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27 April 2012

Mr Geoffrey Gleeson  
Director, Operations 3  
International Trade Remedies Branch  
Australian Customs and Border Protection Service  
Customs House  
5 Constitution Avenue  
CANBERRA ACT 2601

Dear Mr Gleeson

**Public File**

**ATM Correspondence 2012/10 - HSS exported from China, Korea, Malaysia, Taiwan and Thailand – Investigation No. 177 – Yieh Phui Exporter Visit Report**

I refer to the Yieh Phui Enterprise Co., Ltd (Yieh Phui) and Shin Yang Steel Co. Ltd. ("Shin Yang") Exporter Visit Report ("Report") recently placed on the electronic public file

OneSteel ATM has identified the following considerations as impacting Customs and Border Protection's assessment of normal values and dumping margins for Yieh Phui. It is OneSteel ATM's assessment that the identified items will result in an increase in the weighted-average dumping margin for Yieh Phui:

OneSteel ATM requests that Customs and Border Protection urgently re-assess Yieh Phui's preliminary dumping margin following account of the items hereunder.

Arms Length

Yieh Phui provided its related entity Shin Yang with galvanized steel coil for Shin Yang's production of steel pipes. The Report is silent as to whether Customs and Border Protection tested the price for the galvanized steel coil as being representative of market prices. OneSteel ATM observes from the attached xxxx extract that the average margin in South East Asia for galvanized coil over HRC was approximately US\$xxx/MT – See Confidential Attachment 1 (i.e. HRC + \$xxx/MT). It is further understood that over an extended time period, however, the average is closer US\$200/MT.

OneSteel ATM anticipates that Customs and Border Protection has confirmed that Yieh Phui galvanized coil has a transfer price of approximately US\$xxx/MT above its HRC price, and that this has been verified as consistent with market prices for galvanized coil.

Date of Sale

OneSteel ATM notes that Yieh Phui has conceded that changes to the terms of sale can occur up to the point of issuance of commercial invoice. Further, Yieh Phui and Shin Yang advised that the date of sale as included in the export sales spreadsheet refers to the date the goods boarded the ship, because this is the date the company transfer risk to the customer. They asserted that this is usually 3 to 5 days from the invoice date. Yieh Phui has confirmed invoice date as date of sale.

Downgrade Pipe

It is noted at Section 4.2.1 of the Report that Yieh Phui did not make any export sales to Australia of downgrade pipe. As there are no export sales of downgrade pipe, OneSteel ATM does not consider that a fair comparison can be made if domestic sales of downgrade pipe are included in normal value calculations.

Domestic sales of downgrade pipe should not be included in Yieh Phui's normal values.

Yieh Phui CTM&S

*Yield loss*

OneSteel ATM supports Customs and Border Protection's stance to reject Yieh Phui's claimed yield loss calculations based upon Yieh Phui's calculated scrap offset. Customs and Border Protection has based Yieh Phui's yield loss calculation on the factor arrived at between its sales of scrap contrasted with coil consumed for each quarter.

OneSteel ATM queries whether Customs and Border Protection was able to assess whether the claimed scrap sell price was consistent with Taiwanese market prices for scrap.

*Flood damaged pipe*

OneSteel ATM is concerned with Customs and Border Protection's treatment of the flood insurance payment for damaged goods received by Yieh Phui. It is stated *"we are of the view that the insurance payment should be included in the cost to make these goods"*.

As indicated in the Report, the insurance payment is to compensate Yieh Phui for damaged goods sold at below cost. The insurance payment should be treated as revenue for the damaged goods (i.e. to increase the sell price for the damaged above its costs) and not as an expense to reduce the cost of goods manufactured. The insurance payment is received as compensation for selling the damaged goods at a less than acceptable realization. It is a revenue item and not an expense item.

OneSteel ATM requests that Customs and Border Protection reverse the treatment of the insurance payment from an expense item to a revenue item.

*Other adjustments*

It is noted that Customs and Border Protection has accepted a *negative* amount in the cost of goods for Yieh Phui that relate to items such as *"maintenance, internal inventory movements, and fixed costs allocated to idle capacity"*. It is unclear as to how a negative value for these expenses can be generated.

OneSteel ATM submits that a negative adjustment for the cost categories identified is unlikely and the negative adjustment should be rejected.

Ordinary Course of Trade

The treatment of the insurance payment for flood damaged goods as a revenue item (rather than an expense) will influence the ordinary course of trade test for the goods under consideration ("GUC").

Customs and Border Protection is requested to revisit Yieh Phui's ordinary course of trade calculations for the GUC.

### Adjustments

OneSteel ATM notes that only a minor proportion of Yieh Phui's domestic sales are sold on a delivered basis (refer P. 31 of report). It is further stated that "we excluded this expense and assessed selling prices at an EXW level".

Customs and Border Protection has provided a downward adjustment for domestic inland freight (Section 9.1.1). OneSteel ATM would expect that as domestic sales have been assessed at an "EXW" level, no adjustment for domestic inland freight is required.

Customs and Border Protection is requested to review the validity of the domestic inland freight adjustment.

OneSteel ATM understands that Taiwanese HSS exported to Australia is of a different length to HSS sold domestically in Taiwan. No upward adjustment has been made to account for this difference. OneSteel ATM requests that Customs and Border Protection make a positive adjustment for this difference.

It is further noted that Customs and Border Protection has included an amount of profit on certain domestic sales of the GUC where there are insufficient domestic sales for comparison purposes. According to the details contained in Section 9.1.6, the level of profit applied to the s 269TAC(2)(c) costs for the goods where no domestic sales equivalent applies, is based upon the domestic selling prices for flood damaged pipe. OneSteel ATM considers it unreasonable to use profit on downgrade pipe as the level of profit achieved is something less than achievable on non-downgrade product.

It is strongly asserted by OneSteel ATM that the appropriate level of profit to be applied to GUC where there are insufficient domestic sales should be derived from the domestic selling prices of like goods where sufficient sales of prime-grade pipe by Yieh Phui can be evidenced.

OneSteel ATM further anticipates that any insurance compensation received by Yieh Phui for the low realizations received on the domestic sales of flood damaged pipe should be included in the sales revenues for the damaged goods.

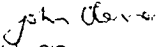
### **Recommendations**

The Yieh Phui Exporter Visit Report includes the following matters requiring review:

- Whether the selling price for galvanized steel coil by Yieh Phui to Shin Yang represents a market price.
- Downgrade pipe should be included in normal values along with the insurance payment also to be included.
- Whether the price for scrap is consistent with Taiwanese market prices for scrap.
- The inclusion of the insurance payment as a revenue item and not an expense item.
- The exclusion of the negative "other adjustments" expense in Yieh Phui's CTM&S.
- The exclusion of the domestic inland freight adjustment when it is apparent Customs and Border Protection has treated Yieh Phui's sales on an "EXW" basis.
- The need for a positive adjustment to normal value to account for different lengths of HSS exported to Australia.
- The profit to be applied to normal values determined under s 269TAC(2)(c) for Yieh Phui should be based upon the profit achieved for prime grade pipe sold domestically by Yieh Phui, and
- The above matters will impact Customs and Border Protection's assessment of sales in the ordinary course of trade by Yieh Phui, requiring review.

If you have any questions concerning this submission please do not hesitate to contact me on (07) 3342 1921.

Yours sincerely

  
John O'Connor  
Director

Cc **Stephen Porter, General Manager Sales – OneSteel Manufacturing**