



Australian Government

**Australian Customs and
Border Protection Service**

**AUSTRALIAN CUSTOMS AND
BORDER PROTECTION SERVICE**
CUSTOMS ACT 1901 - PART XVB

TRADE MEASURES BRANCH
STATEMENT OF ESSENTIAL FACTS NO. 147

CONTINUATION INQUIRY

**CERTAIN HOT DIP GALVANISED WELDED
CIRCULAR HOLLOW SECTIONS**

**FROM
THAILAND**

SEPTEMBER 2009

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2 ABBREVIATIONS & SHORTENED FORMS

ACDN	Australian Customs Dumping Notice
ATM	OneSteel Australian Tube Mills Pty Ltd
China	the People's Republic of China
CMC	CMC (Australia) Pty Limited
COTCO	COTCO – SV Eastern Steel Pipe Ltd
Customs and Border Protection	Australian Customs and Border Protection Service, including the Chief Executive Officer
First Steel	First Steel Industry Co., Ltd
FOB	free-on board
Galvanised pipe	certain hot dipped galvanised welded circular hollow sections
HRC	hot rolled coil
HSS	hollow structural sections
Korea	the Republic of Korea
Minister	Minister for Home Affairs
OneSteel	OneSteel Trading Pty Ltd
Pacific Pipe	Pacific Pipe Public Co., Ltd
Saha	Saha Thai Steel Pipe Co
Samchai	Samchai Steel Industries Co., Ltd
SEF	statement of essential facts
Smorgon	Smorgon Steel Tube Mills Pty Ltd
SSI	Sahaviriya Steel Industries Public Company Limited

3 SUMMARY

This statement of essential facts (SEF) presents the facts on which the Australian Customs and Border Protection Service (Customs and Border Protection) proposes to base its recommendation to the Minister for Home Affairs (Minister) concerning its inquiry into whether the continuation of the anti-dumping measures applying to certain hot dipped galvanised welded circular hollow sections (galvanised pipe)¹ exported to Australia from Thailand is justified.

Customs and Border Protection must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless it is satisfied that their expiry would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

Customs and Border Protection found that:

- volumes of galvanised pipe exported to Australia from Thailand in recent years have been small;
- if anti-dumping measures applying to galvanised pipe from Thailand were allowed to expire, exports of galvanised pipe from Thailand may resume, but it is not likely these will be at dumped prices;
- it is not likely that material injury would recur if the anti-dumping measures applying to galvanised pipe from Thailand were allowed to expire.

On the basis of information currently before it, Customs and Border Protection is not satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent. Therefore, Customs and Border Protection proposes to recommend that the Minister allows the anti-dumping measures to expire.

¹ Refer to the full description of the goods in section 5.1

4 INTRODUCTION

4.1 Inquiry process

Anti-dumping measures expire five years after the date on which they were published, unless revoked earlier. Not later than nine months before anti-dumping measures expire, Customs and Border Protection must publish a notice advising that the anti-dumping measures are due to expire on a specified day and invite certain persons to apply for a continuation of those anti-dumping measures.

Where Customs and Border Protection undertakes a continuation inquiry it is required to place on the public record, within 110 days of the initiation of an inquiry, a SEF on which it proposes to base its recommendation to the Minister concerning the continuation of those anti-dumping measures. In certain circumstances the Minister may extend the due date. In formulating this SEF, Customs and Border Protection must have regard to the application for continuation and timely submissions relating generally to the inquiry that are received by Customs and Border Protection in response to the initiation notice. Customs and Border Protection may have regard to any other matter that it considers to be relevant to the inquiry.

In deciding on the recommendation to be made to the Minister, Customs and Border Protection must also have regard to any submissions made in response to this SEF that are received no later than 20 days after the SEF is placed on the public record. Customs and Border Protection may have regard to any other matter that it considers to be relevant to the inquiry.

4.2 The current continuation inquiry

On 16 March 2009, Customs and Border Protection published a notice inviting certain persons to apply for the continuation of the anti-dumping measures applying to galvanised pipe from Thailand. Applications for continuation of the anti-dumping measures were required to be lodged by 15 May 2009. Unless continued, the anti-dumping measures are due to expire on 17 February 2010.

On 15 May 2009, OneSteel Australian Tube Mills Pty Ltd (ATM), the only Australian manufacturer of galvanised pipe, lodged an application for the continuation of the anti-dumping measures. Customs and Border Protection examined the application and decided not to reject it.

Public notification of initiation of the continuation inquiry was made on 9 June 2009 - refer to Australian Customs Dumping Notice (ACDN) No. 2009/14.

4.3 Notification and participation

Customs and Border Protection notified the following Thai producers identified in the application that it was conducting a continuation inquiry:

- COTCO – SV Eastern Steel Pipe Ltd (COTCO);
- First Steel Industry Co., Ltd (First Steel);
- Pacific Pipe Public Co., Ltd (Pacific Pipe);

- Saha Thai Steel Pipe Co., Ltd (Saha); and
- Samchai Steel Industries Co., Ltd (Samchai).

Customs and Border Protection is not aware of any other Thai producers of galvanised pipe.

Normally, Customs and Border Protection would ask producers to complete an exporter questionnaire. The exporter questionnaire seeks information about exporters, including information on sales of galvanised pipe on the domestic and export markets as well as cost data. In 2008, Customs and Border Protection conducted a review of the variable factors applying to galvanised pipe from Thailand. In 2009, it investigated a claim for anti-dumping measures on hollow structural sections (HSS) from Malaysia and anti-dumping and countervailing measures on HSS from the People's Republic of China (China). For the purposes of the continuation inquiry, Customs and Border Protection relied largely on information from the 2008 review and 2009 HSS investigation. Customs and Border Protection sought additional information from Thai producers.

Customs and Border Protection contacted a number of importers to assist in determining the size of the Australian market for galvanised pipe.

Customs and Border Protection visited ATM during the recent investigation into HSS (including galvanised pipe) from China and Malaysia. It has accepted data submitted by ATM in support of the application for continuation of the anti-dumping measures.

4.4 Responding to the SEF

The SEF is an important stage in the inquiry process. Submissions made in response to the SEF, that are received within 20 days of the SEF being placed on the public record, will be taken into account when Customs and Border Protection formulates its final report and recommendation to the Minister.

Responses to this SEF should be made by **Monday 19 October 2009**.

Submissions should be sent to:

The Director
Trade Measures Operations 1
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601
AUSTRALIA

Submissions can be faxed to 02 6275 6990 or emailed to tmops1@customs.gov.au.

Interested parties intending to respond to the SEF must include a non-confidential version of their submission for placement on the public record². Submissions provided in confidence must be clearly marked “**IN-CONFIDENCE**”.

The public record contains non-confidential submissions received from interested parties and other publicly available documents such as Customs and Border Protection’s initiation report. These documents should be read in conjunction with the SEF.

Documents included in the public record are available at <http://adpr.customs.gov.au/Customs/>. Alternatively the public record may be examined at the office address below during business hours by contacting Trade Measures Branch on telephone number 02 6275 6547.

Trade Measures Branch
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

All ACDNs and published reports are available on the internet at www.customs.gov.au (follow prompts for “anti-dumping”).

² In preparing a non-confidential version interested parties should take account of the requirements set out in ACDN 2006/54.

5 GOODS SUBJECT TO THE CONTINUATION INQUIRY

5.1 Goods subject to anti-dumping measures

The goods subject to anti-dumping measures are hot dip galvanised, welded, circular hollow section, steel pipe in nominal sizes DN 15 to 100 exported to Australia from Thailand. The nominal size is a numerical designation of size common to piping systems in Australia. Galvanised pipe is commonly produced to a standard such as British Standard BS1387 or Australian Standard AS1074.

The goods are classified to tariff subheading 7306.30.00 (statistical codes 30, 31,32, 33,34,35,36 and 37) of Schedule 3 to the *Customs Tariff Act 1995*. The duty rate for Thailand is currently 4%. From 1 January 2010 the duty rate will be "free" under the Thailand Australia Free Trade Agreement.

5.2 Production process

In its report recommending imposition of the anti-dumping measures (Trade Measures Report No. 11), Customs and Border Protection explained the production process. Galvanised pipe is manufactured from hot rolled coil (HRC), which is first slit into a number of desired widths and recoiled. Then, in one process, the flat steel is uncoiled, formed into a cylinder, welded along the seam, sized to the required standard and cut into lengths of "black" pipe.

Black pipe is galvanised by placing it in an acid bath and then coating it internally and externally by immersing it in a zinc bath. The length of time spent in the zinc determines the thickness of the coating and the protection given to the pipe. On being withdrawn from the zinc bath, the pipe may be air blown to remove excess zinc and produce a clean finish.

Each nominal size of pipe can be produced in one of four grades: extra-light; light; medium; and heavy. The grade is determined by the wall thickness; with extra-light having the thinnest wall and heavy the thickest.

The goods are produced with plain, threaded or threaded and coupled ends. Threaded and coupled pipe, also called screwed and socketed, is pipe threaded at both ends with a coupling on one end. The coupling is removable. There are other end-types, however they represent a very small proportion of the pipe sold in the Australian market.

5.3 History of the anti-dumping measures

The original dumping duty notice in February 2000 applied exporter specific dumping duties to:

- First Steel;
- Pacific Pipe; and
- Saha.

with a separate rate applying to all other Thai exporters.

On 27 October 2000, COTCO, a new exporter of galvanised pipe to Australia, lodged an application for an accelerated review. As a result of recommendations as detailed in Trade Measures Report No. 37, COTCO had its own variable factors established.

The original anti-dumping measures were due to expire on 17 February 2005. In 2004, Customs conducted an inquiry into whether the continuation of the anti-dumping measures was justified and recommended that the Minister continue the anti-dumping measures. The Minister accepted the recommendations as detailed in Trade Measures Report No. 84, and the anti-dumping measures were continued for a further five years.

On 17 January 2005, following an application by the Australian industry producing the goods, Customs commenced a review of the anti-dumping measures applying to the goods exported from Thailand. The Minister accepted the recommendations as detailed in Trade Measures Report No. 96 and the anti-dumping measures were altered in relation to exporters generally.

On 28 April 2008, following an application by an importer, CMC (Australia) Pty Limited (CMC), Customs commenced a review of the variable factors applying to galvanised pipe exported to Australia from Thailand. The Minister accepted the recommendations as detailed in Trade Measures Report No. 139 and the anti-dumping measures were altered in relation to Thai exporters generally. The variable factors relevant to the taking of anti-dumping measures that were established in that review continue to apply today.

5.4 Like goods

In Trade Measures Report No. 11, the issue of "like goods" was canvassed with all known interested parties. None of the ten interested parties that responded on this issue at that time suggested that galvanised pipe produced by the Australian industry were not like goods to the goods exported from Thailand.

Customs and Border Protection remains of the view that galvanised pipe produced by the Australian industry are like goods to galvanised pipe exported from Thailand.

5.5 Australian industry

At the time of the original investigation in 1999, the Australian industry consisted of Tubemakers of Australia Ltd and Palmer Tube Mills (Aust) Pty Ltd. In the continuation inquiry of 2005, the Australian industry was made up of OneSteel Trading Pty Ltd (OneSteel) and Smorgon Steel Tube Mills Pty Ltd (Smorgon).

In December 2006, the two separate pipe and tube businesses operated by OneSteel and Smorgon formed a joint venture company, Australian Tube Mills Pty Ltd. From 20 August 2007, this company became a wholly owned subsidiary of OneSteel Limited and was renamed ATM.

ATM has manufacturing plants for steel pipe and tube at Newcastle, New South Wales; Somerton, Victoria; and Acacia Ridge, Queensland. The Newcastle galvanising plant was mothballed in October 2007 and ATM currently only manufactures galvanised pipe at its Acacia Ridge plant in Brisbane.

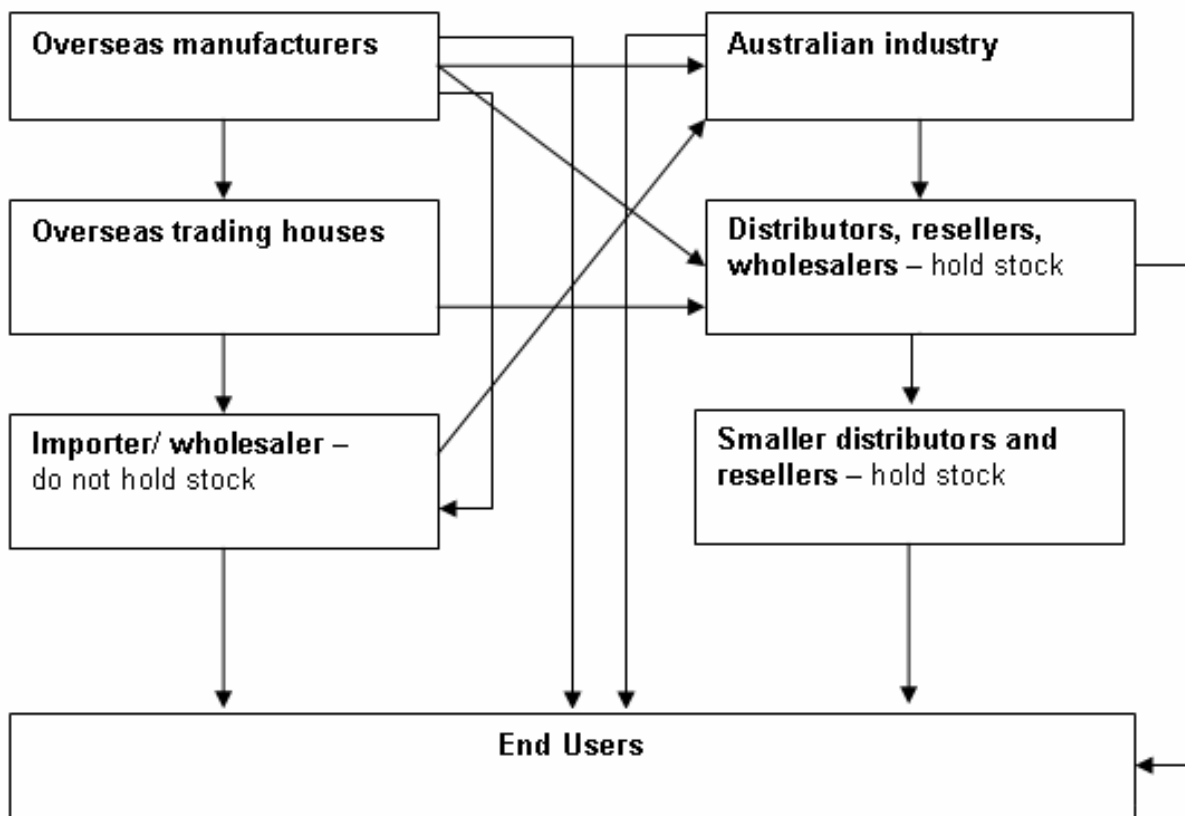
ATM has also imported galvanised pipe.

6 AUSTRALIAN MARKET

6.1 Market structure

The Australian market for galvanised pipe is supplied by local production and by imports from a number of countries. In the 15 months to March 2009, the main source of imports was China, followed by Malaysia, Vietnam and India.

The following marketing and distribution diagram appeared in Trade Measures Report No. 139, depicting the galvanised pipe market in Australia for the review period (1 April 2007 to 31 March 2008):



6.2 Market size

Customs and Border Protection examined details of all imports under the relevant tariff subheading from January 2005 to June 2009. Although this tariff subheading is very broad and includes goods other than galvanised pipe, Customs and Border Protection was able to identify imports of galvanised pipe by:

- reference to the dumping specification number used by importers of HSS from China;
- reference to the description of the goods in Customs and Border Protection's commercial database; and
- discussing the products produced by various suppliers with importers.

Customs and Border Protection estimated that the size of the Australian market for galvanised pipe in the period April 2008 to March 2009 was about 90,000 tonnes. As noted in section 9.3.2, Customs and Border Protection recognises that the global financial crisis had a significant adverse effect on the Australian market in the last six months of this period.

7 RECENT EXPORT ACTIVITY FROM THAILAND

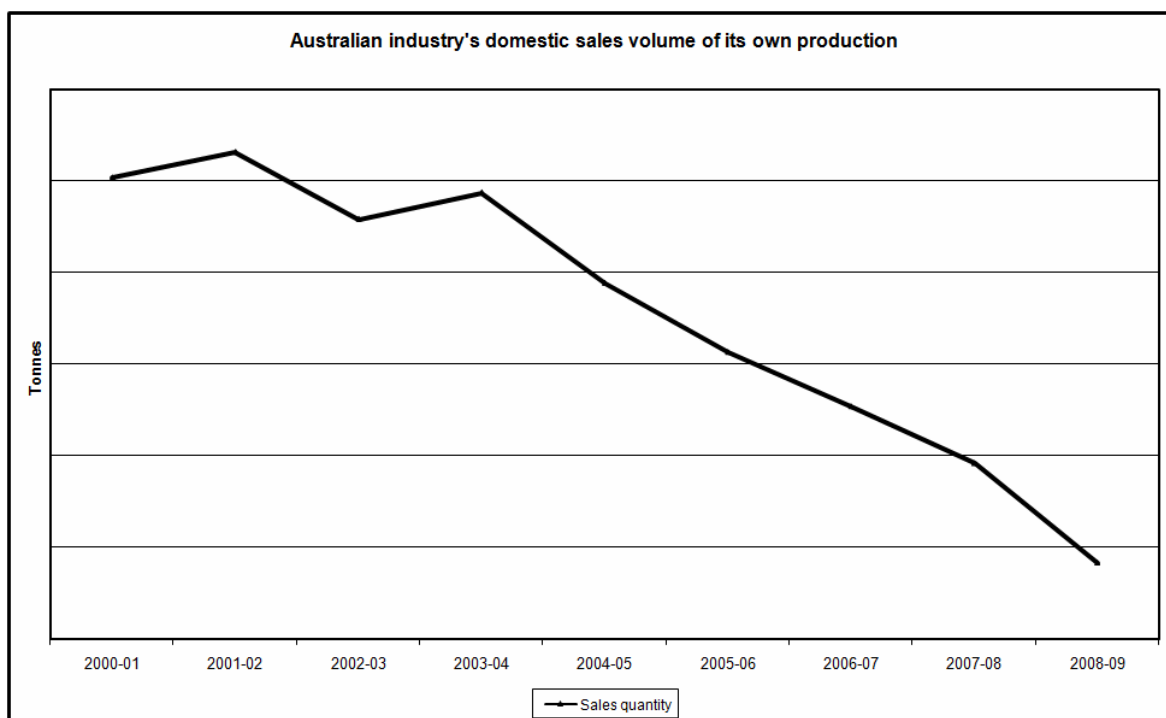
Customs and Border Protection identified small volumes of imports of galvanised pipe from Thailand in 2005, 2006 and 2009. However, it noted that significant volumes of other circular and non-circular sections were imported from Thai producers that had previously exported galvanised pipe to Australia.

8 ECONOMIC CONDITION OF THE INDUSTRY

ATM provided financial data from 2000-01 to 2008-09. The 2008-09 data only included data for the nine months to March 2009. Customs and Border Protection estimated data for the June quarter 2009 using March quarter data. In its application, ATM only provided data in respect of its Newcastle facility to June 2008. Customs and Border Protection has added data for the Acacia Ridge facility for this period. This data was verified during the recent investigation into HSS from China and Malaysia.

8.1 Volume trends

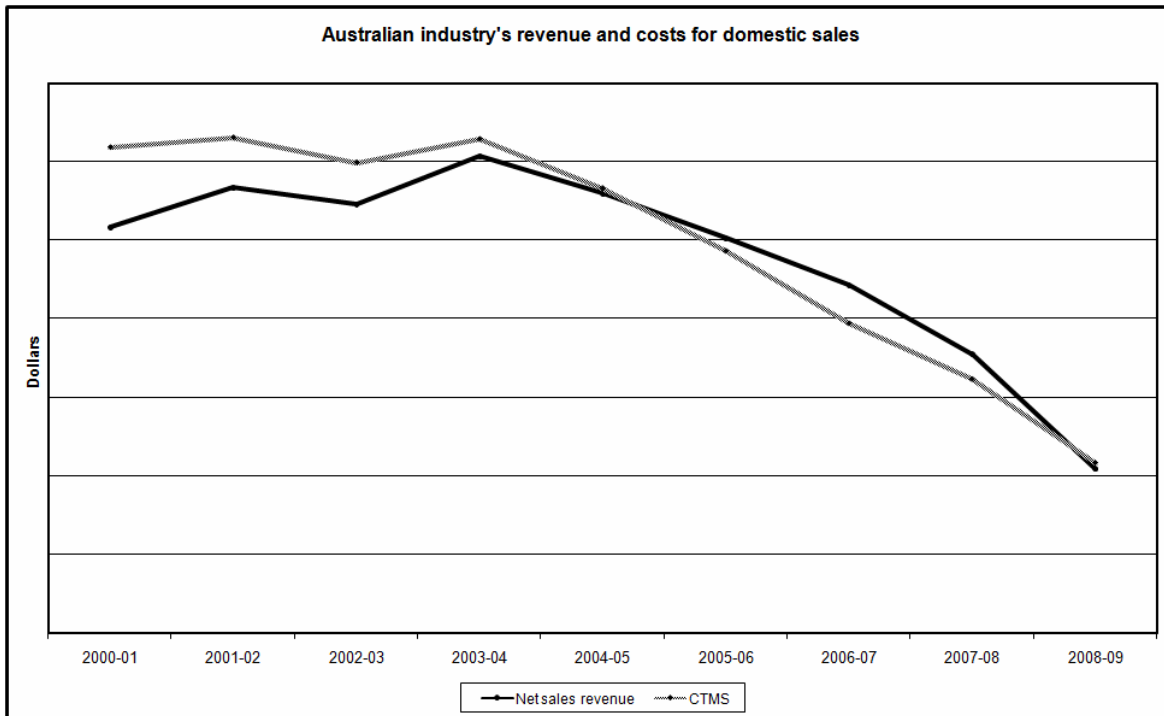
Movements in the Australian industry's domestic sales volumes are illustrated in the following chart.



The Australian industry's domestic sales volume fell each year for the last five years.

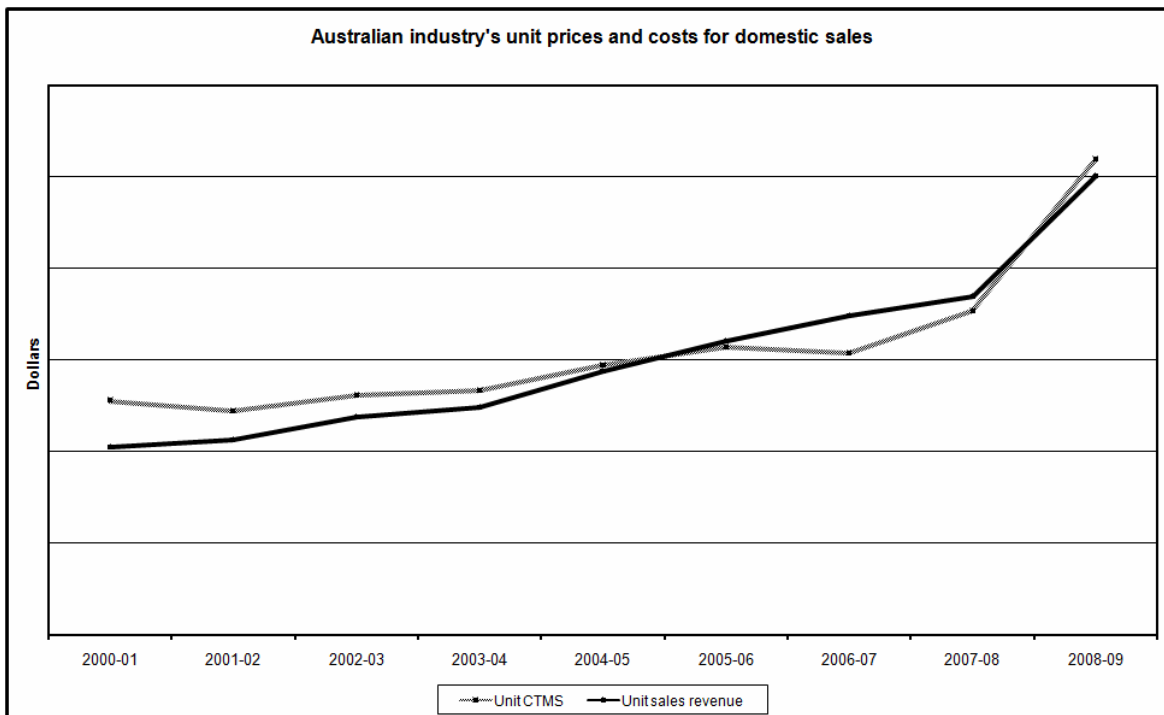
8.2 Revenue, price and cost trends

Movements in the Australian industry's total revenues and costs for domestic sales are illustrated in the following chart.



Movements in revenue and costs reflect movements in sales volumes.

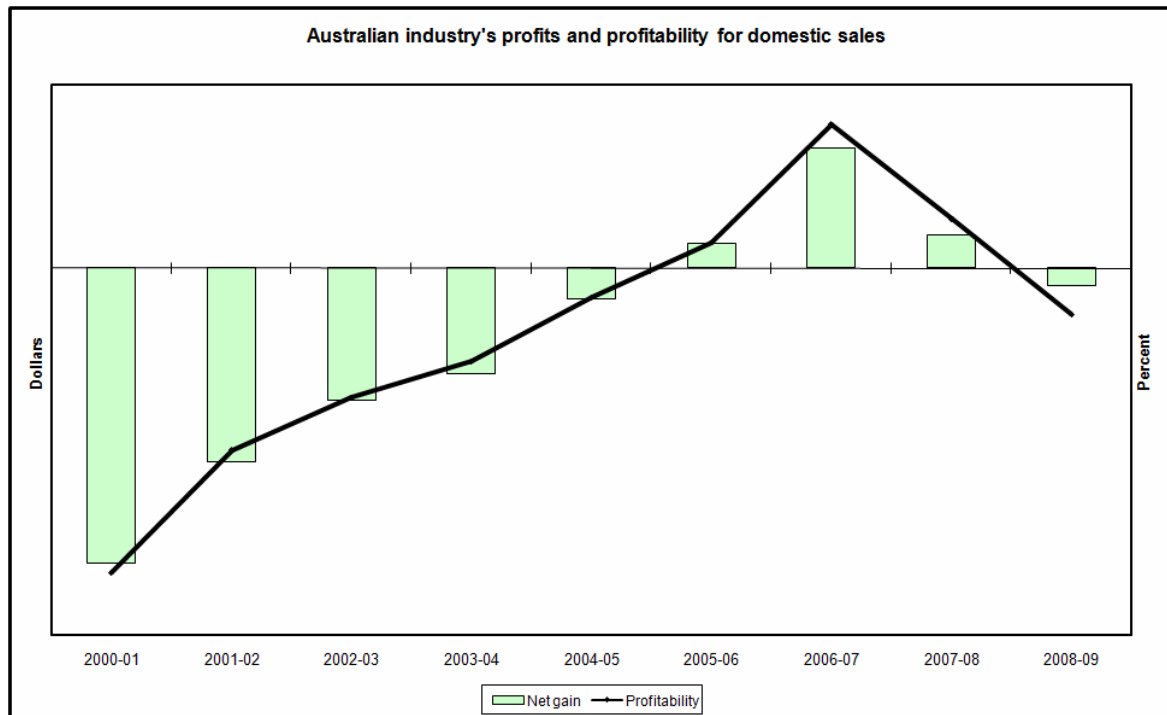
Movements in the Australian industry's unit prices and costs for domestic sales are illustrated in the following chart.



Unit costs were higher than unit prices until 2004-05. This trend was reversed until 2007-08, but unit costs were again higher than unit prices in 2008-09. Unit prices and costs rose steadily throughout the period examined, but rose sharply in 2008-09.

8.3 Profits and profitability

Movements in the Australian industry's total profit and profitability (profit measured as a percentage of revenue) for domestic sales are illustrated in the following chart.



Both profits and profitability were negative in 2000-01, but improved each year until 2006-07, but fell over the next two years. Profits and profitability were again negative in 2008-09.

8.4 Conclusion

Customs and Border Protection found:

- the Australian industry's domestic sales volume fell each year for the last five years;
- unit costs were higher than unit prices until 2004-05, this trend was reversed until 2007-08, but unit costs were again higher than unit prices in 2008-09;
- unit prices and costs rose steadily throughout the period examined, but rose sharply in 2008-09; and
- profits and profitability improved each year until 2006-07, but fell over the next two years.

Customs and Border Protection considers that the economic performance of the Australian industry improved (from a very poor base period) until 2006-07, but its performance in both 2007-08 and 2008-09 has deteriorated.

9 LIKELIHOOD OF DUMPING OR INJURY CONTINUING OR RECURRING

9.1 Claims by interested parties

9.1.1 The Australian industry

ATM provided the following comments in its application.

Will dumping continue or recur?

Anti-dumping actions by other countries

- Anti-dumping duties in the European Union applying to welded steel pipe and tube (including galvanised pipe) from Thailand were continued following an expiry review that was completed in December 2008. The review recommended duties of 21.7% be applied to exports from Saha and 35.2% be applied to exports by all other companies.
- Anti-dumping duties in the USA applying to circular welded carbon steel pipe and tube (including galvanised pipe) from Thailand were continued following a sunset review in 2006.
- Anti-dumping duties in the USA applying to circular welded carbon steel pipe and tube (including galvanised pipe) from Thailand by Saha were subject to an administrative review in 2008. The review recommended duties of 4.26% be applied.
- In April 2009, the US Department of Commerce announced another administrative review concerning circular welded carbon steel pipe and tube (including galvanised pipe) exported from Thailand by Saha and Pacific Pipe.
- Anti-dumping duties in Canada applying to certain welded pipe and tube (including galvanised pipe) from Thailand were subject to an expiry review in 2001. The review recommended the duties be continued.

Thai normal values

- ATM could not obtain current Thai selling prices for galvanised pipe.
- ATM obtained 2008 prices for HRC from “An overview of Thailand’s steel industry” published by the Iron and Steel Institute of Thailand in June 2008.
- ATM constructed normal values using:
 - HRC costs from the above publication;
 - other production costs on the assumption that HRC accounts for 80% of the production cost of black pipe;
 - zinc costs based on ATM’s costs in the period July 2008 to March 2009;
 - selling, general and administrative costs based on a percentage of ATM’s costs; and
 - not including any allowance for profit.

Thai exports and export prices

- ATM could not identify import volumes of galvanised pipe from Thailand.
- ATM relied on export statistics published by the Thai Customs Department in 2008.
- ATM identified about 7,000 tonnes of exports of circular steel pipe from Thailand in 2008, but was unable to identify if any of these exports were galvanised pipe.

Distribution links in Australia

- ATM maintain that in view of the identified exports of circular ungalvanised steel pipe from Thailand, Thai exporters have maintained distribution links in Australia.
- ATM stated that its market intelligence also indicated that Thai producers had recently exported black and painted pipe and tube to Australia.

Exporter's capacity

- ATM stated that Saha's website indicated that the company had an annual production capacity of about 300,000 tonnes and that it exported about 68% of its total production. It claimed that Saha has excess capacity to supply increased orders from Australia.
- ATM stated that Pacific Pipe has a production capacity of about 200,000 tonnes, of which about 50,000 tonnes was for galvanised products. It claimed that Pacific Pipe's 2008 annual report indicated Australia is one of its key destinations. It claimed that this indicates that increased export volumes to Australia are likely should the opportunity arise.
- ATM referred to a comment in Trade Measures Report No. 84 that "there is significant excess production capacity in Thailand". It claimed that in the absence of anti-dumping measures exports of galvanised pipe from Thailand to Australia will increase significantly.

Exports from China

- ATM claimed that the likelihood of Thai galvanised pipe exports to Australia re-emerging at dumped prices is increased by Chinese exports to Thailand. It claimed that Thai producers will re-direct production to export markets, including Australia.

Will material injury recur?

The Australian market

- ATM referred to Trade Measures Report No. 84 where it was estimated that the Australian market for galvanised pipe was between 70,000 to 80,000 tonnes in 2003-04. It claimed the market was likely to be 100,000 to 120,000 tonnes in 2007-08, but that it has contracted and in 2008-09 is likely to reflect the volumes observed in 2003-04.

- ATM stated that imports of HSS were at record levels in 2007-08 and that imports continued to grow through 2008. It analysed price offers for HSS from Saha and found that it undercut the Australian industry's selling prices. It claimed that in the absence of anti-dumping measures material injury is likely.
- ATM claimed that increasing volumes of galvanised pipe at prices that undercut ATM's prices forced a rationalisation of ATM's HDG manufacturing assets. It claimed that in the absence of anti-dumping measures on galvanised pipe from Thailand ATM would have experienced additional material injury to that already sustained.

Sales and market shares

- Following the rationalisation of ATM's HDG manufacturing assets, imports now account for the major proportion of sales of galvanised pipe in Australia.
- ATM understands that China is the single largest source of supply to the Australian market.
- ATM claims that because of the well established distribution links and price undercutting of other types of pipe and tube by Thai producers, it is likely that in the absence of the present anti-dumping measures, Thai imports would account for a significant proportion of the Australian galvanised pipe market.

Performance of the Australian industry

- ATM claimed that the performance of the Australian industry has deteriorated from the levels reported in Trade Measures Report No. 84. It stated that its performance improved in 2006-07, but that this was short lived and its performance has fallen to levels well below those recorded in 2003-04.
- Reduced demand in 2009 exposes ATM to further material injury.

ATM provided the following comments in a submission dated 31 July 2008.

- In the 2008 review (Trade Measures Report No. 139), Customs and Border Protection reported that the variable factors had increased (the investigation period for this review was April 2007 to March 2008). ATM stated that costs and prices continued to increase during 2008.
- ATM provided a copy of Credit Update (a credit rating publication) on Sahaviriya Steel Industries Public Company Limited (SSI) dated February 2009 which stated that SSI was the leading Thai producer of HRC and was selling HRC in the December quarter 2008 at a loss.
- ATM also provided a copy of this publication on SSI dated December 2007 which stated that
 - Thailand was a market protected by quotas and tariffs;
 - the Thai steel industry is somewhat protected by government policies;
 - local producers benefit from anti-dumping tariffs; and
 - the price of steel is controlled by the Ministry of Commerce.
- In respect of the control of steel prices, ATM stated that the December 2007 Credit Update indicated that steel sections, which include plate and wire,

were controlled products. Any company that wanted to raise the price of steel must submit the proposed price to the Department of Internal Trade.

- ATM claimed on the basis of this evidence that the government of Thailand controls the price of steel in Thailand, including HRC prices. ATM claim that as HRC accounts for a substantial proportion of the cost of galvanised pipe, controls on the price of HRC will influence the selling prices of galvanised pipe in Thailand.
- Thailand has imposed quotas on imports of HRC from Japan.
- In view of the control on pricing and the existence of quotas, normal values for Thailand cannot be determined under s. 269TAC(1) or (2) and should be determined under s. 269TAC(6) using:
 - a surrogate HRC price from a market economy and Thai manufacturing costs; or
 - surrogate selling prices for galvanised pipe sourced from a surrogate market economy.

9.1.2 Saha and CMC

Saha and CMC made a submission to Customs and Border Protection.

Capacity of the Australian industry to meet demand

- Saha notes the applicant's claim that the Australian market in 2008-09 is likely to be around the 70,000 to 80,000 tonnes.
- Saha notes that it is generally known and accepted that in October 2007 the applicant closed ("mothballed") its Newcastle galvanising plant. Following this closure, it estimated the applicant's supply capability from local production to be only 21,000 tonnes.
- Saha considered that if the applicant was ever going to recommence production of galvanised pipe at Newcastle, the market situation from mid 2007 to the September quarter 2008 should have provided sufficient incentive.
- Saha states the imports are the only alternative for users of galvanised pipe.

Current anti-dumping measures

- Saha states that the essential nature of the Australian market for the galvanised pipe since 2005 has been the presence in ever increasing volumes of non-dumped exports from countries such as China, Taiwan and Korea.
- Saha claims these non-dumped exports have clearly been in sufficient volume to influence the price in the Australian market.
- Saha stated that the only other exports that are currently subject to anti-dumping measures are from certain residual exporters in China. Given the number of Chinese exporters exempt from any anti-dumping measures, any imports of dumped galvanised pipe from China would be minimal compared to the apparent volume of non dumped galvanised pipe.

Will dumping continue

- Saha claim its exports of galvanised pipe to Australia were at a price higher than the current ascertained normal values.
- Saha referred to the changed circumstances outlined in Trade Measures Report No. 139. It now uses only domestically produced HRC in the production of all goods exported to Australia. Saha stated that this change of practice has alleviated the previous cause for any technical dumping margin as imported HRC is no longer used in the production of goods exported to Australia.

Surplus capacity

- Saha challenges the applicant's assertion on Saha's perceived surplus capacity. Saha produces a range of goods at its single production facility and advised that the stated capacity of 300,000 tonnes is not representative of its capacity to produce galvanised pipe.
- Saha estimated its capacity to produce galvanised pipe was about 50,000 tonnes per annum. It stated that it operated close to full capacity in 2008.

Saha's exports

- Saha has exported to the USA for a number of years and the USA is the company's primary market.
- Saha stated that pipe exported to the USA is produced from HRC of a different grade to that used to produce galvanised pipe and the USA exports are subjected to a more stringent testing regime.
- Saha claimed that the fact that the USA administration has an interim low dumping margin on the pipe exported by Saha is considered irrelevant to the continuation of anti-dumping measures on galvanised pipe exported to Australia.
- Saha claims the same applies to anti-dumping measures imposed by the European Union.

Price undercutting

- Saha expressed concern about a statement in Trade Measures Consideration Report No. 147 that "Evidence of price-undercutting for certain welded steel pipe and tubes (that are not covered by the measures) from Thailand might be indicative of the market".

Customs and Border Protection notes that this statement was made in the context of considering the application for continuation of the anti-dumping measures. The standard of evidence required to initiate a continuation inquiry is much lower than the standard required to recommend to the Minister that the anti-dumping measures should be continued.

Market sectors

- Saha claims that the Australian industry only produces a limited range of galvanised pipe and only to the structural grade complying with Australian Standard AS 1163. It refers to this as being 'specified' product.
- Saha claims imported galvanised pipe, such as that produced by Saha, is produced to the non structural grade complying with Australian Standard AS 1074. It refers to this as being 'non-specified' product.
- Saha claims that even if it is presumed that future exports of galvanised pipe by Saha may be at dumped prices, the question of injury has to be considered in the context that:
 - the goods exported by Saha compete in a different market sector to the locally produced goods; and
 - the volume of non injurious imports from other countries can only result in Saha being allowed to also compete in the single Australian market for non-specified goods complying with Australian Standard AS 1074.

HRC pricing

- Saha notes that the Australian industry attempted to construct Thai domestic selling prices based on HRC prices prevailing in the first four months of 2008.
- Saha provided more contemporary pricing information that indicated HRC prices had fallen since early 2008.

9.2 What is the likelihood of dumping continuing or recurring?

9.2.1 Dumping

Following the 2006 investigation into the alleged dumping of HSS from China, Korea, Malaysia, Taiwan and Thailand, Customs and Border Protection found that HSS (excluding galvanised pipe) from Thailand was not dumped and terminated the investigation in so far as it related to Thailand.

During the 2008 review of the variable factors applying to galvanised pipe from Thailand dumping margins could not be calculated because Saha and Pacific Pipe had not exported galvanised pipe to Australia.

Analysis of data from Customs and Border Protection's commercial database shows that the declared free-on-board (FOB) value of recent imports of galvanised pipe from Thailand were higher than the constructed cost to make and sell provided by the applicant. The data is at **confidential appendix 1**.

In their submission to this continuation inquiry, CMC and Saha provided all relevant documents in respect of Saha's recent exports of galvanised pipe to Australia. Saha also provided a quarterly summary of the volume and value of its domestic sales of galvanised pipe from April 2008 to March 2009. The weighted average FOB export price was significantly higher than the weighted average quarterly domestic price.

9.2.2 Distribution channels

Customs and Border Protection recently visited Saha and Pacific Pipe and found that both companies exported HSS to Australia during that investigation period. Customs and Border Protection obtained details of all imports of HSS from January 2008 to June 2009 from its commercial database and found that both these companies have continued to export HSS to Australia. Customs and Border Protection found that COTCO also exported small quantities of HSS to Australia and that COTCO and Samchai exported other types of steel pipe to Australia. It would therefore appear that Thai exporters have maintained distribution channels in Australia.

Customs and Border Protection notes that a relatively small number of trading companies account for a substantial proportion of imports of steel products into Australia. These companies import steel products from a number of countries and have contacts with a number of exporters. Customs and Border Protection considers that Australian importers have maintained distribution channels with steel producers in a number of countries, including Thailand.

9.2.3 Export reliance

Saha's website states that it is the largest Thai producer of steel pipe and exports about 50% of its production (exports accounted for 68% of sales in 2004). It states that its major export markets are the USA, Australia, the United Kingdom, Hong Kong and Singapore.

In 2008 Customs and Border Protection reviewed the anti-dumping measures applying to galvanised pipe from Thailand and both Saha and Pacific completed exporter questionnaires. Saha's response supported the statement in its website. Pacific's response indicated that the focus of this company was largely directed at the domestic market.

Data provided in Saha's submission to this inquiry indicated that its exports of galvanised pipe had increased, but the volume exported to Australia was small in comparison to exports to other countries.

Customs and Border Protection has no information on the proportion of revenue derived from export sales for other Thai producers.

9.2.4 Capacity

Saha's website states that it has an annual production capacity of all pipe is about 300,000 tonnes. However, in its submission to this inquiry, Saha stated that the capacity of its galvanising plant was about 50,000 tonnes and that this plant is used to galvanise other products in addition to circular hollow sections.

Pacific Pipe's 2006 annual report stated that it has a capacity to produce 200,000 tonnes of black pipe and 100,000 tonnes of large steel pipes. It also stated that its galvanising plant had a capacity of 50,000 tonnes.

Customs and Border Protection has no information on the capacity of the galvanising plants of other Thai producers.

However, Customs and Border Protection considers that the capacity of producers of galvanised pipe in other countries is also relevant as this product is also available to Australian importers and is not subject to anti-dumping measures.

During the 2006 investigation into HSS from China, Korea, Malaysia, Taiwan and Thailand, a number of Chinese manufacturers completed exporter’s questionnaires. However, only one company advised the capacity of its galvanising plant, and this was about equal to the combined capacity of Saha’s and Pacific Pipe’s galvanising plants.

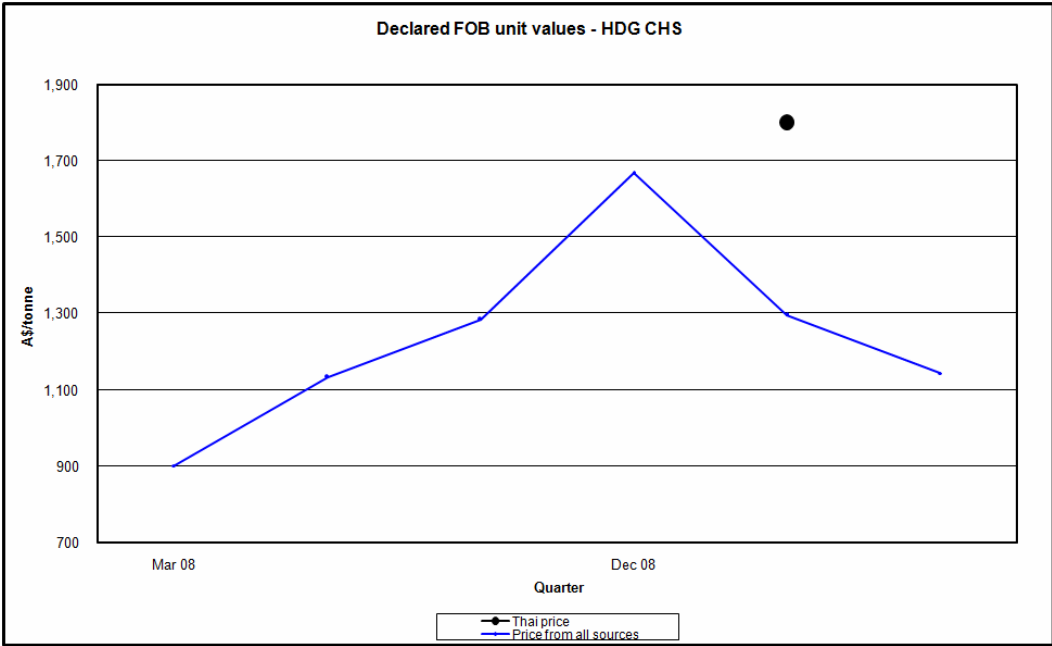
During the 2006 investigation, Customs and Border Protection found that significant volumes of galvanised pipe were exported by other Chinese producers, but it has no information on the capacity of their galvanising plants.

Customs and Border Protection also notes that other countries have exported galvanised pipe to Australia, notably Vietnam, India and to a lesser extent New Zealand.

Customs and Border Protection understands that galvanised pipe can be sourced from a number of other countries, including the Philippines, South Africa and a number of countries in the Middle East.

9.2.5 Price competitiveness in Australia

As noted above, Customs and Border Protection found that there had only been small volume of imports of galvanised pipe from Thailand in 2009. The declared FOB value for these imports was significantly higher than the FOB values from all other sources. The following chart illustrates the FOB value for Thai imports compared with the average FOB values from all other sources.



9.2.6 Anti-dumping and countervailing actions by other authorities

Anti-dumping duties in the European Union applying to welded steel pipe and tube from Thailand were continued following an expiry review in December 2008. The review recommended duties of 21.7% be applied to exports from Saha and 35.2% be applied to exports by all other companies.

Customs and Border Protection notes that:

- there had been no imports into the European Union from Thailand since 2004;
- the anti-dumping measures appear to have been continued because of the unused capacities of Thai producers (based on information in the complaint); and
- the review covered all goods under tariff sub-heading 7306.30 and the capacities relied on included all welded steel pipe and tube and was not restricted to galvanised pipe.

Anti-dumping duties in the USA applying to circular welded carbon steel pipe and tube from Thailand and a number of other countries were continued following a sunset review in 2006.

Customs and Border Protection notes that the review covered all goods under tariff sub-heading 7306.30 and the capacities relied on included all welded steel pipe and tube and was not restricted to galvanised pipe

Anti-dumping duties in the USA applying to circular welded carbon steel pipe and tube from Thailand by Saha were subject to an administrative review in 2008. The review recommended duties of 4.26% be applied.

Customs and Border Protection notes that the review covered all goods under tariff sub-heading 7306.30 and the capacities relied on included all welded steel pipe and tube and was not restricted to galvanised pipe in nominal sizes DN 15 to 100.

Anti-dumping duties in Canada applying to certain welded pipe and tube (including galvanised pipe) from Thailand were subject to an expiry review in 2001. The review recommended the duties be continued. Customs and Border Protection notes that these anti-dumping measures are no longer in place.

9.2.7 Market situation in Thailand

Customs and Border Protection has also considered the issues raised by ATM in its submission of 31 July 2009. Customs and Border Protection:

- notes that credit rating publication on SSI stating that the Thai market was protected and subject to price controls was dated December 2007, before the investigation period for this continuation inquiry;
- notes that this publication, when referring to Thailand as a market protected by tariffs and quotas, stated that these strengths are tempered by high competition by both local and overseas manufacturers;

- notes that this publication, when referring to the benefits of anti-dumping tariffs, stated that local producers are negatively effected by low cost steel from countries not subject to measures;
- notes that that credit rating publication on SSI dated February 2009 made no reference to the market being protected or subject to price controls; and
- researched the websites of the Ministry of Commerce and the Department of Internal Trade and found that
 - the Department of Internal Trade is an agency within the Ministry of Commerce;
 - the Department of Internal Trade was mainly focused on agricultural products; and
 - found no reference to controlled products on either website;

9.2.8 Conclusion

Customs and Border Protection considers that:

- there is no evidence that Thai producers have recently exported HSS or galvanised pipe to Australia at dumped prices;
- Thai producers have maintained distribution channels in Australia;
- available evidence suggests Pacific Pipe's main focus is the Thai domestic market;
- Saha has a significant export focus, but available evidence suggests it has interests in markets other than Australia, including the USA;
- available evidence indicates that Thailand does not have significant available capacity for galvanised pipe when compared with other countries where exports of galvanised pipe to Australia are not subject to anti-dumping measures;
- the declared FOB prices of recent exports of galvanised pipe from Thailand were much higher than declared FOB prices for exports of galvanised pipe from other countries; and
- anti-dumping measures against pipe and tube from Thailand by the USA and the European Union apply to a much broader range of products than galvanised pipe.

Based on the above, Customs and Border Protection is not satisfied that exports of galvanised pipe from Thailand to Australia at dumped prices would be likely to resume if the anti-dumping measures were allowed to expire.

9.3 What is the likelihood of injury continuing or recurring?

9.3.1 Current condition of the Australian industry

Customs and Border Protection considers that the economic performance of the Australian industry improved (from a very poor base period) until 2006-07, but its performance in both 2007-08 and 2008-09 has deteriorated.

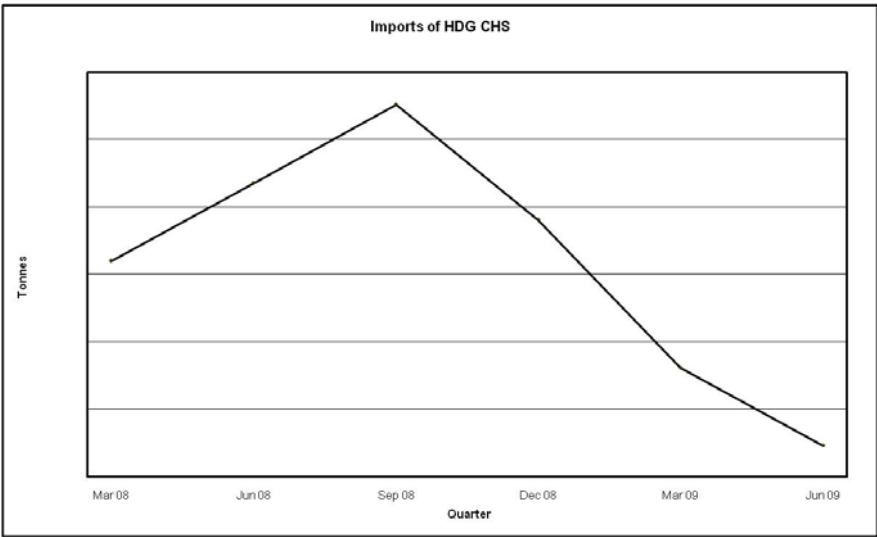
9.3.2 The global financial crisis

In Trade Measures Report No. 144 concerning the termination of the HSS investigation into HSS from China and Malaysia, Customs and Border Protection reported the following.

Customs and Border Protection’s research found that the global steel industry experienced surging demand from China and other countries during the first half of 2008. This demand, coupled with soaring prices for material used in steel making, produced the most lucrative market for steel in decades. After many companies experienced soaring profits in the first half of 2008, the latter half of the year saw falling prices and production cuts. An article from Steel Business Briefing (SBB) states that the downturn was “unexpectedly sharp and rapid” and that “the speed and scale of the collapse in steel demand caught many by surprise”.

The global economic slowdown and credit crisis affected customers of the steel industry in key markets – construction, automobiles and industrial equipment. Many companies, attempting to cash in on the booming demand and high prices, found themselves with excess stock and destocking occurred during the latter half of 2008 and into 2009. An SBB article obtained by Customs and Border Protection set out a timeline of production cuts announced by steelmakers worldwide commencing from around August 2008. In November 2008, SBB reported that sentiment in the steel market was still negative, and the increased global credit crisis continued to have a major impact on steel demand. At that time, SBB reported that it was expected that any increase in demand could only begin to occur from the first half of 2009.

The following chart illustrates quarterly volumes of imports of galvanised pipe from the March quarter 2008 to June quarter 2009. Customs and Border Protection considers that this illustrates that the global financial crisis has affected imports as much as it has the Australian industry.



9.3.3 The Australian market

In 1998-99, the size of the Australian market for galvanised pipe was estimated to be about 60,000 tonnes. The Australian industry accounted for almost 80% of sales and imports from Thailand about 10%. Imports from other countries, notably Korea, Indonesia and to a lesser extent New Zealand, accounted for the balance.

As noted in section 6.2, Customs and Border Protection estimated the size of the Australian market for the period April 2008 to March 2009 was about 90,000 tonnes. Customs and Border Protection notes that the market was affected by the global financial crisis in this period and estimates that the size of the market in calendar year 2008 was about 110,000 tonnes.

9.3.4 Capacity

Customs and Border Protection visited ATM during the investigation into HSS from China and Malaysia. During the visit ATM advised that the Newcastle galvanising plant was mothballed in October 2007. In its application for continuation, ATM claimed that increasing volumes of galvanised pipe at prices that undercut ATM's prices forced a rationalisation of ATM's HDG manufacturing assets. Customs and Border Protection notes that during this period there were no significant imports of galvanised pipe from Thailand and that there is no evidence to indicate that imports from other sources were dumped. Customs and Border Protection further notes that this plant has now been mothballed for almost two years.

ATM is currently operating only its Brisbane galvanising plant. Customs and Border Protection contacted a number of importers during this inquiry and the previous investigation into HSS from China and Malaysia. Importers' estimates of the capacity of the Brisbane plant are in the order of 20,000 tonnes. Customs and Border Protection considers that these estimates are reasonable. Therefore, unlike the period examined when anti-dumping measures were imposed, the Australian market must rely on a significant volume of imports of galvanised pipe. In addition, the main sources of imports have changed, now being China, followed by Malaysia, Vietnam and India.

9.3.5 Conclusion

Customs and Border Protection considers that:

- the economic performance of the Australian industry deteriorated in both 2007-08 and 2008-09;
- the global financial crisis affected both the performance of the Australian industry and import volumes of galvanised pipe;
- the size of the Australian market has increased since the anti-dumping measures were originally imposed, but the Australian industry has reduced its production capacity; and
- the main sources of imports are China, followed by Malaysia, Vietnam and India.

Based on the above, Customs and Border Protection is not satisfied that it is likely that material injury caused by dumping from Thailand would recur if the anti-dumping measures applying to galvanised pipe from Thailand were allowed to expire.

9.4 Overall conclusion

Customs and Border Protection found that:

- volumes of galvanised pipe exported to Australia from Thailand have been small;
- exports of galvanised pipe from Thailand may resume, but it is not likely these will be at dumped prices if anti-dumping measures applying to galvanised pipe from Thailand were allowed to expire;
- it is not likely that material injury would recur if the anti-dumping measures applying to galvanised pipe from Thailand were allowed to expire.

On the basis of information currently before it, Customs and Border Protection is not satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent. Therefore, Customs and Border Protection proposes to recommend that the Minister allows the anti-dumping measures to expire.