



Australian Government
Department of Industry, Science,
Energy and Resources

Anti-Dumping
Commission

Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601

Ms Leora Blumberg
Member, Anti-Dumping Review Panel
c/- ADRP Secretariat
GPO Box 2013
CANBERRA ACT 2601

By e-mail: ADRP@industry.gov.au

Dear Ms Blumberg

**CERTAIN HOLLOW STRUCTURAL SECTIONS
EXPORTED FROM THE KINGDOM OF THAILAND (ADRP No 126)**

Following your letter of 11 September 2020, I have now undertaken the reinvestigation of certain findings in *Anti-Dumping Commission Report No. 532* on which the then Minister for Industry, Science and Technology relied to make her decision under section 269ZH(1)(a) of the *Customs Act 1901*. I have enclosed a copy of my reinvestigation report.

I remain at your disposal to assist you in this matter, and I and / or officers from the Commission would be happy to participate in a conference if you consider it appropriate to do so.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bradley Armstrong'.

Dr Bradley Armstrong PSM
Commissioner
Anti-Dumping Commission

16 September 2021



CUSTOMS ACT 1901 - PART XVB

ANTI-DUMPING COMMISSION REPORT

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

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

2 September 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 FINDINGS	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	12
3 PACIFIC PIPE – HRC COST ALLOCATION	20
3.1 DUTIES PAID ON IMPORTED HRC PURCHASES AND IMPACT ON THE SINGLE CTM.....	20
4 SAHA THAI – HRC COST ALLOCATION	22
4.1 DUTIES PAID ON IMPORTED HRC	22
4.2 MANIPULATION OF THE SINGLE CTM TO THE MAXIMUM COST MODEL	22
4.3 SENSITIVITY ANALYSIS USING THE MAXIMUM COST MODEL	23
5 THAI PREMIUM PIPE – HRC COST ALLOCATION	26
5.1 REVISIONS TO TPP'S DUMPING MARGIN CALCULATION	26
5.2 DUTIES PAID ON IMPORTED HRC	26
5.3 MANIPULATION OF THE SINGLE CTM TO THE MAXIMUM COST MODEL	27
5.4 SENSITIVITY ANALYSIS USING THE MAXIMUM COST MODEL	27
6 IMPACT OF THE SENSITIVITY ANALYSIS ON FINDINGS RELATING TO THE LIKELIHOOD OF DUMPING & INJURY	30
7 PRICE PREMIUM ACHIEVED BY THE AUSTRALIAN INDUSTRY	31
7.1 GROUND OF REVIEW AND REINVESTIGATION REQUEST.....	31
7.2 PRICE SETTING BY THE AUSTRALIAN INDUSTRY – DOCUMENT REVIEW	31
7.3 ASSESSMENT OF PRICE COMPETITION IN THE AUSTRALIAN MARKET	33
8 ATTACHMENTS	37

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
<i>EC Salmon</i>	<i>Panel Report in European Communities – Anti-Dumping Measure on Farmed Salmon from Norway (WT/DS337/R)</i>
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	import parity price
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

PUBLIC RECORD

Thailand	the Kingdom of Thailand
THAITR	Department of Foreign Trade, Trade Interests and Remedies Division of the Government of Thailand
THB	Thai baht
TPP	Thai Premium Pipe Co., Ltd.
USDOC	United States Department of Commerce
USCIT	United States Court of International Trade
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 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 two applications from members of the Australian industry that manufacture hollow structural sections (HSS), Austube Mills Pty Ltd (ATM) and Orrcon Manufacturing Pty Ltd (Orrcon). The applications sought the continuation of the anti-dumping measures (in the form of a dumping duty notice) which applied to 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. The Commission established the following dumping margins for Thai exporters in that period.

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 Anti-Dumping Review Panel (ADRP) accepted applications for review from ATM and Orrcon. The ADRP initiated its review of the decision by public notice on 11 September 2020 (ADRP Review No. 2020/126).⁵

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.

On 10 November 2020, the ADRP requested the Commissioner reinvestigate certain findings in REP 532, set out under the 3 grounds below.⁶ 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 reinvestigation report.⁸ The ADRP granted 3 extensions, with effect that the reinvestigation report is due by **2 September 2021**.⁹

Ground 1

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

In ATM's view, the Commission's approach of allowing the allocation of a single cost of hot rolled coil (HRC) to the CTM for both exported and domestic HSS overstated the CTM for exported HSS. ATM submitted this was because 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 ADRP noted that 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.

1.3 Approach to the reinvestigation

This report sets out the findings of the Commissioner in response to the reinvestigation request from 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.

⁶ [Request for reinvestigation](#) at ADRP Review No. 2020/126, made in accordance with section 269ZZL of the Act.

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, [Letter from the Commissioner to the ADRP](#), dated 3 June 2021 and [Letter from the Commissioner to the ADRP](#), dated 27 July 2021.

⁹ EPR ADRP 2020/126 - [Letter from the ADRP to the Commissioner](#), dated 25 January 2021, [Letter from the ADRP to the Commissioner](#), dated 8 June 2021 and [Letter from the ADRP to the Commissioner](#), dated 29 July 2021.

PUBLIC RECORD

The reinvestigation has been conducted in accordance with section 269ZZL(2). In conducting the reinvestigation, the Commission has had regard to:

- the grounds accepted for review and published by the ADRP
- the ADRP's reasons for requesting the reinvestigation
- ATM's and Orrcon's applications to the ADRP for a review of the Minister's decision.

The Commission published a preliminary reinvestigation report on the electronic public record (EPR) on 30 June 2021. That report invited submissions from interested parties in response to the Commissioner's preliminary findings.

One submission was received in response, from ATM. The Commissioner has had regard to the relevant sections of ATM's submission in this reinvestigation report.

1.4 Findings

The Commissioner finds that, if the Commission's sensitivity analysis for Ground 1 is applied to the variable factors, the dumping margin for:

- Pacific Pipe Public Co., Ltd would not change (Chapter 3 refers)
- Saha Thai Steel Pipe Public Company Limited would change from negative 13.1% to negative 26.8%(Chapter 4 refers)
- Thai Premium Pipe Co., Ltd would change from negative 4.5% to negative 9.8% (Chapter 5 refers).

The Commissioner finds that, in relation to Ground 2, the findings in REP 532 regarding the likelihood of the recurrence of dumping and material injury would not change as a result of the application of the sensitivity analysis in Ground 1.

The Commissioner 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 specific impact on price competition.

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, 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)
- 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.

The ADRP's first request¹⁰ of the Commission was to undertake a sensitivity analysis, comprising:

- an allocation of non-refundable import duties to calculate a domestic CTM
- an assessment of the relevant OCOT test resulting from this higher domestic CTM', and
- a calculation of the change in the normal values and dumping margins for the cooperating Thai exporters.

The ADRP's second request¹¹ was that, should the finding in relation to those normal values and dumping margins change, the Commissioner should consider whether that change would impact the Commission's assessment of the likelihood of dumping and material injury continuing or recurring.

The Commission's assessment of this second request is set out at Chapter 6.

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% of the total shipments (by volume) of the goods reported in the Australian Border Force (ABF) import database.

The Commission received 3 responses to the exporter questionnaire (REQ) from the following exporters:

- Pacific Pipe Public Co., Ltd. (Pacific Pipe)

¹⁰ EPR ADRP 2020/126 - [Request for Reinvestigation from the ADRP to the Commissioner](#), paragraph 1.

¹¹ EPR ADRP 2020/126 - [Request for Reinvestigation from the ADRP to the Commissioner](#), paragraph 2.

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

The non-confidential versions of the REQs¹² and the verification reports¹³ in relation to these exporters are available on the Commission website. As noted in the verification reports and in REP 532, the verified data from the 3 cooperating Thai exporters was complete, relevant and accurate. Accordingly, the Commission relied upon the data provided by the Thai exporters in REP 532 and, to the degree outlined below, in this reinvestigation.

2.2.2 The reinvestigation questionnaires

After receiving the ADRP's reinvestigation request, the Commission sought further data and information from the cooperating Thai exporters in the form of tailored reinvestigation questionnaires.¹⁴

In particular, the Commission sought evidence and information concerning:

- the amount of duties paid on individual HRC imports
- 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 also sought alternate evidence. That evidence included reports or Thai customs entry documentation to determine the amount of trade remedy duties paid on imported HRC in the inquiry period.

Submission from ATM and the Commissioner's finding that the Thai exporters are cooperative exporters

ATM submits¹⁵ that the failure of the Thai exporters to provide a CTM which is specific to its domestic and export production indicates that the data is unreliable. Consequently, ATM submitted that the Commissioner should deem the Thai exporters to be uncooperative exporters for the purpose of the reinvestigation.

The Commission notes that section 269T(1) and the *Customs (Extensions of Time and Non-cooperation) Direction 2015*¹⁶ set out the circumstances in which the Commissioner may exercise their discretion and find that an exporter has been uncooperative. Section 269T(1) sets out a definition of uncooperative exporter. That definition applies to investigations, reviews of measures, or inquiries under Division 6A of the Act.

¹² EPR 532 - [document nos. 4, 8](#) and [5](#) refer, respectively.

¹³ EPR 532 - [document nos. 14, 17](#) and [21](#) refer, respectively.

¹⁴ EPR 532 - [document no. 32](#) refers. The Commission published a file note describing the information sought and received.

¹⁵ EPR 532 – [document no. 35](#) refers.

¹⁶ <https://www.legislation.gov.au/Details/F2015L01736>

The definition in section 269T(1) does not appear to apply to the circumstances of a reinvestigation requested by the ADRP. However, even if the Commissioner could make such a determination in these circumstances, the Commissioner would need to be satisfied that the exporter did not give relevant information which he considers to be relevant within a reasonable period of time, or that the exporter significantly impeded the case.

The Thai exporters provided information which was reasonably available to them in a timely manner, and the Commission was able to verify the completeness, relevance and accuracy of that information. The Thai exporters have not impeded the conduct of the inquiry, nor the conduct of this reinvestigation. When requested to do so, the Thai exporters have provided data which is consistent with their records having regard to their accounting practices. There is no obligation on the exporters to provide data which they do not keep.

In the context of this reinvestigation, the Commission finds no basis on which to be satisfied that any of the Thai exporters meet the definition of an uncooperative exporter.

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 HRC imports into Thailand during the inquiry period:

- World Trade Organization (WTO) Trade Monitoring Database¹⁷ (the WTO TDB)
- WTO Integrated Trade Intelligence Portal¹⁸ (WTO i-tip)
- Department of Foreign Trade, Trade Interests and Remedies Division of the Government of Thailand (THAITR).¹⁹

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

The Government of Thailand (GOT) had trade remedy measures in force on black HRC (both alloyed and non-alloyed) in the form of anti-dumping duties and safeguard duties in the inquiry period. There were no trade remedy duties payable on imported zinc galvanised HRC. Based on the information available to the Commission, the GOT suspended the anti-dumping duties while the safeguard measures were in force.²⁰

ATM submits that all of the trade remedy measures applied by the GOT are relevant, noting that HSS can also be produced from cold rolled coil (CRC) and aluminium-zinc galvanised CRC.²¹

The Commission has had regard to the verified HRC purchase evidence, sales and cost data of the Thai exporters to assess what trade remedy measures are relevant to the circumstances of Pacific Pipe, Saha Thai and TPP. Accordingly, the Commission has only had regard to trade remedy measures applying to imports of black, non-alloyed HRC.

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 black, non-alloy HRC into Thailand was:

¹⁷ <https://tmdb.wto.org/en>

¹⁸ <http://i-tip.wto.org/goods/Default.aspx>

¹⁹ <https://www.thaitr.go.th/en/home>

²⁰ <https://www.thaitr.go.th/storage/announcements/CIYRJ8ef3S4Q3jkye3o6oxnxzIO5Cv1yYElxbTKw.pdf>

²¹ EPR 532 – [document no. 35](#) refers.

- 7 June 2018 to 6 June 2019 - 20.87% and
- 7 June 2019 to 6 June 2020 - 20.74%

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 2020.²² 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.²³

The measures were terminated as at 7 June 2020.²⁴

2.2.4 Reliability and competitiveness of HRC costs in the single CTM

ATM's application to the ADRP 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 verified 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 the costs kept in accordance with generally accepted accounting principles (GAAP) in Thailand 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 also disagrees with ATM's claim that the way in which an exporter undertakes its accounting, i.e. that an exporter does not record market-specific costs, would be a basis on which to make such a finding. In any event, the Commission's analysis of HRC prices in Korea, Taiwan and Thailand in *Anti-Dumping Commission Report No. 529* indicates that prices in Thailand are similar to those in Korea and Taiwan (**Confidential Attachment 2** refers). In the Commission's view, this supports a conclusion that the HRC prices in Thailand are reflective of a competitive market and the HRC costs in the single CTM are reflective of competitive market costs.

²² THAITR website, [case reference no. SG1004](#)

²³ The Commission used [Google Translate](#) online and the Google Translate app to translate the GOT's reports, which are in Thai.

²⁴ GOT notification to the WTO Committee on Safeguards. [WTO document G/SG/N/6/THA/4/Suppl.3, 8 May 2020](#) refers.

ATM has consistently²⁵ drawn on findings and information from the United States Department of Commerce (USDOC) administrative reviews of circular welded carbon steel pipe from Thailand.²⁶ The USDOC reviews found that a particular market situation existed in the domestic HRC and HSS markets in Thailand. The Commission's assessment of the USDOC reviews is that the findings and reasons in the 2017-2018 review are similar to those set out in the 2016-2017 review. In ATM's opinion, the particular market situation finding and the information relied on by the USDOC supports ATM's claim that the Commission incorrectly concluded that the HRC costs were competitive market costs and should not have accepted the verified cost data from the cooperating Thai exporters.

The Commission previously considered the USDOC review information in REP 532²⁷ and concluded that the USDOC's findings were not informative for the continuation inquiry. Subsequent to the publication of REP 532, the United States Court of International Trade (USCIT) ordered the USDOC to discard its finding of a particular market situation as it related to the 2016- 2017 review. The USCIT noted that the USDOC's '...cost-based particular market situation determinations are not in accordance with the law.'²⁸

The Commission acknowledges that the USCIT did not consider '...whether substantial evidence supports the [USDOC's] particular market situation adjustment.'²⁹ But, having regard to all of the above, the Commission does not consider the USDOC's findings and information to be more persuasive or reliable than the verified information before the Commission.

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 ADRP requested the Commission 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?

²⁵ EPR 532 – document nos. [2](#), [22](#) and [35](#). These documents respectively refer to ATM's application for the continuation of measures, an ATM submission in response to SEF 532 and ATM's submission in response to the preliminary reinvestigation report. Whilst ATM's ADRP application does not specifically refer to USDOC case documents, it appears that ATM has used findings and reasons from the USDOC.

²⁶ A-549-502 - case reference for circular welded carbon steel pipes and tubes from Thailand. The review examined the period 1 March 2016 to 28 February 2017. Evidence referred to by ATM at footnotes (40), (43) and (44) of its submission deals with this review. ATM also referred to the subsequent administrative review for A-549-502 at footnotes (41), (42) and (45). That review examined the period 1 March 2017 to 28 February 2018. The final report for the latest review was dated 13 November 2019.

²⁷ EPR 532 – [document no. 30](#) refers.

²⁸ *Saha Thai Steel Pipe Co., Ltd. v. United States*, Consol. Court No. 18-00214, Slip Op. 20-181 (CIT December 21, 2020) (*Saha Thai II*).

²⁹ *Saha Thai Steel Pipe Co., Ltd., et al. v. Unites States*, Consol. Court No. 18-00214, Slip Op. 19-165 (CIT 18 December 2019) (*Saha Thai I*).

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 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.

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

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

Limitations:

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

The total single CTM and the totals for the individual cost components of the CTM is recorded and is accurate, and therefore 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.

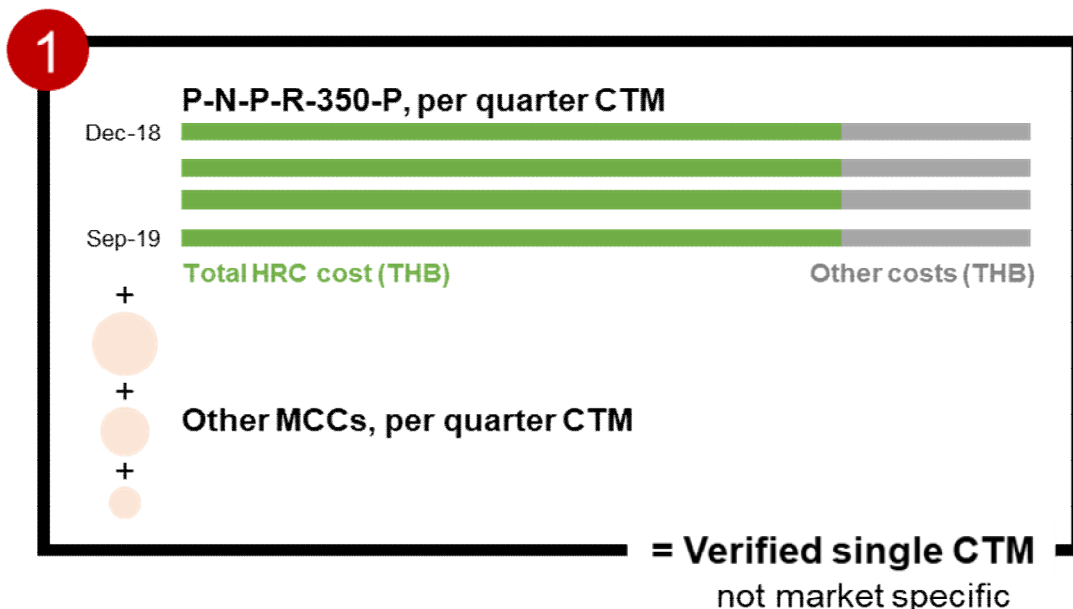


Figure 1: The single CTM – first boundary

PUBLIC RECORD

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
- 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 kept in accordance with GAAP in Thailand.

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 the production and cost records, but can from the 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.

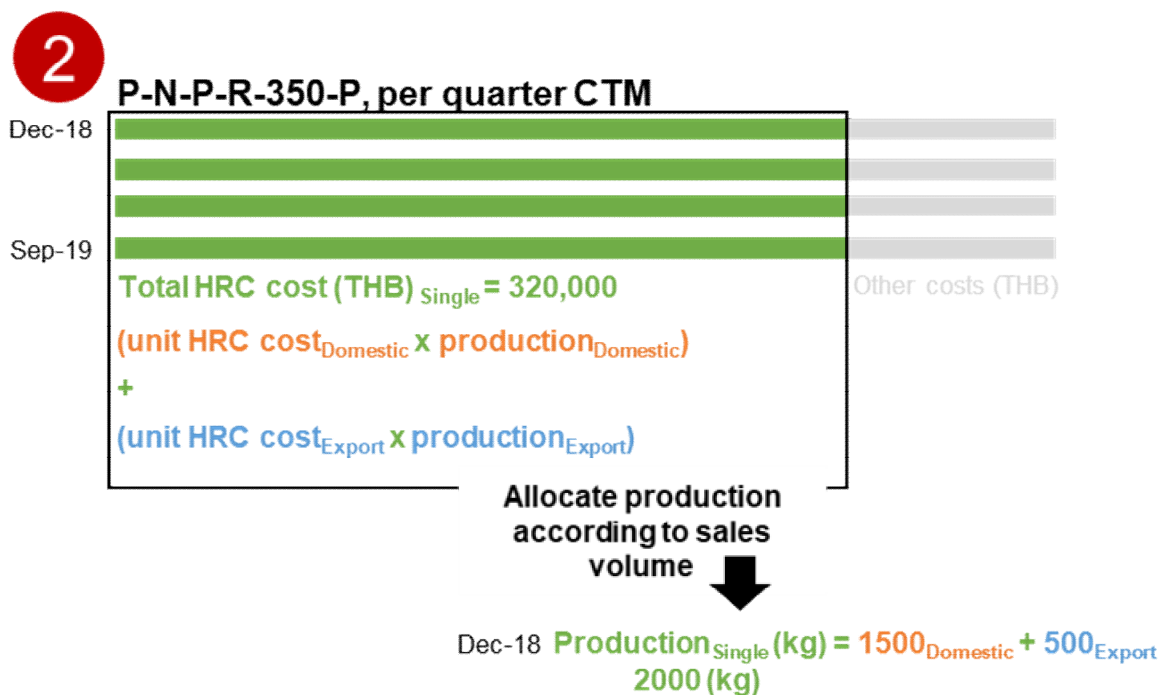


Figure 2: Production allocation – second boundary

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.³⁰

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 on a 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.

³⁰ ATM claimed in its submission that the Commission did not deal with third country exports in its assumptions. ATM's claim is incorrect.

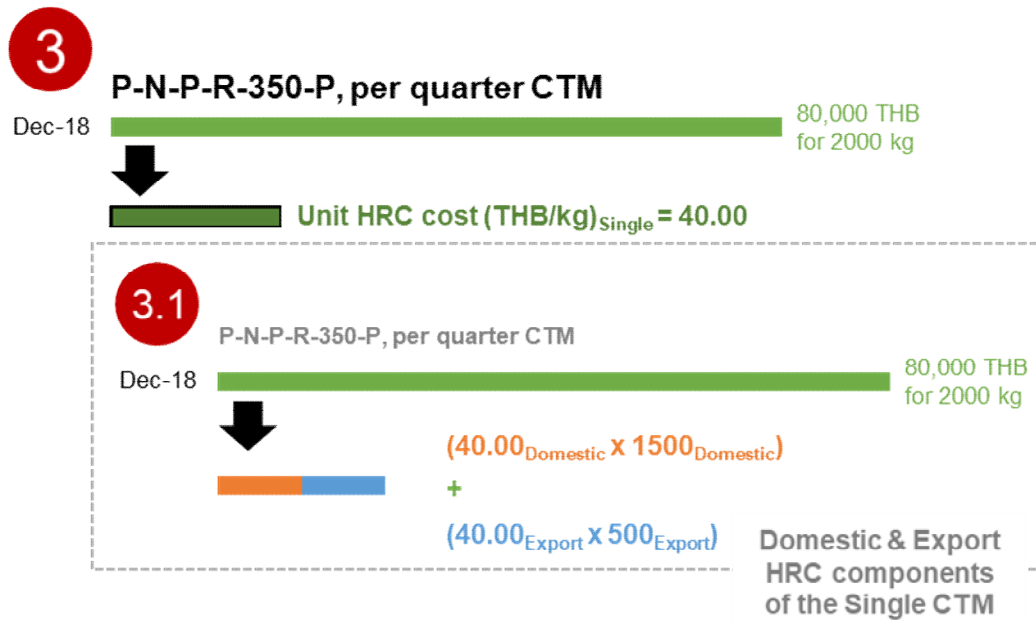


Figure 3: Allocating the single CTM to a distinct domestic CTM and an export CTM – third boundary

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 concerning 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 Boundary 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% 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.

PUBLIC RECORD

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.

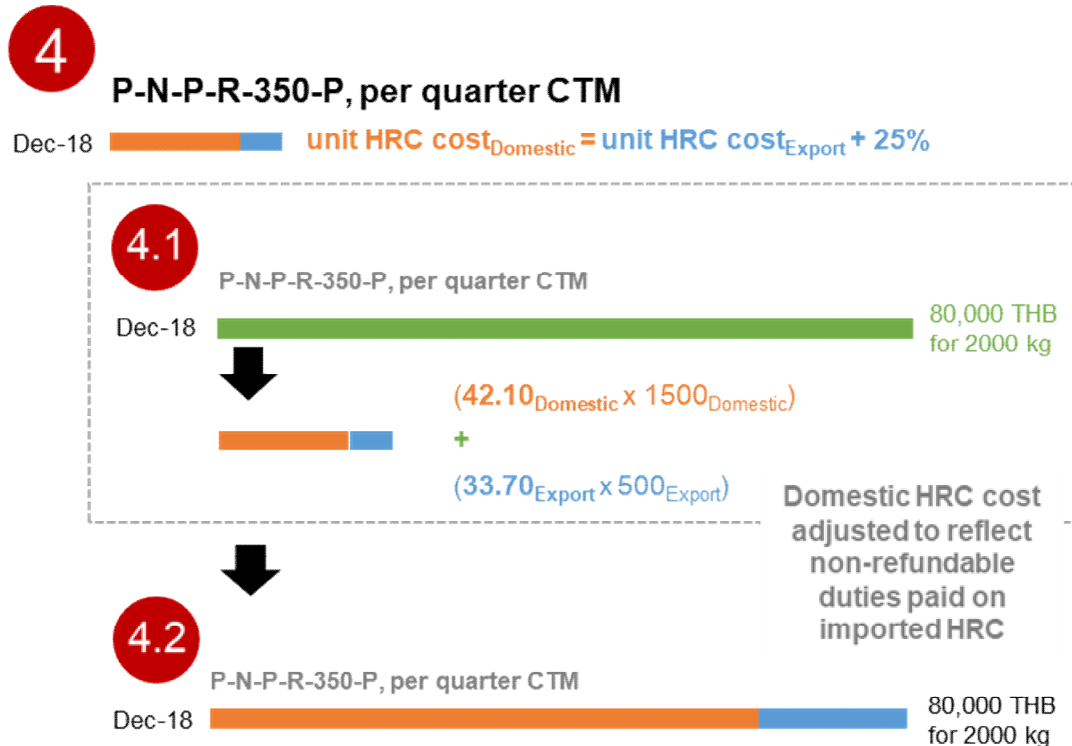


Figure 4: Allocating higher HRC costs to export production – fourth boundary

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%, which is the sum of the 20% safeguard duty plus 5% Thai general customs duty.³¹

This amount exceeds ATM's proposed amount of at least 20%.³²

³¹ ATM claimed that '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.' EPR 532 – [document no. 18](#) refers.

³² EPR ADRP 2020/126 - [ATM's application to the ADRP](#) refers.

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 for the production of exported HSS, which means the imported HRC becomes duty free
- HSS production for the Thai domestic market uses 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% greater than the weighted average unit HRC cost for export production
- the 25% 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.

The Maximum Cost Model therefore assumes the maximum HRC cost differential possible between HSS markets. The Maximum Cost Model is the basis of the Commission's sensitivity analysis, which is intended to answer the following questions:

1. What if the HRC costs for domestic HSS production were higher than the HRC costs for export production?
2. What is the subsequent impact of these relatively higher HRC costs on the OCOT test, normal value and dumping margin calculations?

The Maximum Cost Model assesses the potential impact of non-refundable safeguard duties on the CTM and subsequent dumping margins *as if the Thai exporters had accounted for that difference*.

The Maximum Cost Model and the sensitivity analysis is merely a counterfactual scenario which seeks to test the claims submitted by ATM. Accordingly, the counterfactual scenario relies on certain assumptions, limitations and boundaries which the Commission has derived from the verified data. It is not a replacement of the verified data, which showed that the Thai exporters accurately and reasonably accounted for all of their HRC costs.

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 modelled 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. The premise of the Maximum Cost Model is that the single CTM is manipulated to calculate a domestic CTM and an export CTM *because of* the non-refundable import duties allocated only to domestic production.

If the Member considers that it would be preferable to discard the verified single CTM in favour of a separate domestic CTM and an export CTM based on the Maximum Cost Model, it would also be appropriate to account for the duty drawback mechanism the Thai exporters use.

As was demonstrated in REP 532 and *Anti-Dumping Commission Report No. 529*, there is a close correlation between the cost to make and sell (CTMS) and prices achieved in the market (both domestic and export) by Thai exporters and by exporters from other countries. Having used the Maximum Cost Model to establish a theoretical difference in the domestic CTM and the export CTM, there are now theoretical differences which affect domestic and export sales comparability. A downwards adjustment must therefore be made in accordance with section 269TAC(8) when calculating the theoretical normal value under the Maximum Cost Model. This is because the domestic sales in OCOT, using the Maximum Cost Model, are modified by the import duty allocation in the domestic CTM, and this does not exist for export sales.

The *Dumping and Subsidy Manual* (the Manual) describes the duty drawback mechanism as follows:³³

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.

³³ [The Manual](#), p. 68 – available on the Commission 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% of its purchases by volume comprising black HRC. Of those black HRC purchases, approximately 99% were purchased from domestic suppliers. The Commission's analysis is demonstrated in Figure 5 and at **Confidential Attachment 1**.

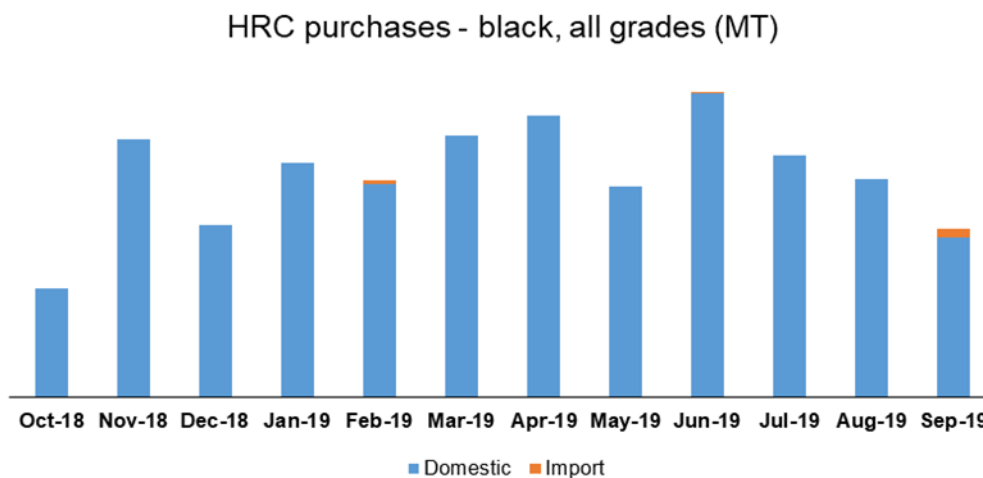


Figure 5: Pacific Pipe's black HRC purchases in the inquiry period

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 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 HRC imported 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.

ATM submitted that Pacific Pipe should be considered an uncooperative exporter. In ATM's view, Pacific Pipe's normal value should be calculated according to section 269TAC(6), using a constructed normal value based on cost data from Saha Thai and TPP.

PUBLIC RECORD

The Commission considers that ATM's submission on this point fails to consider the reasons and analysis in the preliminary reinvestigation report. The premise of the HRC cost reinvestigation results from ATM's claim that a HRC cost differential between markets arises due to non-refundable import duties paid for imported HRC used in domestic HSS production. It is clear from Figure 5 that this cost differential does not occur for Pacific Pipe due to the immaterial volume of imported HRC purchased by Pacific Pipe.

Accordingly, the Maximum Cost Model was not applied to Pacific Pipe's data and no changes would be made to Pacific Pipe's dumping margin calculation in REP 532.

The dumping margin would continue to be **negative 4.3%**.

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.

The Commission has therefore 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% of its purchases by volume from domestic suppliers. The Commission's analysis is demonstrated in Figure 6 and at **Confidential Attachment 1**.

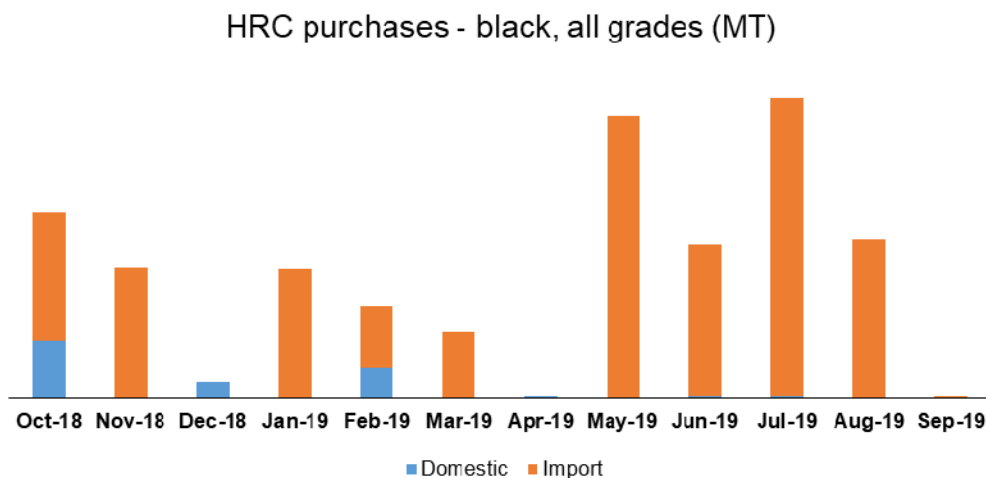


Figure 6: Saha Thai's black HRC purchases in the inquiry period

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 categories³⁴ that excluded the 'quality' category 1 and category 6, 'ends'. The Commission tested this approach in the sensitivity analysis and compared the results with the dumping margin calculations in REP 532 and found no impact arising from the truncated MCC approach.

³⁴ 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](#).

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

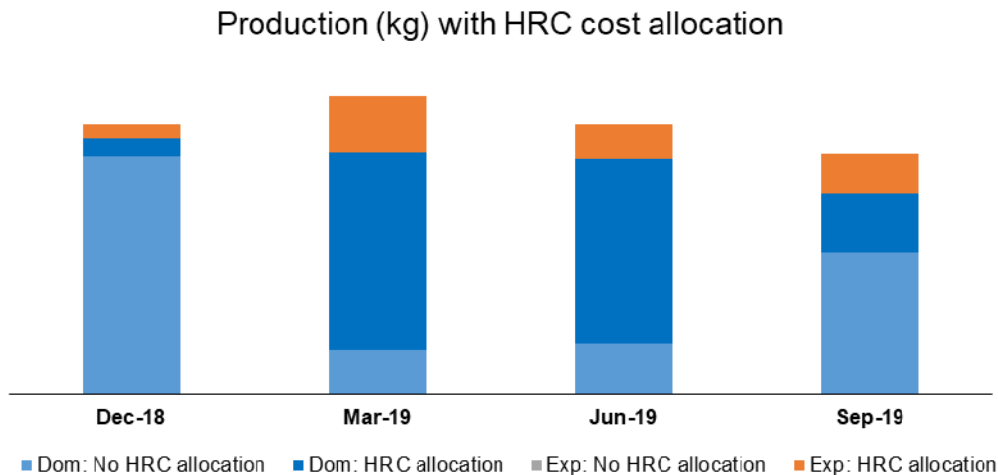


Figure 7: Saha Thai's production volume with HRC cost allocation - all HSS grades

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 Sensitivity analysis 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 Commission compared the results from the OCOT tests using the verified single CTM and the Maximum Cost Model.

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, where the total volume of like goods is greater than 5% 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.³⁵ The Commission's results from this assessment, compared to the results using the verified single CTM is detailed in Table 3.

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 application of the Maximum Cost Model resulted in approximately 5% less domestic sales volume being in the OCOT. However, as outlined in Table 3, whilst there were sufficient domestic sales volumes of comparable domestic MCCs made in the OCOT for the 3 MCCs exported to Australia, the Maximum Cost Model caused all identical models to fall out of the OCOT.

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

³⁵ [The Manual](#), p. 34.

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 ³⁶
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 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%**.

Using the Maximum Cost Model, the dumping margin for the goods exported to Australia by Saha Thai for the period would become **negative 26.8%**.

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

³⁶ 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

In reviewing the data for the application of the Maximum Cost Model to TPP, the Commission corrected a minor error in 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, ³⁷ 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

TPP's dumping margin would change from negative 4.5% to **negative 3.4%**.

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 the 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% of its purchases by volume comprised black HRC.

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

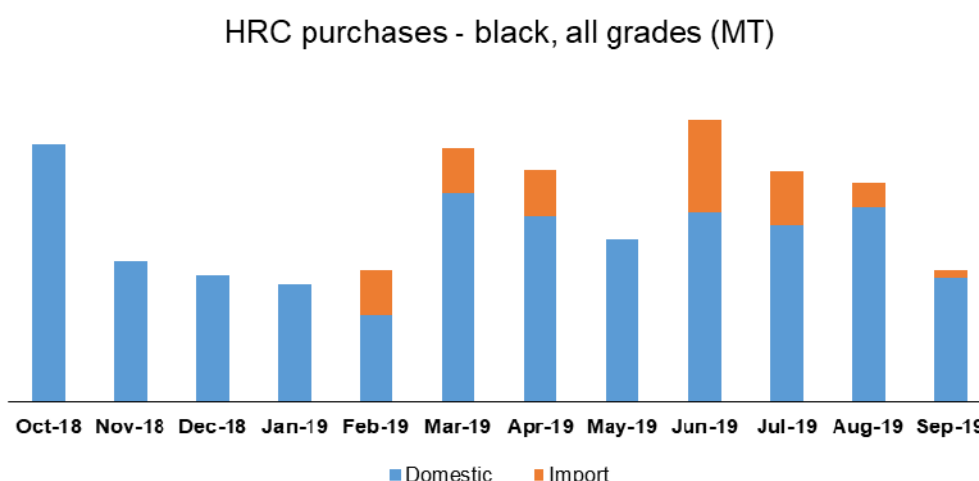


Figure 8: TPP's black HRC purchases in the inquiry period

³⁷ 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.

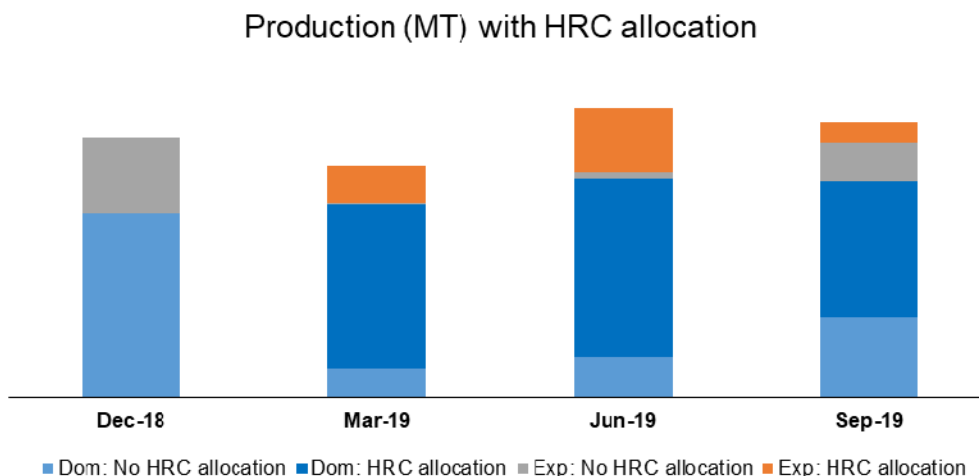


Figure 9: TPP's production volume with HRC cost allocation – all HSS grades

5.4 Sensitivity analysis 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.

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 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, where the total volume of like goods is greater than 5% 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.

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 application of the Maximum Cost Model resulted in approximately 7% less domestic sales volume being in the OCOT. 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**.

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.

PUBLIC RECORD

Adjustment Type	Deduction/addition	New adjustment considered ³⁸
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%**.

Using the Maximum Cost Model, the dumping margin for the goods exported to Australia by TPP for the period would become **negative 9.8%**.

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

³⁸ 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 the course of preparing REP 532 in assessing whether dumping and material injury was likely to recur if the measures were discontinued.

The Commission considers that even if the *prima facie* argument made by ATM is accepted, the sensitivity analysis (through the application of the Maximum Cost Model) would result in a finding that the Thai exporters were not dumping in the inquiry period. As a result, the Commission considers that there is no basis to depart from the findings in REP 532 in respect of Ground 2.

7 PRICE PREMIUM ACHIEVED BY THE AUSTRALIAN INDUSTRY

7.1 Ground of review and reinvestigation request

The ADRP accepted ATM's ground of review that contended that the Commission's analysis of price competition in the Australian market made no reference to a price premium that ATM and the Australian industry can achieve in the market.

The ADRP requested the Commission to reinvestigate the price competition analysis undertaken in REP 532. The Commission was requested to take into consideration the price premiums that ATM and Orrcon can achieve in the Australian market and make the necessary comparisons with the Thai export prices. In its reinvestigation, the Commission was asked to have regard to various interested parties' submissions, as well as other relevant documents and information.

7.2 Price setting by the Australian industry – document review

The Commission reviewed the documents and information provided by ATM and Orrcon in relation to price-setting generally and the quantification of the price premium. The documents referenced in this section were provided to the ADRP as part of the ADRP's initial document request of the Commission.³⁹

ATM explained in its application to the Commission (for the continuation of the measures)⁴⁰ and in its application to the ADRP⁴¹ 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)
- the research and development put into its HSS products and manufacturing technologies.

³⁹ EPR ADRP 2020/126 - ADRP's [Correspondence to the Commission](#).

⁴⁰ EPR 532 – [document no. 2](#) refers.

⁴¹ EPR ADRP 2020/126 - ATM's application to the ADRP – [Elaboration of Grounds](#).

ATM further explained in its application for the continuation:

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:⁴²

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 in the context of REP 532 and concluded in ATM's verification report that:

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.⁴³

And this process was re-confirmed by ATM in a submission 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.⁴⁴

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 are at **Confidential Attachment 11**.

The Commission also reviewed Orrcon's applications to the Commission⁴⁵ and the ADRP,⁴⁶ as well as submissions considered in REP 532. The Commission notes that Orrcon has not specified any premium that forms part of its price-setting mechanism. The confidential sections of Orrcon's work program relevant to price-setting are at **Confidential Attachment 11**.

⁴² EPR ADRP 2020/126 - ATM's application to the ADRP – [Elaboration of Grounds](#).

⁴³ EPR 532 – [document no. 15](#) refers.

⁴⁴ EPR 532 – [document no. 22](#) refers.

⁴⁵ EPR 532 – [document no. 1](#) refers.

⁴⁶ 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.⁴⁷ The Manual provides an explanation 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.).⁴⁸

The Commission's price analysis in REP 532 compared prices actually achieved for sales of comparable MCCs in the Australian market, between:

- the Australian industry, using verified sales data, calculated as a weighted average of prices (transactions) from both ATM and Orrcon, which excluded the reported inland transport costs to calculate prices at Ex Works terms,⁴⁹ and
- the estimated weighted average selling prices achieved by importers of HSS from Thailand at the same terms.

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.⁵⁰

⁴⁷ EPR 532 – [document no. 30](#) refers. REP 532 – Figure 20.

⁴⁸ [The Manual](#), p. 19 and p. 130 refers.

⁴⁹ ATM has repeatedly disputed the basis of the Commission's price analysis, most recently in its submission to the preliminary reinvestigation report (refer EPR 532 [document no. 35](#)). The Commission has provided clarification, but as the impact of ATM's price premium is the ground of reinvestigation, the remainder of ATM's submission at section 3.2 has not been considered by the Commission.

⁵⁰ EPR 532 – [document no. 30](#) refers.

As part of the ADRP's review process, the Commission explained this conclusion from REP 532, specifically in response to ATM's ADRP application (noting that ATM did not raise the quantum and impact of price premiums during the conduct of the inquiry).⁵¹ That explanation served to illustrate that it was clear enough that the analysis demonstrated a difference between prices, and the difference was greater than the purported price premium claimed by ATM.^{52, 53} The Commission acknowledged, however, that if ATM's price premium could be quantified, it would analyse and assess it in the broader context of the market as part of its undercutting analysis.

7.3.2 The Commission's interpretation of local price premium

The ADRP has previously considered the relevance of a local price premium in ADRP Report No. 31.⁵⁴ 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) (EC Salmon)*, the components of the higher price claimed need to be clear and identifiable in order to be meaningful.

The significance of the *EC Salmon* case is that, where a price premium can be identified, an unbiased and objective investigating authority would take that premium into account when assessing the degree of price undercutting caused by dumping, as opposed to injury caused by other factors.

The factual circumstances in ADRP Report No. 31 differ from the present case.⁵⁵ However, the Commission considers that some considerations in that report are relevant, particularly the understanding that a 'clear and identifiable' price premium is needed for consideration in the Commission's price analysis. The Commission understands that it is this interpretation of 'price premium' from *EC Salmon* that has formed the basis of the member's reinvestigation request.

7.3.3 ATM's interpretation of the 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 is an average price which is inclusive of all of the price offers that ATM has received from its customers. It is not a Thailand-specific model for price competition.

⁵¹ The ADRP and the Commission discussed the underlying data and calculations that form the price analysis in a Conference held on 6 November 2020.

⁵² 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](#).

⁵³ EPR 532 - [document no. 30](#), Figure 20 and *Confidential Attachment 5* to REP 532 refers.

⁵⁴ EPR ADRP 2015/31 – [ADRP Report No. 31](#) refers.

⁵⁵ ADRP Report No. 31 dealt with a reinvestigation of rod in coils and much of the focus of the analysis revolved around material injury and causation findings.

ATM 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.⁵⁶ 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 increase added to the IPP, but is variable depending on ATM's strategic pricing considerations.

These pricing considerations, summarised above, were detailed by ATM in its confidential application to the Commission that prompted the continuation inquiry that led to REP 532. In addition, these considerations were discussed at verification and documented by the Commission in the work program. ATM reconfirmed this information in its submission, which showed that the net prices it achieved for one HSS subset were variably higher than the corresponding IPP.⁵⁷

ATM's pricing considerations, as well as the Commission's assessment of the information provided in ATM's submission, are summarised in **Confidential Attachment 11**.

In its submission in response to the preliminary reinvestigation report, ATM referred to a confidential graph that demonstrates a quarterly correlation between the IPP and the weighted average unit price of a HSS subset.

The Chart shows a **generally consistent gap** between Austube Mills selling price and the average [Free Into Store] import price **that reflects the price premium** that Austube Mills can achieve in its sales of HSS. The Chart and associated data was discussed with the Commission during the verification visit as part of evidence of the effect of import prices on Austube Mills pricing and evidence of the price premium.⁵⁸

ATM therefore claims that the 'gap' between the IPP and the weighted average unit price **is** the price premium.

In the Commission's view, the existence of an analytical price gap is not the same as quantifying a clear and identifiable price premium when setting prices. The price gap merely shows that ATM considers import price offers when setting its prices and that the prices achieved (after negotiation) are higher, to varying degrees, than the IPP. In other words, ATM's achieved prices generally follow its intelligence on price offers in the Australian market for HSS.

In contrast, ATM also submits that the price premium involves setting a price that is a function of the IPP plus a percentage uplift. To demonstrate this, ATM provided an email which showed the base price calculation using a price premium to uplift the IPP.⁵⁹

⁵⁶ Refer chapter 7.2.

⁵⁷ EPR 532 [document no. 35](#) refers.

⁵⁸ EPR 532 [document no. 35](#) refers. Emphasis in original.

⁵⁹ EPR 532 [document no. 35](#), confidential attachment 1 refers.

7.3.4 Commission's assessment of ATM local 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 pricing considerations, such as discounts, which are summarised at **Confidential Attachment 11**.

The Commission reviewed the data and evidence⁶⁰ that formed the price analysis in REP 532 and did not observe a link between ATM's claimed price premium and:

- the IPP to calculate the base price
- the proportion of the local premium achieved in the final price before and after negotiation,
- the influence of the price premium on the final price, or
- whether the price premium was applied, the amount and if it impacted the negotiations for one or all of ATM's customers.

The single email evidence from ATM that demonstrated a base price calculation (using a price premium to uplift the IPP), did not address the Commission's concerns from the preliminary reinvestigation report. That email demonstrated an amount purported to be the IPP, but that number was not found in ATM's IPP model.

Additionally, that email:

- set a base price for one customer at a point in time in the inquiry period
- did not articulate the HSS subsets relevant for that base price, and
- did not provide a link to ATM's verified sales data.

The Commission considers that its approach in REP 532 was consistent with ADRP Report No. 31. That report concluded that the higher price achieved by the Australian industry was a function of normal pricing behaviour and accordingly:

the price premium is not a specific margin [... and] its impact has already been assessed in the price undercutting analysis.⁶¹

In the absence of a clear and identifiable price premium (in the *EC Salmon* sense), the Commission has not adjusted its price undercutting analysis in the way contended by ATM. The Commissioner therefore affirms the price undercutting analysis and the resulting conclusions and findings in REP 532 in respect of Ground 3.

⁶⁰ The Commission invited evidence from ATM that would demonstrate the link between the base price and the final price which is recorded by ATM in its sales and accounting system.

⁶¹ EPR ADRP 2015/31 - [ADRP Report No. 31](#), paragraph 65 refers.

8 ATTACHMENTS	
Confidential Attachment 1:	HRC analysis and modelling
Confidential Attachment 2:	HRC price analysis from <i>Anti-Dumping Commission Report No. 529</i>
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)