.

It is suggested by the GOT that the price ceiling for hot rolled coil ("HRC") prices is *"purely for monitoring prices and does not represent an enforced ceiling"*. Further, the GOT has stated that the comments attributed to the President of Sahaviriya Steel Industries ("SSI") concerning the impact of the price ceiling as contributing to the losses experienced in its Second Quarter, 2011 financial performance as *"not a reliable source of evidence"*.

OneSteel ATM anticipates that C&BP is interested in SSI's views as to the market impact of the price ceiling. The GOT has sought to dismiss the operation of the price ceiling on HRC as merely a price monitoring tool that permits it to examine to "protect consumers." OneSteel ATM has previously submitted that the intention of the price ceiling extends beyond the mere monitoring of prices – it is a tool of the GOT to influence market outcomes either to support downstream industries via suppressed raw material input prices and/or suppress retail pricing to benefit consumers, supporting broader GOT economic policy.

The explanations of the GOT cannot be relied upon. C&BP must have regard to the comments of the two HRC producers in Thailand (namely, SSI and G-Steel) that have publicly stated the impact of the price ceiling on HRC has negatively impacted both company's profits in the 2011 year (coinciding with the HSS investigation period). It is without challenge that the HRC market participants in Thailand have confirmed that Thai domestic HRC prices are suppressed by the GOT-imposed price ceiling. C&BP must therefore find that as a consequence of the GOT's influence on raw material input HRC prices, the Thai HSS domestic selling prices are similarly impacted (as HRC accounts for up to 90 per cent of the cost of manufacture of HSS) and that a positive finding of a market situation for HSS in Thailand exists.

OneSteel ATM draws C&BP's attention to the attached news article dated 28 March 2011 announcing the proposed removal of the price ceiling on steel and other products in Thailand. In particular, C&BP's attention is drawn to the statement by the Thai Commerce Minister that:

*Commerce Minister Pornniva Nakasai confirmed that her ministry will not extend the current price **control** measures when they expire on March 31, **as manufacturers have shouldered the cost burden** for one and a half years already."(emphasis added).

It is clear from this article that the price ceiling mechanism is in fact a "control" mechanism and that prices have been suppressed and manufacturers have absorbed the losses caused by the price ceiling. C&BP must acknowledge that it is the Thai industry that is best placed to accurately assess whether the price controls suppress the prices and impact profitability – not the GOT.

It is further noted that reference is made to the *"Internal Trade Department is working on a plan to regulate prices after the peg is removed"*.

Conclusion

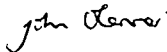
OneSteel ATM rejects the most recent suggestions of the GOT and submits that the operation of the HRC price ceiling extends well beyond price monitoring to significantly influence the domestic price for HRC sold in Thailand and, hence, the domestic market selling price for HSS in Thailand.

The attached article further evidences OneSteel ATM's representations that the GOT has suppressed HRC prices in Thailand during the investigation period and that "manufacturers have shouldered the cost burden" caused by the ceiling mechanism.

It is evident that sufficient **market** information exists (as per SSI and G-Steel) that domestic HRC prices in Thailand are suppressed by the operation of the price ceiling mechanism and therefore a market situation for HSS in Thailand applies.

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**



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Commerce Ministry Not to Extend Price Control

UPDATE : 28 March 2011

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The Commerce Ministry will remove the price ceiling on soybean cooking oil, chemical fertilizers, steel products, and processed milk, as the current price control program expires at the end of this month.

Commerce Minister Pornthira Nakasai confirmed that her ministry will not extend the current price control measures when they expire on March 31, as manufacturers have shouldered the cost burden for one and a half years already.

However, she said a price increase will be limited to certain consumer goods, which account for only ten percent of the total 200 items on the price control list.

Pornthira noted that products subject to the price rise include soybean cooking oil, chemical fertilizers, steel products, and processed milk.

She added that the ministry is also considering revising the price of student uniforms, stationery, canned food, instant noodle, soap, and toothpaste, in light of rising costs.

The minister said the Internal Trade Department is working on a plan to regulate prices after the peg is removed.

Internal Trade Department Director-General Watcharee Wmuktayon said the price of processed milk may increase by 50 satang for 40 package sizes, while that of chemical fertilizers may go up by four to ten percent, depending on the formulas.

She could not tell by how much the prices of steel and soybean cooking oil will rise, as the price increase on such items has yet to be considered by concerned committees.

However, Watcharee said it is unlikely that the price of soybean cooking oil will be increased from 46 baht to 65 baht as requested by some manufacturers.

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