



CUSTOMS ACT 1901 - PART XVB

**ANTI-DUMPING COMMISSION
PRELIMINARY REPORT**

**REINVESTIGATION INTO CERTAIN FINDINGS IN
REPORT NO. 532**

**HOLLOW STRUCTURAL SECTIONS
EXPORTED TO AUSTRALIA FROM
THE KINGDOM OF THAILAND**

30 June 2021

CONTENTS

CONTENTS	2
ABBREVIATIONS	3
1 SUMMARY AND RECOMMENDATIONS	5
1.1 INTRODUCTION	5
1.2 REVIEW OF THE MINISTER'S DECISION	5
1.3 APPROACH TO THE REINVESTIGATION	6
1.4 PRELIMINARY FINDINGS	7
1.5 SUBMISSIONS	7
2 ALLOCATION OF HRC IMPORT DUTIES TO DOMESTIC PRODUCTION	8
2.1 GROUND OF REVIEW AND REINVESTIGATION REQUEST.....	8
2.2 THE COMMISSION'S REINVESTIGATION OF THE ALLOCATION OF HRC IMPORT DUTIES TO PRODUCTION	8
2.3 METHODOLOGY USED TO ALLOCATE HRC IMPORT DUTIES TO DOMESTIC HSS PRODUCTION	10
3 PACIFIC PIPE – HRC COST ALLOCATION	17
3.1 DUTIES PAID ON IMPORTED HRC PURCHASES AND IMPACT ON THE SINGLE CTM.....	17
4 SAHA THAI – HRC COST ALLOCATION	18
4.1 DUTIES PAID ON IMPORTED HRC	18
4.2 MANIPULATION OF THE SINGLE CTM TO THE MAXIMUM COST MODEL	18
4.3 DUMPING MARGIN CALCULATION USING THE MAXIMUM COST MODEL.....	19
5 THAI PREMIUM PIPE – HRC COST ALLOCATION	22
5.1 REVISIONS TO TPP'S DUMPING MARGIN CALCULATION	22
5.2 DUTIES PAID ON IMPORTED HRC	22
5.3 MANIPULATION OF THE SINGLE CTM TO THE MAXIMUM COST MODEL	23
5.4 DUMPING MARGIN CALCULATION USING THE MAXIMUM COST MODEL.....	23
6 IMPACT OF THE SENSITIVITY ANALYSIS ON FINDINGS RELATING TO THE LIKELIHOOD OF DUMPING & INJURY	26
7 PRICE PREMIUM ACHIEVED BY THE AUSTRALIAN INDUSTRY	27
7.1 GROUND OF REVIEW AND REINVESTIGATION REQUEST.....	27
7.2 PRICE SETTING BY THE AUSTRALIAN INDUSTRY – DOCUMENT REVIEW	27
7.3 ASSESSMENT OF PRICE COMPETITION IN THE AUSTRALIAN MARKET	29
8 ATTACHMENTS	32

ABBREVIATIONS

\$	Australian dollars
ABF	Australian Border Force
ADN	Anti-Dumping Notice
ADRP	Anti-dumping Review Panel
ATM	Austube Mills Pty Ltd
CIF	Cost, Insurance and Freight
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	cost to make
CTMS	cost to make and sell
the decision	the decision of the Minister to not secure the anti-dumping measures
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
duties	trade remedy and general customs duties imposed by Thailand
EPR	electronic public record
GAAP	generally accepted accounting principles
the goods	the goods the subject of the application (also referred to as the goods under consideration)
GOT	Government of Thailand
HRC	hot rolled coil
HSS	hollow structural sections
IPP model	Import Price Parity model
inquiry period	1 October 2018 to 30 September 2019
the Manual	the <i>Dumping and Subsidy Manual</i>
MCC	model control code
the Minister	the Minister for Industry, Science and Technology
OCOT	ordinary course of trade
Orrcon	Orrcon Manufacturing Pty Ltd
Pacific Pipe	Pacific Pipe Public Co., Ltd.
REP 532	<i>Anti-Dumping Commission Report No. 532</i>
REQ	response to the exporter questionnaire
Saha Thai	Saha Thai Steel Pipe Public Company Limited
SG&A	selling, general and administrative
Thailand	the Kingdom of Thailand

PUBLIC RECORD

THAITR	Department of Foreign Trade, Trade Interests and Remedies Division of the Government of Thailand
THB	Thai baht
TPP	Thai Premium Pipe Co., Ltd.
WTO	World Trade Organization
WTO TDB	WTO Trade Monitoring Database
WTO i-tip	WTO Integrated Trade Intelligence Portal

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

This report sets out the preliminary findings of the Anti-Dumping Commission (the Commission) in respect of a reinvestigation of certain findings arising from *Anti-Dumping Commission Report No. 532* (REP 532)¹ and the decision of the Minister for Industry, Science and Technology (the Minister) in response to that report.²

REP 532 was prepared in response to applications from each of Austube Mills Pty. Ltd. (ATM) and Orrcon Manufacturing Pty. Ltd. (Orrcon) seeking the continuation of the anti-dumping measures (in the form of a dumping duty notice) applying to hollow structural sections (HSS) exported to Australia from the Kingdom of Thailand (Thailand).³

The inquiry period for REP 532 was 1 October 2018 to 30 September 2019, with the following dumping margins found for Thai exporters.

Exporter	Dumping Margin
Pacific Pipe Public Co., Ltd	Negative 4.3%
Saha Thai Steel Pipe Public Company Limited	Negative 13.1%
Thai Premium Pipe Co., Ltd	Negative 4.5%
Uncooperative and all other exporters	Negative 4.3%

Table 1: Dumping margins in REP 532

Following the recommendations of the Commissioner of the Anti-Dumping Commission (the Commissioner) in REP 532, the Minister decided to not secure the anti-dumping measures relating to HSS exported to Australia from Thailand (the reviewable decision). The Minister's decision was made under section 269ZHG(1) of the *Customs Act 1901* (the Act).⁴

Public notice of the reviewable decision was published on 27 July 2020.

1.2 Review of the Minister's Decision

Following the Minister's decision, the ADRP accepted applications for review from the Australian industry members ATM and Orrcon. The ADRP initiated its review of the decision, ADRP Review No. 2020/126, by public notice on 11 September 2020.⁵

On 10 November 2020, as part of ADRP Review No. 2020/126, the ADRP requested the Commissioner reinvestigate, under section 269ZZL⁶, the following findings in REP 532:

¹ EPR 532 – [document no. 30](#) refers.

² EPR 532 – [document no. 31](#) *Anti-dumping Notice* (ADN) No. 2020-70 refers.

³ EPR 532 - [document nos. 1](#) and [2](#) refer, respectively.

⁴ References to any section in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

⁵ [Notice under section 269ZZI](#) at ADRP Review No. 2020/126.

⁶ [Request for reinvestigation](#) at ADRP Review No. 2020/126.

Ground 1

The Commission found that the cooperating Thai exporters' presentation of their costs as a single cost to make (CTM), regardless of whether the destination market was export or domestic, was reasonable.

The Commission's approach to allocate a single cost of hot rolled coil (HRC) to the CTM for both exported and domestic HSS overstated the CTM for exported HSS. The reason being that the cost of duties incurred on imported HRC (for domestic HSS) or waived (for exported HSS) was allocated across all production in the single CTM, rather than being allocated solely to the domestic CTM.

As such, the understatement of HRC costs for the domestic CTM may affect the ordinary course of trade (OCOT) tests with flow on effects to domestic sales suitable for the determination of normal value. The potentially understated HRC costs for the domestic CTM, according to ATM's submission, raised questions as to whether the Thai exporters' HRC costs could be characterised as competitive market costs.

Ground 2

Assuming the normal values and dumping margins of each (or any) of the exporters changed as a result of the reinvestigation of Ground 1, whether any changes would alter the Commission's assessment of the likelihood of dumping and material injury continuing or recurring.

Ground 3

The Commission omitted to provide an analysis of price competition in the Australian market, which took into account the price premium achieved by ATM. That is, that the comparison of prices undertaken in REP 532 made no reference to any price premium that ATM represented that it could achieve in the Australian market.

The ADRP requested that the Commissioner report the result of the reinvestigation by 29 January 2021.⁷

The Commissioner sought extensions of time to provide the ADRP with the Commission's reinvestigation report.⁸ The ADRP granted two extensions of time, with effect that the Commissioner's reinvestigation report is due to be provided by **29 July 2021**.⁹

1.3 Approach to the reinvestigation

This report sets out the preliminary findings of the Commissioner in response to the reinvestigation request by the ADRP. The Commission has prepared this report to support the Commissioner's consideration of the reinvestigation grounds, pursuant to the Commission's function specified in section 269SMD.

The reinvestigation has been conducted in accordance with section 269ZZL(2). In conducting the reinvestigation, the Commission has reviewed the grounds accepted for review as published by the ADRP under section 269ZZI, the ADRP's reasons for

⁷ EPR ADRP 2020/126 - [Request for Reinvestigation from the ADRP to the Commissioner](#)

⁸ EPR ADRP 2020/126 - [Letter from the Commissioner to the ADRP](#), dated 21 January 2021 and [Letter from the Commissioner to the ADRP](#), dated 3 June 2021.

⁹ EPR ADRP 2020/126 - [Letter from the ADRP to the Commissioner](#), dated 25 January 2021 and [Letter from the ADRP to the Commissioner](#), dated 8 June 2021.

requesting the reinvestigation and ATM's and Orrcon's applications to the ADRP for a review of the Minister's decision.

1.4 Preliminary findings

The Commissioner preliminarily finds that, as a result of the Commission's sensitivity analysis for Ground 1, the dumping margin for:

- Pacific Pipe does not change (Chapter 3 refers);
- Saha Thai changes, from negative 13.1 per cent to negative 26.8 per cent (Chapter 4 refers); and
- Thai Premium Pipe changes, from negative 3.4 per cent to negative 9.8 per cent (Chapter 5 refers).

The Commissioner preliminarily finds that in relation to Ground 2, the findings in REP 532 regarding the likelihood of the recurrence of dumping and material injury do not change.

The Commissioner preliminarily finds that, in relation to Ground 3, the quantum of the price premium claimed by ATM cannot be identified and therefore it is not possible to assess its impact on price competition.

1.5 Submissions

Interested parties are invited to make submissions in response to the Commissioner's preliminary findings as set out in this report. Any submissions received will inform the preparation of the final reinvestigation report that the Commissioner will provide to the ADRP.

Submissions should be lodged no later than **14 July 2021**. The Commission's preference is to receive submissions by email to investigations1@adcommission.gov.au. Submissions may also be addressed to:

The Director, Investigations Unit 1
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2600

Interested parties claiming that information contained in their submissions is confidential, or that the publication of the information would adversely affect their business or commercial interests, must:

- provide a summary containing sufficient detail to allow a reasonable understanding of the substance of the information that does not breach that confidentiality or adversely affect those interests; or
- satisfy the Commissioner that there is no way such a summary can be given to allow a reasonable understanding of the substance of the information.

Submissions containing confidential information must be clearly marked "OFFICIAL: SENSITIVE". Interested parties must lodge a non-confidential version of their submission, clearly marked "PUBLIC RECORD".

2 ALLOCATION OF HRC IMPORT DUTIES TO DOMESTIC PRODUCTION

2.1 Ground of review and reinvestigation request

The ADRP accepted ATM's ground of review in its application, which contended that:

- the Thai authorities have imposed both anti-dumping and safeguard duties on imported HRC;
- the duties, however, do not apply to HRC that is used to manufacture HSS that is subsequently exported;
- the Commission's allocation of a single cost of HRC to the CTM for exported and domestic HSS overstates the CTM for exported HSS (by including duties that are not incurred), and understates the CTM for the like domestic HSS (by not including the full costs of duties incurred by the coil to produce that HSS); and
- the understatement of the HRC costs for the domestic CTM could potentially have affected the OCOT tests and therefore the calculation of normal value under section 269TAC(1), or trigger the need to determine an alternative approach to the normal value.

As part of the reinvestigation of ATM's submission, the ADRP's first request of the Commission was to undertake a sensitivity analysis to determine if an increase in HRC costs (as a result of allocating non-refundable import duties) in the domestic CTM would have an impact on the relevant OCOT test and therefore, the normal values and dumping margins for the cooperating Thai exporters.

The ADRP's second request of the Commission was that, should the finding in relation to the normal values and dumping margins of the cooperative exporters be changed as a result of the first reinvestigation request, the Commission should consider whether those findings impact the assessment of the likelihood of dumping and material injury continuing or recurring.

2.2 The Commission's reinvestigation of the allocation of HRC import duties to production

2.2.1 Information from REP 532

In REP 532, the Commission identified the largest suppliers of HSS to Australia from Thailand reported in the ABF import database. The identified suppliers accounted for approximately 96 per cent of the total shipments (by volume) of the goods reported in the Australian Border Force (ABF) import database.

The Commission received three responses to the exporter questionnaire (REQ) from the following exporters:

- Pacific Pipe Public Co., Ltd. (Pacific Pipe);
- Saha Thai Steel Pipe Public Company Limited (Saha Thai); and
- Thai Premium Pipe Co., Ltd. (TPP).

The non-confidential versions of the REQs¹⁰ and the verification reports¹¹ in relation to these exporters are available on the Commission website.

2.2.2 The reinvestigation questionnaires

After the ADRP's reinvestigation request, the Commission sought further data and information from the cooperating Thai exporters in the form of tailored Reinvestigation Questionnaires.¹²

In particular, the Commission sought evidence and information concerning:

- the amount of duties paid on individual HRC imports; and
- how the exporters could allocate those costs to calculate HRC costs in a domestic CTM from the verified single CTM.

Noting that each exporter did not record the individual cost components that comprise the value of the HRC in inventory and used in production, the Commission sought alternate evidence, such as reports or Thai customs entry documentation to determine the amount of trade remedy duties paid on imported HRC in the inquiry period.

2.2.3 Trade remedies payable on imported HRC into Thailand

The Commission examined the following resources to identify the relevant trade remedy measures in force on non-alloyed HRC¹³ imports into Thailand during the inquiry period:

- World Trade Organization (WTO) Trade Monitoring Database¹⁴ (the WTO TDB);
- WTO Integrated Trade Intelligence Portal¹⁵ (WTO i-tip); and
- Department of Foreign Trade, Trade Interests and Remedies Division of the Government of Thailand (THAITR).¹⁶

The Commission's research is set out at **Confidential Attachment 1**.

During the inquiry period, the Government of Thailand (GOT) had trade remedy measures in force on black HRC in the form of anti-dumping duties and safeguard duties.

There were no trade remedy duties payable on imported galvanised HRC.

Based on the information available to the Commission, the GOT suspended anti-dumping duties whilst the safeguard measures were in force.¹⁷

¹⁰ EPR 532 - [document nos. 4, 8 and 5](#) refer, respectively.

¹¹ EPR 532 - [document nos. 14, 17 and 21](#) refer, respectively.

¹² EPR 532 - [document no. 32](#) refers. The Commission published a file note describing the information sought and received.

¹³ Trade remedy measures on alloyed and non-alloyed HRC were in force during the inquiry period, however, the relevant measure for Thai exporters of HSS to Australia, importing HRC are measures on non-alloy HRC.

¹⁴ <https://tmdb.wto.org/en>

¹⁵ <http://i-tip.wto.org/goods/Default.aspx>

¹⁶ <https://www.thaitr.go.th/en/home>

¹⁷ <https://www.thaitr.go.th/storage/announcements/CIYRJ8ef3S4Q3jkye3o6oxnxzIO5Cv1yYElxbTKw.pdf>

Therefore, the Commission understands that during the inquiry period, the amount of trade remedy duty payable, in the form of a safeguard duty, on imports of HRC into Thailand were:

- 7 June 2018 to 6 June 2019 – 20.87 per cent; and
- 7 June 2019 to 6 June 2020 – 20.74 per cent.

The amount of safeguard duty payable is the *ad valorem* amount based on the Cost, Insurance and Freight (CIF) price.

The Commission notes that the GOT terminated the safeguard measure in a report dated May 2020.¹⁸ During the last safeguard review period (January 2019 to September 2019) the GOT found that:

As a result of the review, the Committee on Safeguard Measures of Thailand determined that the imports of the product concerned significantly declined both in volume and in value and that no serious injury or threat thereof has been found. Therefore, it is not necessary to continue the safeguard measure.¹⁹

The measures were terminated as at 7 June 2020²⁰.

2.3 Methodology used to allocate HRC import duties to domestic HSS production

2.3.1 Sensitivity analysis and the allocation of HRC costs

The Commission was requested to undertake a sensitivity analysis to examine the impact of the non-refundable safeguard duties on the cost of imported HRC used in domestic HSS production.

A sensitivity analysis asks “What if” questions to model or simulate scenarios. A sensitivity analysis therefore shows how the change in one variable can cause a change in a scenario and the degree of that change.

In this reinvestigation the “What if” question posed is:

What if the HRC costs for domestic HSS production were higher than the HRC costs for export production?

The scenario being examined is:

What is the subsequent impact of these relatively higher HRC costs on the OCOT test, normal value and dumping margin calculations?

In undertaking this sensitivity analysis, the Commission has manipulated the verified HRC costs in the single CTM to allocate non-refundable safeguard and general customs duties paid on imported HRC used in domestic HSS production.

¹⁸ THAITR website, [case reference no. SG1004](#)

¹⁹ The Commission used [Google Translate](#) online and the Google Translate app to translate the GOT’s reports, which are in Thai.

²⁰ GOT notification to the WTO Committee on Safeguards. [WTO document G/SG/N/6/THA/4/Suppl.3, 8 May 2020](#) refers.

As with any sensitivity analysis, certain boundaries to the scenario occur, limitations with available data exist and assumptions need to be made. These boundaries, limitations and assumptions are described below.

Boundary 1: The single CTM was verified as complete, relevant and accurate

Limitations:

The proportion of domestic and imported HRC used in production is not recorded and therefore not known.

The total single CTM and the totals for the individual cost components cannot be amended.

Any manipulation of HRC costs (reported in Thai baht, THB) in the single CTM per quarter, per model control code (MCC) and allocated to domestic and export production, must equal the total HRC cost in the single CTM per MCC, per quarter.

Any manipulation of HRC costs in the single CTM and allocated to domestic and export production must then also equal the total HRC cost reported in the single CTM in the inquiry period.

This concept is illustrated in Figure 1.

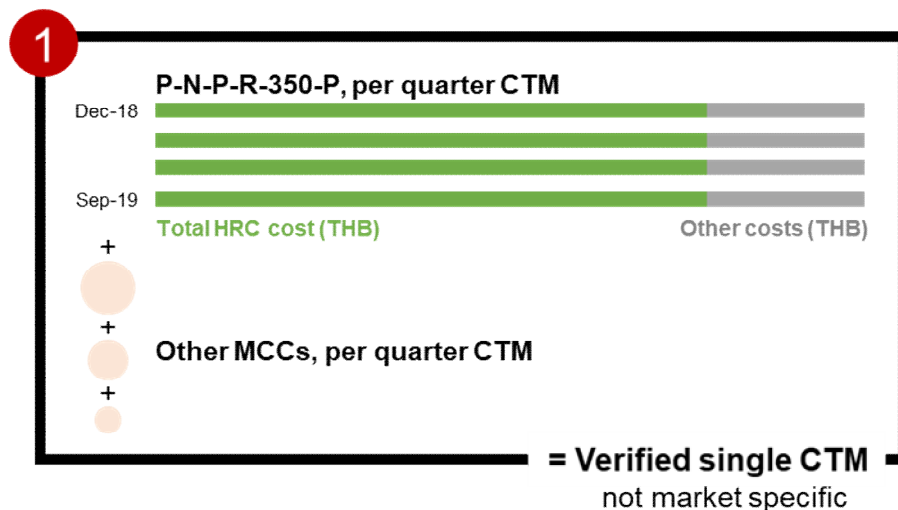


Figure 1: The single CTM – first boundary

For each Thai exporter, the Commission accepted the presentation of domestic and Australian export costs as a single CTM for the following reasons:

- HSS is not manufactured according to destination market;
- HSS was predominately produced for sale in the Thai domestic market;
- HRC purchases were not recorded in inventory according to country of origin, i.e. domestic or import;
- HRC purchases are recorded as the sum value of the invoice, inland transport (if not a delivered invoice price) and other costs paid to the Thailand Customs authority, including general customs (where applicable) and trade remedy duties, i.e. the individual costs associated with receipting HRC into inventory are not recorded separately; and
- HRC inventory is valued using the weighted average method, i.e. HRC inventory values are revalued based on the value and quantity of the HRC purchases into HRC on hand for production, regardless of source.

Each exporter provided its audited financial statements which demonstrated that each exporter's cost records were held in accordance with Thai generally accepted accounting principles (GAAP).

The Commission also verified each exporter's costs and single CTM "upwards" to their respective audited financial statements. The Commission therefore considered that the single CTM, including the HRC costs, were complete and relevant. The assessment of completeness and relevance of costs requires that all costs, purchases, duties and taxes relevant to production have been included.

The Commission verified each exporter's single CTM and HRC costs "downwards" to invoices. The Commission therefore considered that the single CTM was accurate.

For the purposes of the sensitivity analysis, there are restrictions as to how the Commission can manipulate HRC costs. Accordingly, for any quarter and for any MCC, the sum of the allocated HRC costs must reconcile exactly to the quarterly HRC costs, per MCC verified in the single CTM.

Boundary 2: Single CTM production was verified, but not recorded for specific markets

Limitation: Destination market cannot be identified from production and cost records, but can from sales data.

Assumption: The cooperating Thai exporters are domestic-oriented producers and have low finished goods inventory and high inventory turnover. Accordingly, the Commission has assumed that the exporters are able to sell what they produce.

This concept is shown in Figure 2.

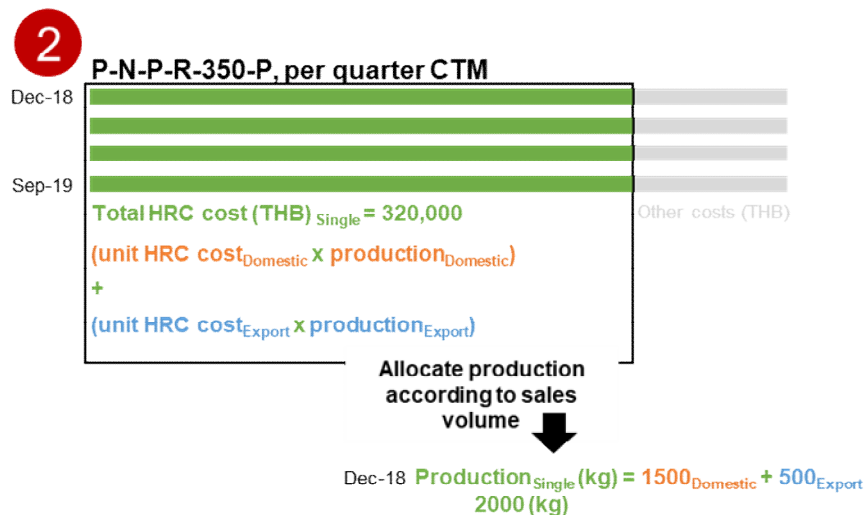


Figure 2: Production allocation – second boundary

The Commission identified from the upwards sales and costs reconciliations that the Thai exporters sold nearly all HSS production in the inquiry period. As the Thai exporters' sales were predominately made in the Thai domestic market, the Commission considers that in the inquiry period, the exporters were domestic-oriented producers.

For these reasons, the Commission has used domestic and export (Australia and third country) sales volume (per MCC, per quarter) as a reasonable basis for distinguishing domestic production volume from export production.

PUBLIC RECORD

As the exporters are domestic-oriented producers, the Commission allocated domestic production first.

Boundary 3: Unit HRC costs are allocated to destination markets, rather than total HRC costs

Limitations: The country of origin of HRC used in production is not known and the value of HRC costs per quarter, per MCC and per destination market is not known.

The principles in Boundary 1 must therefore also hold on a per unit HRC cost basis as well as the total HRC cost basis.

Assumption: In the single CTM, unit HRC costs per market are the same, or where they cannot be the same due to the production volume weighting, domestic unit HRC costs are greater than export.

This concept is illustrated in Figure 3.

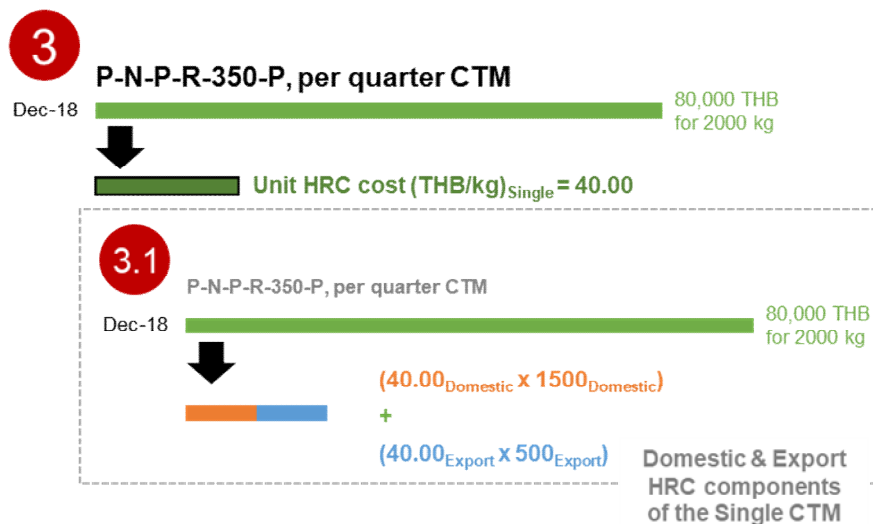


Figure 3: Allocating the single CTM to distinct domestic and export CTMs – third boundary

As the Thai exporters did not cost HSS production by destination market or record the origin of the HRC used in the production of domestic or exported HSS, the Commission could not immediately allocate total HRC costs to HSS destined for domestic and export markets.

The information provided in the reinvestigation questionnaires on duties paid for HRC imports was informative, but insufficient to enable the Commission to allocate total HRC costs according to destination market.

Therefore, the Commission used weighted average unit HRC costs per MCC, per quarter. The weighting was based on the production volumes allocated at Consideration 2 above.

The Commission's model demonstrated that, when Boundaries 1 to 3 are applied, there is no impact on the dumping margins calculated in REP 532. This is the expected result and provides a necessary basis for implementing Boundary 4.

Boundary 4: Where applicable, exported HSS is produced from imported HRC

Limitations: Boundaries 1 to 3 must hold.

The unit HRC cost for domestic HSS cannot be greater than 25 per cent of the HRC cost for export because this would exceed the *ad valorem* safeguard plus general customs duty rates applied to imported HRC.

Assumptions: Domestic HSS production uses domestic and imported HRC. Imported HRC for domestic production is subject to non-refundable safeguard and general customs duties.

All imported HRC for domestic HSS production is subject to general customs duty.

HSS produced for export uses imported HRC which is cheaper than imported HRC for domestic production. However, where the exporter has predominately purchased domestic HRC in a quarter and the unit HRC costs in the single CTM align with domestic HRC prices, then the Commission has assumed that exported HSS is also manufactured from domestic HRC.

This concept is illustrated in Figure 4.

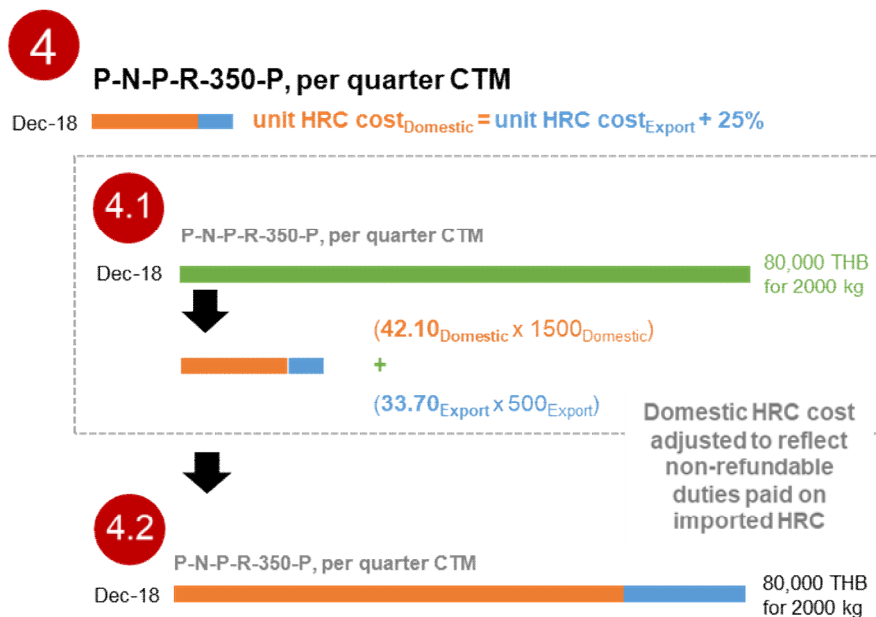


Figure 4: Allocating higher HRC costs to export production – fourth boundary

The Commission notes that the percentage cost difference applied to domestic and export HRC costs exceeds the likely HRC cost difference between domestic and export markets because the product mix of domestic and imported HRC used in domestic and export HSS is not known. Additionally, the Commission has applied the cost difference to the cost of HRC reported in the single CTM, whereas the safeguard duty is payable on the price of imported HRC.

The Commission has provided an example of how the unit HRC costs were calculated at **Non-Confidential Attachment A**.

The Commission has applied a duty cost adjustment of maximum 25 per cent, which is the sum of the 20 per cent safeguard duty plus 5 per cent Thai general customs duty.

This amount exceeds ATM's proposed amount of at least 20 per cent.²¹

2.3.2 The Maximum Cost Model

By considering the above boundaries, data limitations and assumptions, the Commission has manipulated the single CTM to calculate the **Maximum Cost Model**. The Maximum Cost Model models the following scenario:

- Thai exporters choose cheaper imported HRC, which is duty free, for the production of exported HSS;
- HSS production for the Thai domestic market utilises more expensive domestic HRC and the cheaper imported HRC with duties paid;
- the weighted average unit HRC cost for domestic production (per quarter, per MCC) cannot be 25 per cent greater than the weighted average unit HRC cost for export production; and
- the 25 per cent unit HRC cost differential between markets is a result of the amount of safeguard and general Thai customs duty which is paid on imported HRC for domestic HSS production, but not paid on imported HRC used for exported HSS production.

Therefore, the Maximum Cost Model assumes the maximum HRC cost differential possible between HSS markets.

Notwithstanding the Commission's findings on the accuracy and reliability of the data already verified in REP 532, the Maximum Cost Model was used in place of the single CTM in the Commission's sensitivity analysis in order to answer:

What if the HRC costs for domestic HSS production were higher than the HRC costs for export production? and

What is the subsequent impact of these relatively higher HRC costs on the OCOT test, normal value and dumping margin calculations?

ATM claims that the existence of the safeguard measures on imported HRC during the inquiry period may render the HRC costs in the single CTM to be either unreliable or to be not competitive market costs.

As noted above, the Commission was satisfied in the course of preparing REP 532 that the costs reported by Thai exporters were complete, accurate and relevant. The Commission remains satisfied that the cost data provided is reliable. Further, the mere presence of the safeguard duty does not render accounts kept in accordance with the GAAP to be not competitive, nor does it necessarily mean that the total HRC costs of the relevant exporters are not competitive market costs. The Commission disagrees with ATM's submission that the way in which an exporter undertakes its accounting would be a basis on which to make such a finding. In any event, the analysis by the Commission of HRC prices in Korea, Taiwan and Thailand in *Anti-Dumping Commission Report No. 529* indicates that prices in Thailand are essentially the same as those in Korea and Taiwan (**Confidential Attachment 2** refers). In the Commission's view, this supports a conclusion that the prices in Thailand are reflective of a competitive market.

²¹ EPR ADRP 2020/126 - [ATM's application to the ADRP](#) refers.

However, the Commission considers that even if the *prima facie* argument made by ATM is accepted, the sensitivity analysis will demonstrate the limited impact of any HRC cost differential on the resulting dumping margins.

2.3.3 Duty drawback consequence of the Maximum Cost Model

The Maximum Cost Model calculates differences in HRC costs between domestic and export HSS production. The differences in HRC costs are a result of non-refundable duties paid on HRC used in domestic production, and duties which are either not paid (via a bonded warehouse) or refunded (via duty drawback) for HRC used in export production.

However, ATM's submission only considers the impact of the potential HRC cost difference to the CTM and whether some transactions do not meet the OCOT test.

Even if this argument is acceptable, accepting it would involve adjustments beyond what ATM has submitted. If it is preferable to discard the verified single CTM in favour of separate domestic and export CTMs, it would be appropriate to account for the duty drawback mechanism the Thai exporters use.

Because there are differences in costs between markets which affect domestic and export sales comparability, a downwards adjustment must be made in accordance with section 269TAC(8) when calculating the normal value under the Maximum Cost Model.

The *Dumping and Subsidy Manual* (the Manual) describes the duty drawback mechanism as follows:²²

Adjustment may be allowed for remission or drawback of import duties on inputs consumed in the production of the exported goods (i.e. inputs physically incorporated, as well as energy, fuels, oil and catalysts used) if the claimant produces evidence.

Subsection 269TAC(8) refers to sales being modified in different ways by taxes. Import charges are a form of taxation and the adjustment for drawback of customs duty implements the requirement for an adjustment where price comparability is affected due to differences in taxation.

The application of this methodology to each exporter is described in chapters 3 to 5 below.

²² [The Manual](#), p. 68 – on the Commission's website.

3 PACIFIC PIPE – HRC COST ALLOCATION

3.1 Duties paid on imported HRC purchases and impact on the single CTM

Pacific Pipe's response to the reinvestigation questionnaire was limited to information regarding the amount of duties it paid on imported HRC. Accordingly, the Commission has relied on this information and Pacific Pipe's verified data and information in REP 532.

In the inquiry period, Pacific Pipe purchased black and pre-galvanised HRC, with approximately 90 per cent of its purchases by volume comprising black HRC.

Of those black HRC purchases, approximately 99 per cent were purchased from domestic suppliers. The Commission's analysis is demonstrated below at Figure 5 and at **Confidential Attachment 1**.

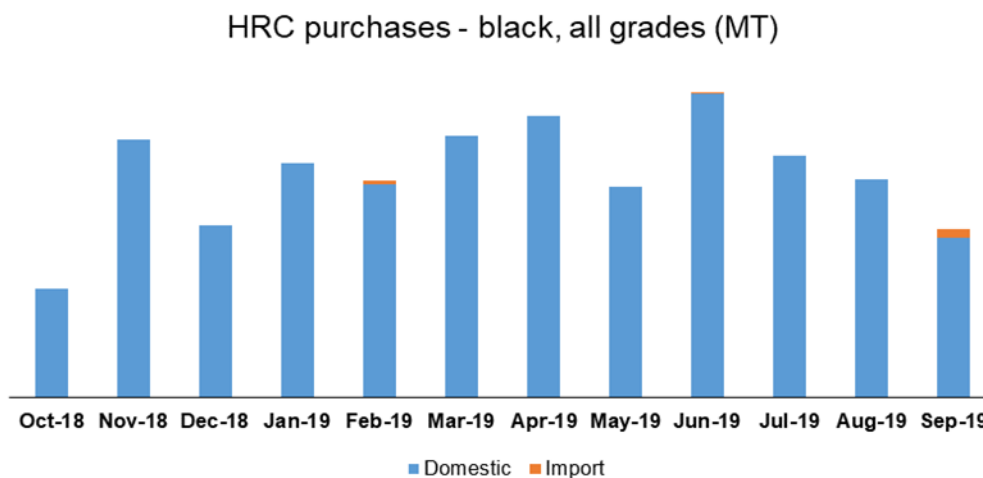


Figure 5: Pacific Pipe's black HRC purchases in the inquiry period

Pacific Pipe's single CTM and HRC purchases were verified downwards to source documents in REP 532. Therefore, the Commission found that the HRC purchase list and single CTM was accurate.

In addition, Pacific Pipe's single CTM was also verified upwards to its audited financial statement. The Commission therefore considered in REP 532, that Pacific Pipe's single CTM was complete and relevant and inclusive of all costs, including any import duties paid on imported HRC.

Given the small volume of imported HRC by Pacific Pipe, the Commission considers that the impact of any non-refundable duties on imported HRC used for domestic production of HSS is immaterial. As the impact is immaterial to the verified single CTM, the Commission has not reinvestigated the impact of non-refundable import duties on Pacific Pipe's normal value.

Accordingly, no changes have been made to Pacific Pipe's dumping margin calculation which was determined to be **negative 4.3 per cent** in REP 532.

4 SAHA THAI – HRC COST ALLOCATION

4.1 Duties paid on imported HRC

Saha Thai provided some information in its response to the reinvestigation questionnaire regarding the amount of duties it paid on its imported HRC purchases in the inquiry period. The Commission assessed this information and found that it was not sufficient for the purposes of allocating actual HRC costs incurred for domestic and export production of HSS.

Therefore, the Commission has relied on Saha Thai's verified data and information in REP 532 to undertake the modelling and sensitivity analysis outlined in chapter 2.3.

In the inquiry period, Saha Thai purchased black HRC, with approximately 7 per cent of its purchases by volume from domestic suppliers. The Commission's analysis is demonstrated below at Figure 6 and at **Confidential Attachment 1**.

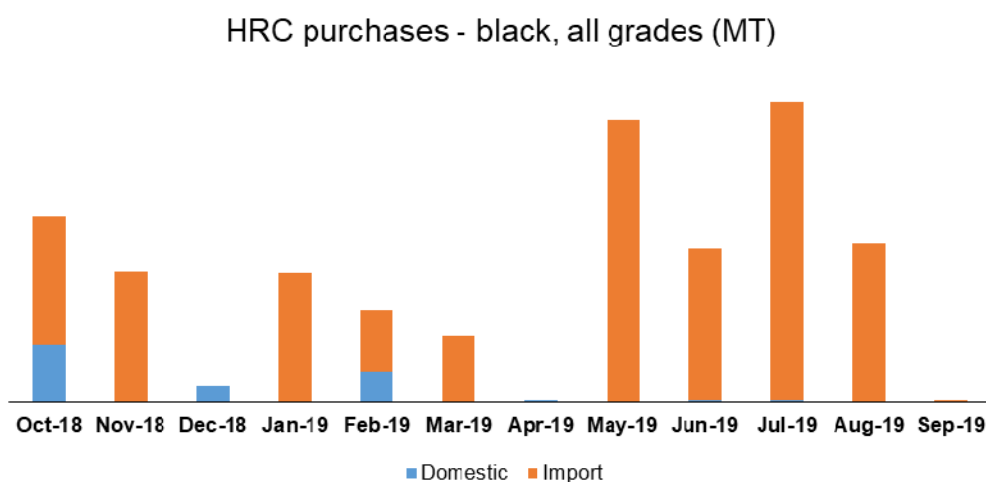


Figure 6: Saha Thai's black HRC purchases in the inquiry period

Unlike Pacific Pipe, this analysis demonstrates to the Commission that Saha Thai would have predominately used imported black HRC in both domestic and export HSS production in the inquiry period.

4.2 Manipulation of the single CTM to the Maximum Cost Model

4.2.1 Production volume allocation

As outlined in the sensitivity analysis methodology in chapter 2.3, the Commission allocated Saha Thai's production volume in the single CTM using its domestic and export sales data.

The Commission's production volume allocation from the verified single CTM to the Maximum Cost Model for Saha Thai is at **Confidential Attachment 3**.

To simplify the CTM modelling, the Commission used truncated MCC categories²³ that excluded the "quality" category 1 and category 6, "ends". The Commission tested this

²³ The Australian export and domestic MCCs sold in the inquiry period are reported in Saha Thai's verification report in at EPR 532 – [document no. 13](#).

approach in the sensitivity analysis and compared the results with the set of dumping margin calculations for REP 532 and found no impact.

4.2.2 Identifying production to model HRC cost differences between markets

Saha Thai predominately purchased imported black HRC in the inquiry period. However, there were MCCs in some quarters which were not produced for export markets. Accordingly, for these MCCs, the HRC costs were not adjusted, because production was only for the domestic market and there were no differences in HRC costs to model.

Figure 7 below and **Confidential Attachment 1** shows the quarterly production volume subject to differing HRC costs per market.

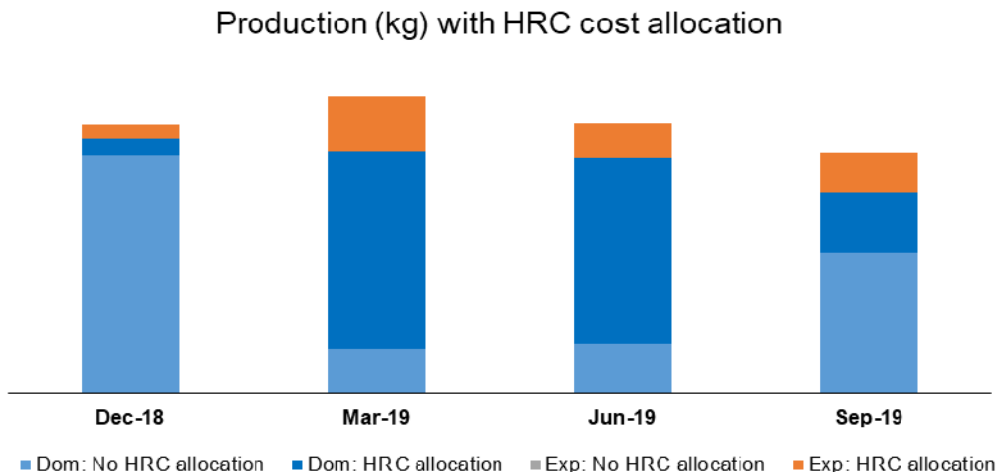


Figure 7: Saha Thai's production volume with HRC cost allocation – all HSS grades

In addition, Saha Thai manufactured a small quantity of pre-galvanised HSS. The HRC cost for this production was also not adjusted for different markets because pre-galvanised HRC was not subject to any trade remedy measures in Thailand in the inquiry period.

The Commission's identification of MCC's that are produced for both domestic and export markets and are subject to unit HRC cost adjustments in the Maximum Cost Model is at **Confidential Attachment 1** and **Confidential Attachment 3**.

4.3 Dumping margin calculation using the Maximum Cost Model

There were no changes to Saha Thai's export price and selling, general and administrative (SG&A) cost calculations. These are at **Confidential Attachment 3** and **Confidential Attachment 4**, respectively.

4.3.1 Impact of the Maximum Cost Model on the OCOT test

The results from the Commission's OCOT tests using the verified single CTM and the Maximum Cost Model were compared.

PUBLIC RECORD

The following table sets out the inputs of the two OCOT tests performed:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly CTM – using the Maximum Cost Model plus SG&A, excluding direct selling expenses
Weighted average cost	Weighted average CTM – using the Maximum Cost Model plus SG&A, excluding direct selling expenses, over the inquiry period.

Table 2: OCOT details – Saha Thai

There was an immaterial change in OCOT profitability using the Maximum Cost Model.

Using the Maximum Cost Model, the Commission also assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the normal value was ascertained under section 269TAC(1).

As per the Manual,²⁴ where the total volume of like goods is greater than five per cent of the total volume of the goods under consideration, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type.

The Commission's results from this assessment, compared to the results using the verified single CTM is detailed in Table 3 below:

Export MCCs	Sufficient domestic sales of identical MCC – Single CTM	Sufficient domestic sales of identical MCC - Maximum Cost Model	Treatment of normal value where there were insufficient domestic sales of identical MCC	
P-N-N-R-350-P	Y	N	P-N-N-R-250-P	Surrogate domestic model in OCOT selected. Specification adjustment required based on physical characteristics – CTM difference between surrogate domestic and export models.
P-N-O-R-350-P	Y	N	P-N-N-R-250-P	
P-N-P-R-350-P	Y	N	P-N-N-R-250-P	
ALL SALES	Y	N		

Table 3: Sufficiency test – Saha Thai

Overall, the Maximum Cost Model had approximately five per cent less domestic sales volume in OCOT. However, as outlined in Table 3, whilst there were sufficient domestic sales volumes of comparable domestic MCCs made in OCOT for the three MCCs exported to Australia, the Maximum Cost Model caused all identical models to fall out of OCOT.

The Commission's assessment of domestic sales using the Maximum Cost Model is at **Confidential Attachment 5**.

²⁴ [The Manual](#), p. 34 – on the Commission's website

4.3.2 Impact of the Maximum Cost Model on the normal value

The Commission considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value in the Maximum Cost Model is a fair comparison to the export price of the goods exported to Australia.

Adjustment Type	Deduction/addition	New adjustment considered ²⁵
Domestic credit terms	Deduct an amount for domestic credit	No
Domestic inland transport	Deduct an amount for domestic inland transport	No
Export packaging	Add an amount for export packaging	No
Export inland transport	Add an amount for export inland transport	No
Export port charges	Add an amount for port charges	No
Export credit terms	Add an amount for export credit terms	No
Duty drawback	Deduct an amount for non-refundable duties payable on imported HRC for domestic production. The amount of non-refundable duty was calculated on a weighted average basis using the Maximum Cost Model HRC cost differences. The downwards adjustment was then applied to the MCCs that incurred the cost difference between markets.	Yes
Specification	Add or deduct an amount for specification differences in CTM between the export model and surrogate domestic model as outlined in Table 3.	Yes

Table 4: Summary of adjustments

The Commission's preliminary adjustment calculations are included in the normal value calculations using the Maximum Cost Model at **Confidential Attachment 5**.

4.3.3 Impact of the Maximum Cost Model on the dumping margin

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period under section 269TACB(2)(a). The method undertaken using the Maximum Cost Model did not change from the method used in REP 532.

In REP 532, the dumping margin for the goods exported to Australia by Saha Thai for the period was **negative 13.1 per cent**.

Using the Maximum Cost Model, the dumping margin for the goods exported to Australia by Saha Thai for the period was **negative 26.8 per cent**.

The dumping margin calculation is at **Confidential Attachment 6**.

²⁵ Adjustments not considered in this reinvestigation are detailed in Saha Thai's verification report. EPR 532 – [document no. 13](#) refers.

5 THAI PREMIUM PIPE – HRC COST ALLOCATION

5.1 Revisions to TPP's dumping margin calculation

On review of TPP's dumping margin calculations, the Commission made the following revisions to TPP's dumping margin calculation, detailed in Table 5.

Confidential appendix	Revision description
2 – CTMS	The Commission found that TPP's domestic sales list included non-goods, ²⁶ however the unit SG&A calculation included these non-goods. The unit SG&A calculation was revised to exclude non-goods.

Table 5: Dumping margin revisions for TPP

The above revisions caused TPP's dumping margin to change from negative 4.5 per cent to **negative 3.4 per cent**.

5.2 Duties paid on imported HRC

TPP provided a detailed response to the reinvestigation questionnaire regarding the amount of duties it paid on imported HRC, as well as how it managed its duty drawback process. The Commission assessed this information and found that it was not sufficient for the purposes of allocating actual HRC costs incurred for domestic and export production of HSS.

Therefore, the Commission has relied on TPP's verified data and information in REP 532 to undertake the modelling and sensitivity analysis outlined in chapter 2.3.

In the inquiry period, TPP purchased black and pre-galvanised HRC from both domestic and imported sources. Approximately 98 per cent of its purchases by volume comprised black HRC.

Of those black HRC purchases, approximately 86 per cent were purchased from domestic suppliers. The Commission's analysis is demonstrated at Figure 8 and at **Confidential Attachment 1**.

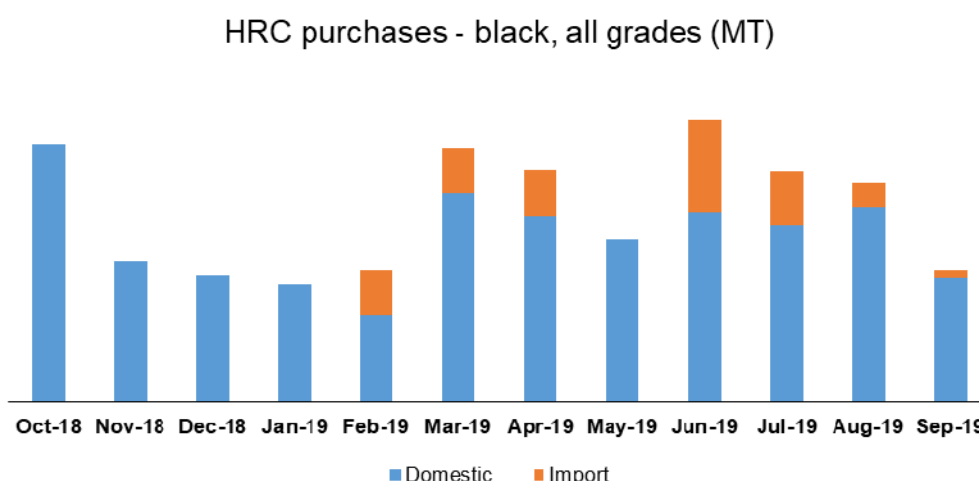


Figure 8: TPP's black HRC purchases in the inquiry period

²⁶ EPR 532 – [document no. 14](#) refers.

5.3 Manipulation of the single CTM to the Maximum Cost Model

5.3.1 Production volume allocation

As outlined in the sensitivity analysis methodology in chapter 2.3, the Commission allocated TPP's production volume in the single CTM using its domestic and export sales data.

The Commission's production volume allocation from the verified single CTM to the Maximum Cost Model for TPP is at **Confidential Attachment 8**.

5.3.2 Identifying production to model HRC cost differences between markets

TPP predominately purchased domestic black HRC in the inquiry period. However, there were MCCs in some quarters which were not produced for export markets. Accordingly, for these MCCs, the HRC costs were not adjusted because production was only for the domestic market and there were no differences in HRC costs to model.

As the Commission did not know how much domestic and imported HRC was used in production each quarter, the Commission allocated HRC costs if there was both domestic and export production identified (using TPP's sales data).

Figure 9 and **Confidential Attachment 1** shows the quarterly production volume subject to differing HRC costs per market.

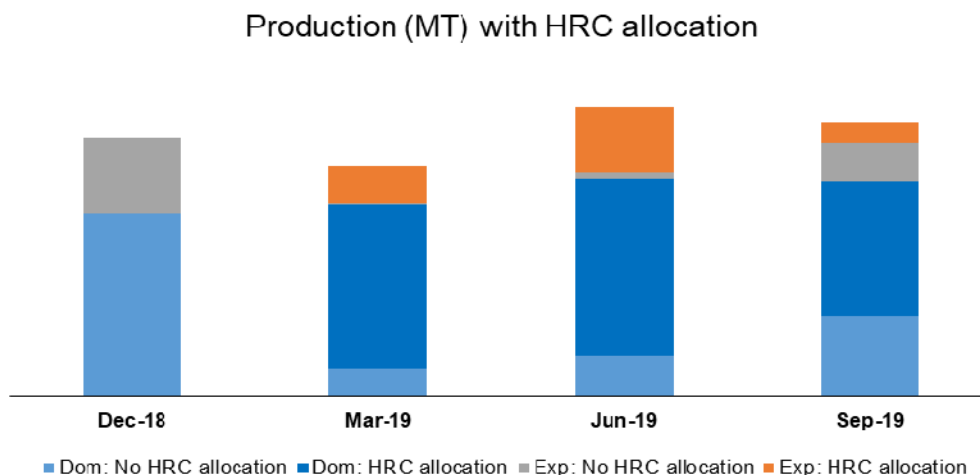


Figure 9: TPP's production volume with HRC cost allocation – all HSS grades

5.4 Dumping margin calculation using the Maximum Cost Model

There were no changes to TPP's export price calculations. These are at **Confidential Attachment 7**.

5.4.1 Impact of the Maximum Cost Model on the OCOT test

The results from the Commission's OCOT tests using the Maximum Cost Model were compared.

The following table sets out the inputs of the two OCOT tests performed:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly CTM – using the Maximum Cost Model plus SG&A, excluding direct selling expenses
Weighted average cost	Weighted average CTM – using the Maximum Cost Model plus SG&A, excluding direct selling expenses, over the inquiry period.

Table 6: OCOT details – TPP

There was an immaterial change in OCOT profitability using the Maximum Cost Model.

Using the Maximum Cost Model, the Commission also assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the normal value was ascertained under section 269TAC(1).

As per the Manual,²⁷ where the total volume of like goods is greater than five per cent of the total volume of the goods under consideration, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type.

The Commission's results from this assessment, compared to the results using the verified single CTM is detailed in Table 7 below:

Export MCCs	Sufficient domestic sales of identical MCC – Single CTM	Sufficient domestic sales of identical MCC - Maximum Cost Model	Treatment of normal value where there were insufficient domestic sales of identical MCC	
P-G-N-R-350-P	Y	Y	Not applicable	
P-N-O-C-350-P	Y	Y		
P-N-O-R-350-P	Y	Y		
P-N-P-R-350-P	Y	Y		
P-N-P-C-350-P	N	N	P-N-P-R-350-P	Surrogate model used
ALL SALES	Y	Y		

Table 7: Sufficiency test – TPP

Overall, the Maximum Cost Model had approximately seven per cent less domestic sales volume in the OCOT than the test using the single CTM. However, the results did not change for the MCCs that were also exported to Australia, as described in Table 7 above.

The Commission's assessment of domestic sales using the Maximum Cost Model is at **Confidential Attachment 9**.

²⁷ [The Manual](#), p. 34 – on the Commission's website

5.4.2 Impact of the Maximum Cost Model on the normal value

The Commission considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value in the Maximum Cost Model is a fair comparison to the export price of the goods exported to Australia.

Adjustment Type	Deduction/addition	New adjustment considered ²⁸
Domestic credit terms	Deduct an amount for domestic credit	No
Domestic inland transport	Deduct an amount for domestic inland transport	No
Export packaging	Add an amount for export packaging	No
Export inland transport	Add an amount for export inland transport	No
Export port charges	Add an amount for port charges	No
Duty drawback	Deduct an amount for non-refundable duties payable on imported HRC for domestic production. The amount of non-refundable duty was calculated on a weighted average basis using the Maximum Cost Model HRC cost differences. The downwards adjustment was then applied to the MCCs that incurred the cost difference between markets.	Yes

Table 8: Summary of adjustments - TPP

The Commission's adjustment calculations are included in the normal value calculations using the Maximum Cost Model at **Confidential Attachment 9**.

5.4.3 Impact of the Maximum Cost Model on the dumping margin

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period under section 269TACB(2)(a). The method undertaken using the Maximum Cost Model did not change from the method used in REP 532.

The revised REP 532 dumping margin for the goods exported to Australia by TPP for the period was **negative 3.4 per cent**.

Using the Maximum Cost Model, the dumping margin for the goods exported to Australia by TPP for the period was **negative 9.8 per cent**.

The dumping margin calculation is at **Confidential Attachment 10**.

²⁸ Adjustments not considered in this reinvestigation are detailed in Saha Thai's verification report. EPR 532 – [document no. 14](#) refers.

6	IMPACT OF THE SENSITIVITY ANALYSIS ON FINDINGS RELATING TO THE LIKELIHOOD OF DUMPING & INJURY
----------	--

The dumping margins are one factor that the Commission considered in determining whether dumping and material injury was likely to recur if the measures were discontinued in the course of preparing REP 532.

The Commission's sensitivity analysis has indicated that allocating HRC cost differences between markets does not materially alter the Commission's assessment of dumping in the inquiry period for any of the cooperating exporters.

As a result, the Commission considers that there is no basis to depart from the recommendations in REP 532.

7 PRICE PREMIUM ACHIEVED BY THE AUSTRALIAN INDUSTRY

7.1 Ground of review and reinvestigation request

The ADRP accepted ATM's ground of review in its application, which contended that:

The finding relating to the analysis of price competition in the Australian market, particularly in regard to ATM's submission that the comparison of prices makes no reference to any price premium that ATM and the Australian industry can achieve in the market.

The Commission was therefore requested to reinvestigate the analysis of price competition in the Australian market, taking into consideration price premiums that ATM and Orrcon can achieve in the market and making the necessary comparisons with the Thai export prices as part of its analysis. In its reinvestigation, the Commission was asked to have regard to various interested parties' submissions on this issue, both to the Commission and to the Review Panel, as well as other relevant documents and information.

7.2 Price setting by the Australian industry – document review

The Commission has reviewed the documents and information provided by the Australian industry in relation to price-setting and the application of the price premium. The documents referenced in this section were provided to the ADRP as part of the ADRP's initial document request²⁹ of the Commission.

ATM explained in its application to the Commission (for the continuation of the measures)³⁰ and in its application to the ADRP³¹ how it sets its prices in the Australian market:

Austube Mills prices its products based on an import parity pricing (IPP) model, that is, import price offers plus a local premium. Each month Austube Mills collates market intelligence regarding the price of competing imports and determines an import price based on the market intelligence to establish a competitive position. Whilst ATM aims to obtain a premium above delivered imports, its price is directly influenced by the price of imports, including those from Thailand. Domestic customers are generally willing to pay a small premium for locally produced equivalent standard products for a number of reasons:

- shorter lead times offered by domestic producers compared to imported HSS allows customers to carry less stock.
- customer confidence in the product quality (including ability to resolve quality issues in a timely manner and its compliance with the Australian Standard);
- engagement in the market (including its role in developing technology and infield support); and
- the research and development put into its HSS products and manufacturing technologies.

ATM further explained in its application for the continuation:

²⁹ EPR ADRP 2020/126 - ADRP's [Correspondence to the Commission](#)

³⁰ EPR 532 – [document no. 2](#) refers.

³¹ EPR ADRP 2020/126 - ATM's application to the ADRP – [Elaboration of Grounds](#)

PUBLIC RECORD

Austube Mills prices are set relative to movements in landed import parity prices as noted above. Import parity prices... [are] used in price negotiations with customers... Customers may negotiate... with Austube Mills...

ATM also explained in its application to the ADRP:³²

The product mix adds a high degree of complexity to pricing negotiations with customers. There are different prices and added extras including for:

[list of pricing considerations]

The premium that Austube Mills can achieve depends on the [additional pricing considerations]

The Commission verified ATM's price-setting mechanism and concluded in ATM's verification report that:³³

ATM base-prices are determined on a monthly basis, with reference to an import parity price (IPP) model developed from contemporaneous Australian market prices. ATM noted that the prices it sells at are regularly a result of further negotiation from the base price.

And this process was re-confirmed by ATM in a submission³⁴ to the Commission:

As submitted in the application, discussed with the Commission at the verification visit and indicated in the original Investigation 254, Austube Mills continues to negotiate its prices monthly with customers relative to the market movements of import offers, which include Thai offers.

Austube Mills has provided evidence on the link between import prices, its import parity pricing mechanism and the effect that changes in import prices have on Austube Mills' economic performance.

The Commission also reviewed ATM's verification work program. The confidential information from ATM's applications and submission above and the sections of ATM's work program relevant to price-setting and the application of the price premium are at **Confidential Attachment 11**.

The Commission also reviewed Orrcon's applications to the Commission³⁵ and the ADRP,³⁶ as well as submissions. The Commission notes that Orrcon had not identified a specific price premium that it uses as part of its price-setting mechanism.

The confidential sections of Orrcon's work program relevant to price-setting are at **Confidential Attachment 11**.

³² EPR ADRP 2020/126 - ATM's application to the ADRP – [Elaboration of Grounds](#)

³³ EPR 532 – [document no. 15](#) refers.

³⁴ EPR 532 – [document no. 22](#) refers.

³⁵ EPR 532 – [document no. 1](#) refers.

³⁶ EPR ADRP 2020/126 - Orrcon's application to the ADRP – [Attachment A](#)

7.3 Assessment of price competition in the Australian market

7.3.1 Price competition analysis in REP 532

The Commission's assessment of price competition in the Australian market in REP 532 was demonstrated via the price undercutting analysis.³⁷ The Manual provides an explanation³⁸ of the price undercutting analysis usually performed by the Commission and used in REP 532:

The prices of the imported goods and those of the Australian industry are compared during the 12 month period that the sales transactions data have been provided for in the Australian industry's application.

The Commission normally examines the weighted average net realised prices, for example monthly, achieved by importers of the goods and Australian industry at equivalent levels of trade and any other necessary adjustments to ensure a meaningful comparison. In some cases, where sales data for imports and local industry allows a more detailed analysis of prices to the same customer, the Commission can determine the amount of price undercutting per unit of quantity (this affords a more precise measure of the undercutting).

When comparing imported and local prices, the Commission adjusts the prices to account for differences between the imported and locally produced goods, for example differences in the terms and circumstances of their sales, or differences in physical characteristics.

The Commission will undertake a price undercutting analysis that focuses on data that covers transactions made during the investigation period. This analysis compares the price of the imported goods with the sales price of the locally produced goods, ensuring that the transactions are made under the same conditions (e.g. timing, volume, discounts, delivery, credit, same customer etc.).

The Commission's price analysis in REP 532 was performed by comparing prices actually achieved for sales of comparable MCCs in the Australian market by the Australian industry (weighted average of selling prices from both ATM and Orrcon) with the weighted average selling prices achieved by importers of HSS from Thailand.

The Commission concluded that:

This analysis indicates that, in a period where the goods were exported at undumped prices, HSS from Thailand had a significant price advantage over the Australian industry's HSS in the market.³⁹

As part of the ADRP's review process, the Commission explained the above finding in REP 532, specifically in response to ATM's application to the ADRP (noting that ATM did not raise the quantum and impact of price premiums during the conduct of the inquiry).

That explanation⁴⁰ was to illustrate that it appeared to the Commission representatives to be clear enough on the face of the information that there was a difference between the prices in Figure 20 (in REP 532) and *Confidential Attachment 5* to REP 532, which was greater than the purported price premium claimed by ATM. The Commission

³⁷ EPR 532 – [document no. 30](#) refers. REP 532 – Figure 20.

³⁸ [The Manual](#), p. 19 and p. 130 refers.

³⁹ EPR 532 – [document no. 30](#) refers.

⁴⁰ EPR ADRP 2020/126 – Refer the [Commission's submission to the ADRP](#) in response to the applications for review from ATM and Orrcon, and the subsequent [Conference summary – the Commission](#).

acknowledges, however, that if the price premium can be quantified, it would analyse and assess it in the broader context of the market in the course of its undercutting analysis.

7.3.2 ATM's IPP and the local price premium

ATM advised the Commission and the ADRP that its IPP is calculated using monthly HSS price offers from exporters to Australian importers. The IPP is ATM's market intelligence tool, which includes prices from a variety of foreign steel mills in multiple countries.

The IPP therefore, is inclusive of all of these price offers and is not a Thailand-specific model for price competition.

ATM also advised that the local price premium it *aims* to achieve and which customers are *generally* willing to pay is a small additional amount applied to the IPP calculated price.

The IPP plus price premium forms the **base price** of the HSS that ATM sells. The Commission notes that the amount of price premium applied is not a standard dollar value or percentage portion of the IPP, but is variable depending on ATM's strategic pricing considerations.

These considerations were provided in ATM's confidential application to the Commission and documented in the work program prepared from ATM's verification. These considerations are summarised in **Confidential Attachment 11**.

Therefore the establishment of the base price, whatever the monthly IPP calculation and price premium is ATM's normal market price-setting mechanism and is not directly linked to imports of HSS from Thailand.

7.3.3 Negotiated prices paid by ATM's customers and the link to the price premium

The Commission notes that the actual price achieved by ATM and which forms *part of* the Australian industry price calculations in the Commission's price undercutting analysis is not the base price (IPP plus the price premium). As described by ATM, the base price is modified as a result of negotiation with customers and the application of ATM's strategic considerations, such as discounts, which are summarised at **Confidential Attachment 11**.

The Commission has also reviewed the data and evidence provided by ATM and observes that there is no link between the price premium and:

- the IPP to calculate the base price;
- the proportion of the local premium achieved in the final price after negotiation;
- the influence of the price premium on the final price; or
- whether the price premium had any impact on the negotiations between one or all of ATM's customers.

Such information and the negotiation process is not recorded by ATM in its sales and accounting system, nor is there a record from sales staff documenting how the price premium has influenced the final price. The Commission considers that it is normal business practice to not record all the minutiae in relation to price negotiations and all the other strategic considerations for price-setting.

The Commission considers that the price premium used by ATM is one factor of many used in its normal price-setting in the Australian market.

In addition, ATM has not provided, and the Commission cannot identify from the evidence provided by ATM, the quantum of the price premium in order to:

PUBLIC RECORD

- distinguish this component of the price actually achieved by ATM;
- distinguish this component from the weighted average Australian industry price calculated for the purposes of the Commission's price undercutting analysis in REP 532; and
- assess the relative impact of the price premium on price competition with undumped Thai exports in the Australian market.

The ADRP has previously considered the relevance of a local price premium in ADRP Report No. 31.⁴¹ The factual circumstances in that case were different (that case concerned rod in coils and much of the focus of the analysis revolved around material injury and causation). However, the Commission considers that some observations there may also be relevant in this case. In ADRP Report No. 31 the Member accepted the Commission's reasoning that, having regard to the *Panel Report in European Communities – Anti-Dumping Measure on Farmed Salmon from Norway* (WT/DS337/R), the higher price claimed needs to be clear and identifiable in order to be meaningful. However, in this case, the claimed price premium is simply part of ATM's usual market pricing strategy and is not specific - it isn't possible in this case to identify how the so called price premium would alter the undercutting analysis as it was set out in REP 532.

ADRP Report No. 31 concluded at paragraph 65 that:

the price premium is not a specific margin...[and] its impact has already been assessed in the price undercutting analysis.

The Commission considers that its approach in REP 532 was consistent with ADRP Report No. 31. It therefore affirms the price undercutting analysis and the resulting conclusions and findings in REP 532.

⁴¹ EPR ADRP 2015/31 – [ADRP Report No. 31](#) refers.

8 ATTACHMENTS	
Confidential Attachment 1:	HRC analysis and modelling
Confidential Attachment 2:	HRC price analysis from REP 529
Confidential Attachment 3:	Saha Thai – Export price
Confidential Attachment 4:	Saha Thai - CTMS
Confidential Attachment 5:	Saha Thai – Normal value
Confidential Attachment 6:	Saha Thai – Dumping margin
Confidential Attachment 7:	TPP – Export price
Confidential Attachment 8:	TPP - CTMS
Confidential Attachment 9:	TPP – Normal value
Confidential Attachment 10:	TPP – Dumping margin
Confidential Attachment 11:	Price setting by the Australian industry
Non-Confidential Attachment A: Unit HRC cost calculation example (spreadsheet)	