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04 May 2020

The Director  
Investigations 1  
Anti-Dumping Commission

**By Email:** [investigations1@adcommission.gov.au](mailto:investigations1@adcommission.gov.au)

Dear Director,

**REVIEW OF MEASURES No. 529 (REV 529)- HOLLOW STRUCTURAL SECTIONS (HSS) EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (CHINA), THE REPUBLIC OF KOREA (KOREA), MALAYSIA, TAIWAN AND THE KINGDOM OF THAILAND (THAILAND)**

Austube Mills Pty Ltd (**Austube Mills**) provides the following submission to the Anti-Dumping Commission (the **Commission**) for REV 529 concerning HSS exported from Thailand by Thai Premium Pipe Company Limited (**TPP**).

Austube Mills has concerns and requests clarification in the following areas as noted in this submission:

- Cost of coil
- Export terms and adjustments
- Foreign exchange gains and losses
- Export and domestic models
- Credit terms and domestic commission
- Finance costs
- Dumping margin

**1. Cost to make (CTM)**

Cost of Coil

Austube Mills notes that TPPs' Exporter Questionnaire response and the verification report indicates that TPP allocates cost by product.

Our company's cost accounting system records production costs in the level of Item Code of each product specification<sup>1</sup>.

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<sup>1</sup> EPR REV 529/021, p.26

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TPP reallocated the HRC costs across all MCC's to allocate the higher costs of galvanised HRC to only the pre-galvanised HSS<sup>2</sup>.

Austube Mills observes that there does not appear to be any provision of or verification of costs for the different markets, domestic and export, for HSS.

Reporting a single cost of coil for the export and domestic markets, regardless of whether such costs are down to a product level, gives an erroneous cost as imported coil used to make domestic HSS is subject to import duties, including anti-dumping and safeguard duties, whilst imported coil used to make exported HSS is not subject to the same duties.

The resulting single cost for markets leads to the cost of domestic HSS being understated as the full cost of import duties has not been correctly allocated to the coil used to make the domestic HSS.

This issue was addressed in the verification report for Saha Thai in the original investigation, Investigation 254 (INV254) where the verification team stated:

We noted that although Saha Thai's CTMS is calculated down to the product code level, it does not differentiate between the costs of domestic and export HSS and that import duties paid is applied equally between domestic and export HSS. The visit team considered that as exported HSS is exempted from import duties and only HSS sold domestically attracts import duty, a reallocation of imported duty to the cost of domestic HSS is required.<sup>3</sup>

Austube Mills notes that Thailand's most recent reports<sup>4</sup> for the period ending 31 December 2019 to the *World Trade Organisation (WTO)* shows that:

- anti-dumping duties continue to apply to Hot Rolled Coil (HRC) and hot rolled steel not in coils imported into Thailand from 19 countries;
- Anti-dumping duties continue to apply to Cold Rolled Coil (CRC) and cold rolled steel not in coils imported into Thailand from three countries; and
- Anti-dumping duties continue to apply to zinc and galvanised steel from four countries.

The above products subject to anti-dumping duties can be used to manufacture HSS subject to the measures.

In addition, Austube Mills notes that Thailand reports to the WTO state that safeguard measures continue to apply to imports of HRC. The safeguard measures were first imposed in June 2014 and extended for a further three years in June 2017 to June 2020. The measures do not apply to developing countries so long as their share of imports do not exceed 3%. The safeguard measures also do not apply to products that will be processed into a finished product that will be exported from Thailand.

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<sup>2</sup> EPR REV 529/038, p.11

<sup>3</sup> EPR INV 254/031, p.25

<sup>4</sup> [https://www.wto.org/english/thewto\\_e/countries\\_e/thailand\\_e.htm](https://www.wto.org/english/thewto_e/countries_e/thailand_e.htm)

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The relevant safeguard duty for the period of review for REV529 was 20.87% of the c.i.f. (cost insurance and freight) price for 7 June 2018 – 6 June 2019 and 20.74% of the c.i.f. price for 7 June 2019 to 6 June 2020. It appears that the safeguard measures are in addition to any anti-dumping duties that apply.

Austube Mills requests that the Commission re-examine the cost of coils in TPP's data and allocate all import duties solely to the cost of coil used to manufacture HSS for the domestic market to ensure accurate and correct CTM, OCOT, specification adjustments and constructed normal values are applied.

## **2. Export terms and adjustments**

### Export terms

Austube Mills notes that TPP states in its Exporter Questionnaire response that export delivery terms are FOB, (Free On Board) and C&F (cost and freight)<sup>5</sup>.

The verification report confirms the above terms noting that TPP:

- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight and marine insurance<sup>6</sup>.

However, the adjustment section of the verification report notes that:

TPP sold on mainly on a FOB level and therefore incurs port charges for the majority of exports of the goods<sup>7</sup>. (emphasis added)

Austube Mills notes that if TPP sells on a FOB and C&F level it would incur port charges for all exports, not the majority of exports. Austube Mills also notes that FOB charges can include additional items to port charges such as handling charges, the cost of loading the goods onto the ship.

Austube Mills further notes that there is no mention in the adjustment section of the verification report of adjustments for ocean freight for those exports that TPP sold on C&F terms.

Austube Mills requests that the Commission review the information relating to adjustments for TPP export terms for its exports of HSS to ensure the correct adjustments are made to the normal value to obtain a FOB price level.

### Packing costs

TPP's Exporter Questionnaire response on packing costs appears to note the same costs for both export and domestic packaging stating for both:

We have plastic, belt and sling in the cost; and

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<sup>5</sup> EPR REV 529/021, p.23.

<sup>6</sup> EPR 529/038, p.13

<sup>7</sup> EPR 529/038, p.16

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The cost incurred from packing both domestic products and export alike, consist of the two mentioned costs<sup>8</sup>.

Austube Mills refers the Commission to information provided at the industry verification visit and provided at **Confidential Attachment 1**.

The information in the attachment show that HSS exported by TPP is shipped in containers<sup>9</sup>. Export goods packed in bundles in containers would incur greater costs than domestic goods packed in bundles.

Austube Mills notes that there is no mention of an adjustment for export goods shipped in containers and requests that the Commission review the information relating to adjustments for packaging costs.

### 3. Foreign exchange gains and losses

Austube Mills notes the following from TPP's Exporter Questionnaire response:

- The accounts are kept in Thai Baht.
- TPP invoices the Australian customers in USD currency.
- Customers do not pay into a foreign currency denominated account.
- Forward contracts are not used to lock in the foreign exchange rate relating to the export sales
- TPP records export sales transactions using the exchange rate from Bank of Thailand on revenue recognition date.<sup>10</sup>

Austube Mills notes that there is no mention of foreign exchange gains and losses in the verification report.

Austube Mills requests that the Commission review the information relating to TPP's foreign exchange gains and losses. Austube Mills further submits that the Commission review the exchange rates used for purchases of HRC and sales of HSS and clarify the date of transaction and exchange rate used.

Austube Mills notes that the date of transaction generally refers to the date of invoice and that a foreign exchange loss or gain can arise when the exchange rate is different on the date when the payment is received or made to the rate applying at the date of invoice.

These changes in exchange rates between the date of transaction (date of invoice) and the date of payment can result in decreased revenue from exports (HSS) and increased costs for imports of raw material (HRC). As there is no evidence of foreign exchange hedging activities (i.e. forward contracts), any gains or loss are directly relevant to sales revenues realised or material cost expenses incurred following currency conversion for the settlement of ordinary business transactions.

Austube Mills submits that for foreign exchange losses in regard to HSS exported to Australia an upward adjustment to the normal value is required.

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<sup>8</sup> EPR REV 529/021, p.22

<sup>9</sup> Confidential Attachment 1, pps 1, 2, 4, 5, 9

<sup>10</sup> EPR REV 529/021, pps. 12, 14

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Austube Mills further submits that foreign exchange losses in regard to HRC purchased for HSS should be added to the CTM for the OCOT tests and to any constructed normal value.

#### 4. Export and domestic models

##### Excluded export models

Austube Mills notes that the verification found that two export transactions were considered not the goods:

Two transactions were identified as being sales of rectangular hollow sections with a nominal thickness of less than 1.6mm. They were therefore considered not to be the goods.

These two transactions were removed from the Australian sales listing<sup>11</sup>.

Austube Mills is not aware of TPP exporting rectangular or square hollow sections (RHS) other than to the AS/NZS1163:2016. Further the information at Confidential Attachment 1 supports that TPP only exports RHS and SHS to AS/NZS1163:2016<sup>12</sup>.

Austube Mills draws to the Commissions' attention that the minimum nominal thickness for RHS under AS/NZS1163:2016 is 1.6mm. AS/NZS1163:2016 has a thickness tolerance of +/-10% that would allow for RHS with a nominal thickness of 1.6mm to have an actual thickness of 1.44mm to 1.76mm.

It is therefore possible for RHS with a nominal thickness of 1.6mm (the minimum nominal thickness specified in the AS/NZS1163:2016 standard) to have an actual thickness less than 1.6mm, but it is not possible for RHS with a nominal thickness of less than 1.6mm to the AS/NZS1163:2016 standard to be exported as there is no such product recognised under the standard.

Austube Mills also draws the Commissions' attention to the TPP catalogue provided at the industry verification visit and available at [www.thaipremiumpipe.com](http://www.thaipremiumpipe.com) which shows the minimum nominal thickness for RHS specified to AS/NZS1163:2016 as being 1.6mm with a thickness tolerance of +/-10%<sup>13</sup>.

Austube Mills notes, as discussed at the industry verification visit, that RHS with a thickness less than 2mm sells at a premium and that exclusion of certain RHS sizes may not result in an accurate margin.

##### Nominal thickness and actual thickness

Austube Mills notes that exporters can present export and domestic sales data in either or both nominal and actual thickness. Austube Mills further notes that that the verification report found sufficient sales of identical goods in OCOT, such identical domestic sales would be sales to the AS/NZS1163:2016 standard. As noted above such goods are sold to a nominal thickness and not the actual thickness.

Austube Mills respectfully requests that the Commission review the excluded export sales and the export sales data provided by TPP to ensure that all sales of the goods under review, both export and domestic, are accounted for in

<sup>11</sup> EPR REV 529/038, p.8

<sup>12</sup> Confidential Attachment 1, pps. 1, 2, 4, 5, 9, 10

<sup>13</sup> Confidential Attachment 1, p.13

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the export and domestic sales data, export and domestic model matching and export price and normal value assessment.

#### Possible non-payment of duties

Austube Mills notes that if the RHS is presented as RHS as a nominal thickness less than 1.6mm when the thickness referred to is the actual thickness that this could represent a possible non-payment of anti-dumping duties.

Austube Mills draws the Commission attention to the information at Confidential Attachment 1 which shows that RHS to AS/NZS1163:2016 is [REDACTED]<sup>14</sup>.

Austube Mills also draws the Commissions' attention to the information at Confidential Attachment 1 and discussed at the industry verification visit where it appears that [REDACTED]<sup>15</sup>.

Austube Mills believes that the [REDACTED]<sup>16</sup>.

Austube Mills further notes that [REDACTED] could represent an underpayment of duties.

In addition, the [REDACTED] (*sensitive commercial and market information*).

Austube Mills request that the Commission review TPPs' manufacturing and export information in regard to the above.

### **5. Credit terms and domestic commission**

#### Export credit

Austube Mills observes that whilst an adjustment has been made for domestic credit there is no mention of an adjustment for export credit<sup>17</sup>.

Austube Mills notes that available information shows that terms for payment for exports of HSS from TPP were [REDACTED]<sup>18</sup> days [REDACTED] and requests that the Commission review the export credit terms. (*commercially sensitive*)

#### Domestic credit and commission

Austube Mills notes that TPP offered a range of differing credit terms for certain domestic customers and incurred commission expenses for certain domestic sales<sup>19</sup>.

Austube Mills submits that adjustments for domestic credit and commission expenses should be based only on domestic sales that were in OCOT and were used for normal values, otherwise such adjustments are not comparing export and domestic sales on like terms and conditions.

<sup>14</sup> Confidential Attachment 1, pps, 2, 5, 10.

<sup>15</sup> Confidential Attachment 1, p. 10

<sup>16</sup> [REDACTED]

<sup>17</sup> EPR REV 529/038, p.16

<sup>18</sup> Confidential Attachment 1, p.2

<sup>19</sup> EPR REV 529/038, p.16

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## **6. Finance costs**

Austube Mills notes that there is no mention of finance costs in the verification report.

Austube Mills notes that the verification report mentions interest expenses in regards to domestic credit<sup>20</sup> considers it is likely that TPP incurred finance costs in the production and exportation of HSS.

Austube Mills respectfully requests that the Commission review TPPs' finance costs in regard to HSS.

## **7. Dumping margin**

Austube Mills notes the preliminary dumping margin of negative 4.5% in the verification report and provides the following comments<sup>21</sup>.

Thailand has anti-dumping duties and safeguard measures on HRC, the purpose of such measures is to allow the domestic HRC industry to increase prices to profitable level and/or maintain such prices at a profitable level.

It can be reasonably assumed that the domestic HRC price in Thailand would be equal to the imported HRC plus the 20.74% safeguard measure and likely any anti-dumping duties.

The verification report notes that identical sales were found to be in OCOT, Austube Mills notes that this means such sales were profitable. Austube Mills also observes that Thailand's latest report to the WTO, mentioned above, notes anti-dumping measures on steel pipe and tube. Such measures, as with the measures on HRC, are likely to result in higher prices for HSS in Thailand.

Effectively, what the preliminary margin of (negative) -4.5% is stating is that the export price of the HSS exported by TPP is around 5% higher than the domestic price of the identical HSS sold in Thailand. Further the domestic price is a profitable price based on the price of South East Asian coil prices plus 20.74% to bring such HRC prices to the equivalent domestic price of HRC producers in Thailand.

This equates to the HSS exported by TPP being at a price comprising the South East Asian coil price plus 20.74%, plus conversion and other costs to bring the HSS to a free on board price, plus a profit margin up to 8%.

Austube Mills does not consider that such a price would be competitive in the Australian market and respectfully requests that the Commission review its dumping calculations.

For and on behalf of Austube Mills

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<sup>20</sup> EPR REV 529/038, p.16

<sup>21</sup> EPR REV 529/035, p.19