



## **Exporter Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	3/01/2019	<b>ADN:</b>	2019/02
<b>Cases:</b>	Hot Rolled Structural Steel Sections - Review - Korea, Thailand, Taiwan and Japan		
<b>Case Numbers</b>	499 and 505		
<b>Exporter</b>	Siam Yamato Steel Co Ltd		
<b>Location</b>	1 Siam Cement Road, Bang Sue, Bangkok, Thailand		
<b>Verification from</b>	20/03/2019	<b>to</b>	25/03/2019
<b>Investigation &amp; Review Period</b>	1/01/2018	<b>to</b>	31/12/2018

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**CONTENTS**

**CONTENTS .....2**

**1 COMPANY BACKGROUND .....4**

1.1 CORPORATE STRUCTURE AND OWNERSHIP .....4

1.2 RELATED PARTIES .....4

**2 THE GOODS AND LIKE GOODS .....5**

2.1 PRODUCTION PROCESS .....5

2.2 MODEL CONTROL CODES (MCCs) .....5

2.3 THE GOODS EXPORTED TO AUSTRALIA .....7

2.4 LIKE GOODS SOLD ON THE DOMESTIC MARKET .....7

2.5 MODEL MATCHING .....7

2.6 LIKE GOODS – ASSESSMENT .....8

**3 CONTINUATION .....9**

3.1 PRODUCTION CAPACITY .....9

3.2 DOMESTIC MARKET .....9

3.3 EXPORT MARKETS .....9

**4 UPWARDS VERIFICATION OF SALES .....10**

4.1 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE .....10

4.2 COMPLETENESS AND RELEVANCE FINDING .....11

4.3 COMPLETENESS AND RELEVANCE FINDING .....11

**5 DOWNWARDS VERIFICATION OF SALES .....12**

5.1 VERIFICATION OF SALES ACCURACY .....12

5.2 SALES ACCURACY FINDING .....13

**6 COST TO MAKE AND SELL .....15**

6.1 VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA .....15

6.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA .....15

6.3 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA .....15

6.4 VERIFICATION OF CTMS ALLOCATION METHODOLOGY .....15

6.5 VERIFICATION OF CTMS METHODOLOGY FINDING .....16

6.6 VERIFICATION OF ACCURACY OF CTMS DATA .....16

6.7 ACCURACY FINDING OF CTMS DATA .....17

6.8 ACCURACY FINDING OF CTMS DATA .....17

**7 EXPORT PRICE .....18**

7.1 THE IMPORTERS .....18

7.2 THE EXPORTER .....18

7.3 ARMS LENGTH .....18

7.4 EXPORT PRICE – ASSESSMENT .....18

**8 DOMESTIC SALES SUITABILITY .....19**

8.1 ARMS LENGTH .....19

8.2 ORDINARY COURSE OF TRADE .....19

8.3 SUITABILITY OF DOMESTIC SALES .....19

8.4 PROFIT .....20

**9 ADJUSTMENTS .....21**

9.1 RATIONALE AND METHODOLOGY .....21

9.2 ADJUSTMENTS .....25

## **PUBLIC RECORD**

<b>10</b>	<b>NORMAL VALUE.....</b>	<b>27</b>
<b>11</b>	<b>DUMPING MARGIN.....</b>	<b>28</b>
<b>12</b>	<b>APPENDICES AND ATTACHMENTS .....</b>	<b>29</b>

# **1 COMPANY BACKGROUND**

## **1.1 Corporate Structure and Ownership**

Siam Yamato Steel Co Ltd (SYS) is a privately company with multiple shareholders.

SYS produces a range of steel based products, including H-beams, channels, sheet piles, I-beams and angles. SYS also sells a range of semi-finished goods, including blooms and billets.

SYS predominantly sold its products on the Thai domestic market and exported goods to multiple countries which were predominately in the Southeast Asian Region.

SYS has limited transactions with related parties in relation to the provision of services, purchases of raw materials and the sale of goods.

## **1.2 Related Parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

### **1.2.1 Related Customers**

The verification team did not identify any export customers to which SYS was a related party.

The verification team identified three domestic customers to which SYS was related, two of which purchased non-negligible volumes of like goods during the review period.

The verification team compared the sales of related and unrelated domestic customers through price analysis of net invoice values and rebate values, taking into account level of trade, product shape and grade. The verification team also compared individual sales listings for goods of identical shape, grade, level of trade and month of invoice.

The verification team found that sales were made at comparable price and with comparable rebates offered between related and unrelated customers. Taking into account the lack of price difference and the similarity in sales process and sales terms between related and unrelated customers, the verification team concluded that sales between SYS and related parties were made at arms length prices.

### **1.2.2 Related Suppliers**

Certain services and functions were provided to SYS by entities within SYS's ownership group. The verification team is satisfied that the cost of these arms services and functions were fully accounted for through payments made by SYS to these entities.

SYS, at times, purchased raw materials from various related parties. The verification team tested these transactions and found that the costs paid represented an arm's length cost in all but in the one instance where raw materials were purchased from an entity less than market cost. However, the transactions with this one entity accounted for less than 0.02% of purchases. The verification team considered these transaction to be immaterial.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

SYS produces steel through an electric arc furnace, producing beam blanks, blooms and billet.

These semi-finished goods are introduced into a heat furnace to reach the required temperature before further processing. Semi-finished products are extracted from the reheat furnace, descaled and transferred to the rolling mills where they are manufactured into finished goods.

Finished goods are then stored for a limited period of time before being transported to the customer or are collected by the customer.

### 2.2 Model Control Codes (MCCs)

Siam Yamato Steel Co Ltd provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the MCC mandatory structure detailed in Consideration Report No. 499.

SYS during the course of the verification raised concerns regarding the MCC. SYS's concerns primarily concerned the arbitrary nature of the minimum yield strength of 265 MPa used to determine models falling within the A or B Category. SYS's concerns were that:

- the 265 MPa was a meaningless and arbitrary designation which had no meaningful relevancy to the Thai market or the Australian market; and
- the B category had no upper limit which meant that highly specialised models which had significantly higher minimum yield strengths than the Australian model would be matched with the model exported to Australia.

SYS submitted that the Commission must rely on the actual physical characteristics which included Yield Strength (MPa), Tensile Strength (MPa) and Carbon Equivalency (CE). SYS referred to findings made in the original investigation final report (Report 223) to support its position. SYS also advised that it aimed to manufacture HRS products to be higher than the minimum MPa prescribed in the relevant standards.

SYS further claimed that the MPa should be based on actual yield strength as denoted on the mill test certificate, which they had supplied details of for every sale.

SYS further proposed the Yield Strength sub categories (based on actual yields) be modified to (direct quote):

- A- Less than 265 MPa
- B- 265 MPa but not greater than 370 MPa
- C- Greater than 370 MPa

During the verification SYS prepared a table comparing the relevant requirements of each relevant standard in regard to yield strength, tensile strength and CE. SYS also included information on their actual test results for all production during 2018 under each of the grades in the table. SYS also provided copies of Thai standards SS400, SM490 and SM520.

The verification team verified the actual results in the table to SYS's mill certificate test (MTC) database. The verification team further tested the entries in the test database against a selection of the mill certificates provided to the verification team (i.e., confirmed that these mill certificate

## PUBLIC RECORD

results were recorded in the MTC database). The verification team was satisfied that the table was an accurate summary of SYS's MTC results for 2018.

The verification team notes that the Commission's Dumping Subsidy Manual states, in part, in relation to MCC structures that:

*The Commission undertakes model matching using a Model Control Code (MCC) structure to identify key characteristics that will be used to match models of the goods exported to Australia and like goods sold domestically in the country of export. In determining the MCC structure, the Commission will have regard to differences in physical characteristics that give rise to distinguishable and material differences in price. Unit costs may also be taken into account in assessing differences in physical characteristics where the Commission is reasonably satisfied that those cost differences affect price comparability. An assessment such as this may be required, for example, where the models sold domestically and the models exported to Australia are different.<sup>1</sup>*

The verification team undertook a pricing analysis of the differing grades sold in the Thai domestic market to establish to what extent differences in standards had an effect on prices in the Thai market. Sales were grouped by common grade, shape, level of trade and sale month.

The results of this analysis are contained in the verification team's confidential work program.

Having considered the evidence presented by SYS, the verification team considers that the MCC categories for yield strength should be based on the minimum yield strength in the relevant standard, not the actual strength on the MTC. This is because customers buy on the basis of the standard that the HRS meets, rather than the actual MTC results. During the course of the verification SYS advised that, to maintain its reputation, it does not seek to 'up-sell' HRSS which was manufactured to meet one grade but, once produced, met the standards of a higher grade. SYS further advised that it only produced goods upon customer order and that the customer would specify the grade at the time of order.

The verification team considers that, given the closer alignment of the AS/NZS 3679.1-300 (AS300) grade prices in the Thai domestic market and the pricing of a certain Thai grade in the domestic market, that the minimum yield strength should be reduced to 245 MPa for category B so that it is consistent with the requirements of the relevant Thai standard. The verification team also considers that a maximum yield strength should also be applied to category B and that this should be set below the minimum yield strength for a Thai grade with a higher minimum yield strength given the price difference to the AS300 grade and the lower yield strength Thai grade. The verification team also notes that the Australian Standards also specify a higher grade HRSS (AS350) which has a minimum yield strength of 340 MPa which is more broadly consistent with the requirements of the higher Thai grades regarding yield strength.

Cat	Minimum Yield Strength (based on standard minimum)
A	Less than 245 MPa
B	Equal to or greater than 245 MPa, and less than 325 MPa
C	Equal to or greater than 325 MPa

**Proposed Revised Categories for Yield Strength**

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<sup>1</sup> Anti-Dumping Commission Dumping and Subsidy Manual – November 2018, Page 60.

## **PUBLIC RECORD**

Whilst SYS has raised concerns regarding comparability based on tensile strength and CE, no evidence has been presented establishing that these characteristics affect price to a greater extent than yield strength, given that all the standards have varying tensile strengths requirements and may or may not specify a maximum CE value. As a consequence, the verification team has focused its analysis on yield strength for the purposes of the assessing SYS's claims regarding the MCC structure. The case team may wish to consider a broader range of characteristics.

### **2.3 The goods exported to Australia**

The verification team were satisfied that Siam Yamato Steel Co Ltd produced and exported the goods to Australia. Siam Yamato Steel Co Ltd exported the goods to Australia with the following models control codes (MCCs) during the period:

- P-C-B
- P-H-B

### **2.4 Like goods sold on the domestic market**

The verification team were satisfied that Siam Yamato Steel Co Ltd sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

Siam Yamato Steel Co Ltd sold like goods on the domestic market with the following MCCs during the period:

- P-C-B
- P-C-C
- P-H-B
- P-H-C
- P-I-C
- P-L-C

### **2.5 Model matching**

The verification team considered the following categories when comparing sales of domestic models and export models.

## PUBLIC RECORD

Category	Characteristics of Category & Rationale for Model Matching	Used in Model Matching
Prime	Prime or non-prime. This category was included by SYS however it is noted that all goods sold by SYS during the review period were prime.	Y
Shape	The category of shape aligned to the MCC structure. The verification team identified that shape affects the end use of the goods in construction projects.	Y
Minimum yield strength	The category of minimum yield strength aligned to the MCC structure. The verification team identified during the verification that yield strength was a primary factor considered by customers when determining suitability of steel for a project, in conjunction with price considerations.	Y

### 2.6 Like goods – assessment

The verification team considers that the goods produced by Siam Yamato Steel Co Ltd for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>2</sup>

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<sup>2</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.



### **3 CONTINUATION**

The verification team asked SYS questions relating to Continuation 505.

#### **3.1 Production capacity**

The verification team verified the capacity utilisation of SYS for the GUC and found it to be high with some limited capacity for further production. This figure is based on what SYS considers to be its best possible production capacity based on multiple variables. It is noted that this production capacity is close to the nameplate capacity of its plants.

SYS advised that it had no future plans to increase its production capacity.

#### **3.2 Domestic market**

SYS advised that it was primarily focused on supplying the domestic market, as evidenced by the portion of goods sold on the domestic market. SYS advised that after the recent democratic election there would be an improved investment environment in Thailand and they anticipated increased demand for the GUC in for new building and construction projects. SYS advised that it was the only integrated producer of the GUC in Thailand and faced no significant competition from other domestic producers. SYS advised that, like any producer of the goods, it faced competition from alternative materials which could be used in construction projects, such as concrete and steel pipe.

They anticipated that they may face increased competition from imported goods with the recent removal of safeguard measures in Thailand.

#### **3.3 Export markets**

SYS advised that it primarily focused on the Southeast Asian market. In the Australian market it maintained a relationship with a single Australian customer and was not interested in supplying other importers in the Australian market as they felt this would be detrimental.

## 4 UPWARDS VERIFICATION OF SALES

### 4.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to SYS's management accounts in accordance with ADN. No 2016/30, noting that audited financial reports were unavailable.

The verification team notes that, at the time of verification, SYS had not yet received an audited financial statement for its accounts in the 2018 calendar year, nor did SYS have tax returns for the 2018 calendar year. Being unable to reconcile the domestic and export sales listings to audited accounts or tax returns, the verification team relied on information from SYS's management accounts to reconcile values to the sales listings. The verification team compared SYS's management accounts with SYS's audited financial statements for 2016 and 2017. The verification team found the management accounts to be consistent with SYS's previous financial statements. Information from SYS's internal accounting system was also shown live to the verification team during the verification. To allow the verification team further analysis, SYS also provided the verification team with master lists of all SYS sales in 2018 based on data sourced directly from SYS's internal accounting system and a list of all SYS account codes and corresponding 2018 totals.

The verification team reconciled the total goods sold in SYS's accounting system with the separate sales listings for domestic, export and third country sales. Noting that sales, inventory and production volumes were recorded through different internal systems, the verification team also compared the total goods sold in SYS's accounting system with the inventory quantities at the end of 2017 and 2018 and the total 2018 production volumes. The verification team was satisfied that the sales, inventory and production volumes reconciled to a sufficient degree.

The verification team also compared SYS's export sales listing to the Australian Border Force's (ABF's) confidential export data and to the 2016 and 2017 audited financial statements. The verification team did not identify any exceptional discrepancies between the ABF data and SYS's export sales listings, taking into account the typical lead time between the date of sale and the date of arrival at an Australian port of SYS's goods. The verification team was satisfied that the sales income and proportion of sales income in relation to total revenue were consistent with previous years' audited financial statements.

The verification team noted that SYS relied on internal product codes to identify which export sales qualified as the GUC based on the goods description, as well as which domestic sales qualified as like goods. The verification team reconciled the product codes associated with each sample sale to the corresponding goods description and selected additional samples to further verify the product code system. The verification team was satisfied that SYS's internal product codes accurately classified goods to several criteria, including those criteria necessary to identify export sales as the GUC and domestic sales of like goods.

## PUBLIC RECORD

### 4.1.1 Exception during Verification of Sales Accuracy

No.	Exception	Resolution	Evidence Relied On
1	<p>The export and third country sales listing gross invoice value totals did not align with the corresponding gross invoice totals in the internal accounting system's list of all sales in the relevant period.</p> <p>Sales quantities for the relevant period matched exactly between sales listings and the internal accounting system list.</p>	<p>The verification team was satisfied on the basis of the downwards verification of sales (described further below) that the export gross invoice value totals were accurate.</p>	<ul style="list-style-type: none"><li>• Export and third country sales listings</li><li>• Internal accounting system list of all sales</li><li>• Downwards verification documents (described further below).</li></ul>

### 4.2 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the exporter questionnaire response by SYS is complete and relevant.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

### 4.3 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the exporter questionnaire response by SYS is complete and relevant.

**5 DOWNWARDS VERIFICATION OF SALES**

**5.1 Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to SYS's management accounts in accordance with ADN. No 2016/30, noting that audited financial reports were unavailable.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**5.1.1 Exceptions during Verification of Sales Accuracy**

No.	Exception	Resolution	Evidence Relied On
1	<p>The export sales listing included miscalculated adjustments. The export sales omitted an adjustment identified during verification.</p> <p>SYS and the verification team identified the issues during discussions about SYS's export sales process and examination of SYS's 2018 financial records on SYS's internal accounting systems.</p>	<p>SYS provided the verification team with an amended export sales listing.</p>	<ul style="list-style-type: none"> <li>• Calculation documents.</li> <li>• Accounting system entries.</li> <li>• Adjustments overview documents outlining the purpose for adjustments claimed.</li> </ul>
2	<p>The domestic sales listing included miscalculated adjustments. The export sales omitted an adjustment identified during verification.</p> <p>SYS and the verification team identified the issues during discussion about SYS's export sales process and examination of SYS's 2018 financial records on SYS's internal accounting systems.</p>	<p>SYS provided the verification team with an amended domestic sales listing.</p>	<ul style="list-style-type: none"> <li>• Calculation documents.</li> <li>• Accounting system entries.</li> <li>• Adjustments overview documents outlining the purpose for adjustments claimed.</li> </ul>

**PUBLIC RECORD**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>	<b>Evidence Relied On</b>
3	<p>The invoice dates — being the claimed date of sale — in the export sales listing did not correspond with the commercial invoices provided as source documentation.</p> <p>The verification team identified the issue when comparing selected samples in the export sales listing with the corresponding source documentation.</p> <p>SYS had no audited financial statement or other audited financial document for calendar year 2018 at the time of verification. Because of this, the verification team was unable to compare the sales values and volumes with any financial information verified by a third party.</p> <p>The verification team noted that in the Commission’s previous verification of SYS (in Review 346) the invoice date discrepancy was identified during verification but not included as an exception in the corresponding exporter visit report. The verification team notes that, in the previous verification, the Commission was able to compare SYS’s total sales values in its internal accounting system to an audited financial statement for the relevant period.</p> <p>The verification was unable to identify sufficient information to account for the invoice date discrepancy provided during the current visit as well as the information retrieved in relation to the previous verification.</p>	<p>The verification team received further information from SYS about the nature of its invoicing system. SYS stated that its internal sales records have invoice dates as the latest date where documentation was submitted to the customer. SYS stated this latest date may include the date on which a document was resent to a customer, not the original date of invoice. SYS also stated that an invoice date in its accounting system may change due to a change in payment terms.</p> <p>SYS provided additional information regarding its end-2017 and early-2019 export sales, which the verification team used to compare to the export sales listing and SYS’s internal accounting system data.</p> <p>The verification team did not identify any other relevant source document dates which consistently and closely aligned with the sales listing invoice dates.</p> <p>The verification team was unable to identify the invoice date in the sales listing with the date listed on export source documents. The verification date did not adjust the export invoice dates, noting the variation in discrepancy on a sample-to-sample basis between selected sales listing invoice dates and source documents. This variation made estimating a shift in dates difficult to assess.</p> <p>The verification team has therefore not made any amendments to the date of sale.</p>	<ul style="list-style-type: none"> <li>• Export sales listing.</li> <li>• Additional sales listing for end-2017 and early-2019 sales.</li> <li>• Sample invoice dates.</li> <li>• Sample packing lists.</li> <li>• Sample bills of lading.</li> <li>• Email from SYS with statements explaining the difference in invoice dates between its sales listing and source documentation.</li> </ul>

**5.2 Sales Accuracy Finding**

The verification team are satisfied that the sales data provided in the exporter questionnaire response by SYS is accurate with the exception of confirming the export date of sale.

## **PUBLIC RECORD**

The verification team identified issues during this process. Prior to the verification visit, SYS provided an updated export sales listing to the verification team. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**6 COST TO MAKE AND SELL**

**6.1 Verification of completeness and relevance of CTMS data**

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ by reconciling it to management accounts in accordance with ADN No. 2016/30, noting that audited financial reports were unavailable.

At the time of completion of the verification the audit of its SYS's financial statements had not been completed. As consequence, the verification team relied on its management accounts for competing the upwards verification. To test the veracity and completeness of the management accounts the verification team compared the management accounts to the audited accounts of prior years and found them to be consistent.

**6.2 Completeness and Relevance Finding of CTMS data**

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

**6.3 Completeness and Relevance Finding of CTMS data**

The verification team are satisfied that the cost to make and sell data provided in the exporter questionnaire response is complete and relevant.

**6.4 Verification of CTMS Allocation Methodology**

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Standard cost of the applicable model, with variances captured in overhead costs, by allocated by sales quantity.	Accounting ledgers, bill of materials, standard costing records, source documents including invoices and bank statements showing payment.
Scrap Allocation	Self-produced scrap is valued based on the cost of low value purchased scrap allocated by quantity consumed.	Accounting ledgers, source documents including invoices and bank statements showing payment.

## PUBLIC RECORD

Cost Area	Methodology Applied	Evidence Relied On
Manufacturing Overheads	Standard cost, actual cost of manufacturing overheads incurred and standard cost variances allocated by sales volume.	Accounting ledgers, standard cost records, source documents including invoices and bank statements showing payment
Labour	Standard cost, actual cost of labour incurred and standard cost variances allocated by sales volume.	Accounting ledgers, standard cost records, source documents including invoices and bank statements showing payment
Depreciation	Straight line depreciation method.	Accounting ledgers, Depreciation Schedule.

The verification team identified that SYS allocated their cost to manufacture based on sales volume and not production volume. SYS, which used standard costs, provided evidence on why it used sales volumes internally. The verification team conducted further analysis and is satisfied that the use of sales volumes, as opposed to production volumes, had no material impact on the allocation of costs.

### 6.5 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the CTMS data provided in the exporter questionnaire response is reasonable.

### 6.6 Verification of Accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.



## PUBLIC RECORD

### 6.6.1 Exceptions during Verification of Accuracy of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Costs for a domestic sales depot had been allocated across all sales and the allocation was based on sales value, not sales volume.	SYS provided a revised CTM (cost to manufacture) which allocated the cost based on domestic sales volume	CTM provided with questionnaire response, SYS worksheet for allocation of CTM.
2	CTM was not provided in sufficient granularity to enable appropriate model matching based on the relevant MCC's yield strength.	SYS provided a revised CTM which included costs at the correct level of granularity	CTM provided in questionnaire response, SYS standard cost master spreadsheet and SAP Bill of materials listing and standard cost variances.
3	SG&A had been over allocated for domestic sales.	The verification team amended the SG&A costs to remove direct export SG&A costs and to remove direct domestic costs which may result in an over allocation of SG&A expenses.	SG&A calculations provided with questionnaire response and data provided during verification.
4	SG&A had not been allocated to the MCC level	The verification team allocated SG&A costs to the MCC level.	SG&A calculations provided with questionnaire response and data provided during verification.

### 6.7 Accuracy Finding of CTMS data

The verification team are satisfied that the CTMS data provided in the exporter questionnaire response by, including any required amendments as outlined as an exception above, is accurate.

### 6.8 Accuracy Finding of CTMS data

The verification team are satisfied that the cost to make and sell data provided in the exporter questionnaire response is accurate.

## 7 EXPORT PRICE

### 7.1 The importers

In relation to the goods exported by Siam Yamato Steel Co Ltd to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

### 7.2 The exporter

The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

The verification team were satisfied that for all Australian export sales during the period the verification team considers Siam Yamato Steel Co Ltd to be the exporter of the goods.

### 7.3 Arms length

In respect of Siam Yamato Steel Co Ltd's Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>3</sup>

The verification team therefore considers that all export sales to Australia made by Siam Yamato Steel Co Ltd during the period were arms length transactions.

### 7.4 Export Price – assessment

In respect of Australian sales of the goods by Siam Yamato Steel Co Ltd, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>3</sup> Section 269TAA of the Act refers.

## 8 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

### 8.1 Arms length

In respect of domestic sales of the goods made by Siam Yamato Steel Co Ltd to its customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Siam Yamato Steel Co Ltd to domestic customers during the period were arm's length transactions.

### 8.2 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods for those models exported to Australia to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

The results of the verification team's testing of the ordinary course of trade are as follows.

Number of Models	Models in OCOT <sup>4</sup>
7	4

### 8.3 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Low volume is defined by subsection

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<sup>4</sup> Some models were excluded from the verification team's testing of the ordinary course of trade due to the degree of difference to any export models sold during the review period.

## PUBLIC RECORD

269TAC(14) as less than 5 percent of the total volume of the goods under consideration that are exported to Australia.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is detailed below:

<b>Export MCCs</b>	<b>Sufficient sales of identical model sold on the domestic market</b>	<b>Surrogate model identified</b>
P-C-B	Yes	N/A
P-H-B	Yes	N/A

### 8.4 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team has calculated an amount of profit as follows should a normal value be required under this provision.

The verification team has calculated profit with regard to subsection 45(2) of the *Customs (International Obligations) Regulation 2015* as the sum of extended profit divided by the sum of extended cost to make and sell weighted across all domestic sales in the ordinary course of trade.<sup>5</sup>

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<sup>5</sup> To establish sales in OCOT for shapes not exported to Australia and used in the subsection 45(2) determination, the verification team relied on the domestic CTMS by shape that was not further broken down to cost by grade. Given that normal values have been established under Section 269TAC(1), this calculation is not relevant to establishing normal values.

**9 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free-alongside (FAS) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

**9.1 Rationale and Methodology**

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
Domestic credit terms	Domestic sales include variable credit terms. Accordingly, domestic credit should be calculated.	<p>Calculated interest rate as the average minimum lending rate for commercial banks in 2018, per the bank of Thailand. Used actual payment terms in calculation.</p> <p>This calculation differs from the methodology claimed by SYS, which relied on an interest rate set by an internal company notice.</p>	<ul style="list-style-type: none"> <li>Bank of Thailand lending rates.</li> <li>Domestic sample invoices and rebate documents confirming payment terms, gross invoice value and net invoice value.</li> </ul>	Y
Domestic inland transport	Domestic inland transport costs differ to the export transport costs: domestic inland transport included goods sent to Sriracha depot; export goods sent to port near SYS factories.	<p>Total domestic inland freight costs for all goods were calculated monthly in SYS's accounting system.</p> <p>The monthly weighted average domestic inland transport cost was calculated by dividing the relevant quantity for each month by the corresponding like goods inland freight cost.</p>	<ul style="list-style-type: none"> <li>Domestic sales listing.</li> <li>SYS adjustment presentation.</li> <li>Accounting system screenshots for each month of the total freight to customers' value.</li> <li>Example transport receipt and invoice from a domestic transport company.</li> </ul>	Y

**PUBLIC RECORD**

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
Domestic handling	Domestic freight costs relate to the freight transfer to the depot, which is not used in relation to export sales.	The total monthly handling costs were divided by the total monthly quantities of goods assigned to the depot. This produced a monthly handling cost, which was allocated on a weighted average basis.	<ul style="list-style-type: none"> <li>• Domestic sales listing.</li> <li>• SYS adjustment presentation.</li> <li>• Accounting system screenshots for each month of the handling account codes in SYS's accounting system.</li> </ul>	Y
Domestic commission	<p>Certain domestic sales require payment of a commission as a percentage of total sales value to a related party.</p> <p>In addition, some sales require commission to be paid to the related-party trader that engaged the customer.</p>	<p>Commission proportions are calculated with respect to gross invoice values less discounts.</p> <p>SYS pays a set percentage of the gross invoice value minus discounts. Set percentage varies depending on whether sale is to its related customers or trader.</p>	<ul style="list-style-type: none"> <li>• Price quotation for goods sold via applicable dealer.</li> <li>• Commission payment documents for relevant entities.</li> </ul>	Y
Domestic marketing expense/promotional activities	<p>SYS does not advertise directly to the Australian market. SYS also has a variety of domestic marketing activities, including advertising which SYS claimed related solely to like goods and not SYS as a whole.</p> <p>SYS provided a list of internal account codes associated with its claimed marketing expenses. SYS provided an additional detailed listing of some claimed marketing expenses from its internal accounting system.</p>	N/A; the verification team has excluded domestic marketing expense adjustments.	<ul style="list-style-type: none"> <li>• Marketing promotional material evidence.</li> <li>• Statement of accounts.</li> </ul>	Y

**PUBLIC RECORD**

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
	<p>The verification team were able to identify marketing programs relevant to certain grades of goods but identified shapes of goods outside the goods description to which these programs also applied.</p> <p>The verification team did not allow the marketing adjustment for the following reasons:</p> <ul style="list-style-type: none"> <li>• certain costs were considered to general advertising for SYS and not specific to any particular products sold by SYS; and</li> <li>• for other marketing costs which was related to products sold by SYS, the verification team was unable to determine which of those marketing costs were exclusive to the domestic like goods.</li> </ul>			
Domestic bank charges	Domestic bank charges differ from export bank charges.	The total domestic bank charges fee, filtered for domestic sales, divided by the total tonnage of all goods sold domestically.	<ul style="list-style-type: none"> <li>• Adjustments stated in domestic sales listing.</li> <li>• List of relevant (domestic) bank charges.</li> <li>• Bank charge calculation.</li> </ul>	Y
Export inland transport	Export inland transport is to the port.	The total inland transport cost (determined as a set amount from transportation contract) divided by the total Australian sales tonnes for 2018 (including non-GUC exports).	<ul style="list-style-type: none"> <li>• Export inland transport calculation.</li> <li>• Export inland transport</li> </ul>	Y

**PUBLIC RECORD**

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
			account information.	
Export handling charges	Export port handling charges differ from handling costs to depot for domestic goods.	The total Australian-allocated delivery expenses, less the total inland transport cost, divided by the total Australian sales tonnes for 2018 (including non-GUC exports).	<ul style="list-style-type: none"> <li>• Export handling calculation.</li> <li>• Export handling live confirmation.</li> </ul>	Y
Export bank charges	Domestic bank charges differ from export bank charges.	Total Australian bank charges for 2018 divided by the Australian sales quantity.	<ul style="list-style-type: none"> <li>• Export bank charges calculation.</li> </ul>	Y
Export ACRS accreditation fee	<p>SYS pays an ACRS accreditation fee, which relates to sales of Australian-grade goods.</p> <p>The verification team considered whether an ACRS accreditation was necessary to apply in this verification. After reviewing the evidence, the verification team has concluded this accreditation fee is not necessary to include as an adjustment to the normal value.</p> <p>Specifically, the accreditation fee was not considered by SYS in relation to pricing decisions. The verification found no evidence to suggest that pricing was influenced by the accreditation fee. An analysis of the pricing did not identify any pricing effects attributable to the accreditation fee.</p>	N/A; the verification team has excluded ACRS accreditation adjustments.	<ul style="list-style-type: none"> <li>• Information from SYS explaining ACRS total and allocation.</li> <li>• ACRS accreditation payments.</li> <li>• ACRS website.</li> <li>• Price analysis of SYS sales.</li> </ul>	N
Export credit terms	Export goods had variable payment terms, so credit calculation was required.	Average payment term days taken as total actual credit term days — taking into account export payments made in instalments — which are then weighted across all export sales. Payment terms interest rate taken as	<ul style="list-style-type: none"> <li>• Bank of Thailand lending rates.</li> <li>• Sample invoices confirming payment terms</li> </ul>	Y



**PUBLIC RECORD**

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Evidence	Claimed in REQ?
		the same as domestic Thai interest rate calculated for domestic credit terms (see domestic credit terms calculation above).	and gross invoice values. <ul style="list-style-type: none"> <li>Evidence of payment installations.</li> </ul>	
Domestic and export royalty fees	<p>SYS claimed adjustments to account for differences in the domestic and export sales allocation of royalty fees paid by SYS to two of its related entities.</p> <p>During the verification, SYS and the verification team identified a miscalculation in the royalty fee allocation method. Once corrected, the royalty fee allocation was weighted identically for each domestic and export sale.</p> <p>Because the royalty fee was allocated across all domestic and export sales equally, royalty fee adjustments would have no effect on the normal value or dumping margin. The verification team has therefore excluded royalty fee adjustments.</p>	N/A; the verification team has excluded domestic and export royalty fee adjustments.	<ul style="list-style-type: none"> <li>Domestic and export royalty fee calculations.</li> <li>Royalty fee source documents.</li> </ul>	Y

**9.2 Adjustments**

Adjustment Type	Deduction/addition
Domestic credit terms	Deduction
Domestic inland transport	Deduction
Domestic handling	Deduction
Domestic commission	Deduction

## PUBLIC RECORD

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic bank charges	Deduction
Export inland transport	Addition
Export handling charges	Addition
Export bank charges	Addition
Export credit terms	Addition

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## 10 NORMAL VALUE

The verification found that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 9.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## **11 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by Siam Yamato Steel Co Ltd (SYS) for the period is **5.0 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

The verification team notes that SYS has advised that it disagrees with aspects of the dumping margin calculation methodology. Accordingly, SYS has notified the Commission that it may make a submission that aspects of the dumping margin calculation methodology should be changed.

**12 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program