

OneSteel ATM Meeting with C&BP

Thursday, 19 April 2012

AGENDADiscussion Topics**1. Market Situation determination – HSS in Thailand**

- Price ceiling for HRC imposed by Thai Govt suppresses market HRC price
 - Five domestic Thai HRC manufacturers have requested increases to HRC ceiling price;
 - President of SaraVinyha Steel Industry ("SSI") quoted in article on 15 August 2011 that sales revenues down because of "cap" on steel price, despite "escalating costs of raw material".
 - SSI attributed loss in Q2/2011 to three factors including HRC ceiling price – see <http://www.thailand4.com/.fin/2011-08-15/813fbded5c98f8623e230a7c927fc0f4/>
 - SSI anticipates improved conditions in second half of 2011 due to anti-dumping measures applied to imported HRC and improvement of automobile sector;
 - Further supporting evidence of government influence via price cap on HRC is available at the following links:
 - <http://www.thailandoutlook.tv/tan/viewdata.aspx?DataID=1043510> (references Thai Govt 'mulling' over whether to raise cap price for steel);
 - http://www.steelguru.com/sfTCPDF/getPDF/MTk1MzA3/Thai_steel_makers_urged_to_increase_products_prices.html (references Steel Co's having made request for price increase);
 - http://www.clickthaihome.com/news/news_detail.asp?nID=26032&p=1&s=15&t=17 (references that the Thai Commerce Ministry will attempt to curb price increases for construction materials until the end of this year to help shoulder consumers' expenses – Sept 2011);
 - <http://www.nationmultimedia.com/home/Makers-of-range-of-products-fail-to-win-price-hike-30156022.html> (further references for steel companies seeking price increases due to increases in raw materials).
- Demand for HRC in Thailand approximately 5 million tonnes per annum
 - Imports approx 2.1 million tonnes
 - Of total imports:
 - Approx 1 million is HRC xxxx – this is not used in the production of HSS products.
 - Approx xxx sold into automobile industry;
 - Approx xxx imported by xxxxxx for downstream coating facilities
 - As such, almost xxx of HRC (black) does not enter the domestic market for 'general consumption'.
 - Balance 130K is essentially consumed by the HSS industry including Pacific, Saha, etc – with majority converted to HSS for export;
 - On the basis that some imported HRC (excluding import duties) is transformed to HSS exported to Australia (as HSS), why is there no adjustment by C&BP for fair comparison purposes with HSS produced from locally-sourced HRC? [*impact of no adjustment*].

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- C&BP's stance on Particular Market Situation for HSS sold in Thailand fails to consider that HRC has been sold in Thailand at a loss (due to Govt-imposed price ceiling), and that a suppressed HRC price (as is evident in China) contributes to injurious export prices at dumped levels.

2. Dumping of Thai HSS

- OneSteel ATM is concerned that C&BP has determined minus 8.8 per cent margin for Pacific, and minus 3.5 per cent for Saha for the 2010/11 investigation period
 - However, USDOC for the period 1 March 2010 to 28 February 2011 established positive dumping margins of 5.81 per cent and 1.23 per cent for Pacific and Saha, respectively;
 - OneSteel ATM's analysis of Thai RHS pipe & tube exports to US when contrasted with HSS export prices to Australia across investigation period, indicates that the latter is on average \$xx/MT below the former (ref. Attachment ATM 190412.1)
 - o It is reasonable to expect that normal values in US and for Australia should be at about the same level;
 - o With export prices to Australia lower than those to US, how is it that negative dumping margins have been determined by C&BP for Pacific and Saha, whereas positive margins were determined by USDOC?
 - o OneSteel ATM queries the differences in acceptance of verified information between US and C&BP from inquiries (refer USDOC summary document).
- The Thai dumping margins determined by C&BP do not take account and appropriate consideration of Thai HRC price.

3. Market Situation Determination – HSS in China

- OneSteel ATM welcomes C&BP's determination;
- Proposed HRC benchmark for China considered inappropriate (and injurious to Australian industry)
 - Proposed benchmark price for black pipe includes HRC price in [*comment re inclusion in benchmark*];
 - OneSteel ATM does not retract from position that domestic HRC FOT price, Japan is an appropriate benchmark (and supported by Korean producer, Kukje);
 - Notwithstanding, OneSteel ATM submits that C&BP will encounter difficulties in reviewing HRC Benchmark price at a future point in time .
- C&BP proposed adjustment to HRC benchmark price for narrow strip producers in China is erroneous
 - Proposed referred adjustment does not appear to take account of the yield adjustment factor for narrow strip (over HRC);
 - OneSteel ATM has evidenced that the average HRC price in China v average narrow strip price in China, across investigation period, exclusive of VAT, was A\$xxx/MT v \$xxx/MT.
 - Once yield adjustments are taken into account, an upward adjustment to the Chinese narrow strip would therefore be required.