



**CUSTOMS ACT 1901 - PART XVB**

# **CONSIDERATION REPORT NO. 234**

**APPLICATION FOR A DUMPING DUTY NOTICE**

**QUENCHED AND TEMPERED STEEL PLATE  
EXPORTED FROM FINLAND, JAPAN AND SWEDEN**

**30 December 2013**

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### ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
ABS	Australian Bureau of Statistics
The Act	<i>Customs Act 1901</i>
The applicant	Bisalloy Steels Pty Ltd (also referred to as Bisalloy)
Commission	Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	Cost to make and sell
FOB	Free-on-board
Jigang	Jigang (Shandong) Steel Plate Co., Ltd
NATA	National Association of Testing Authorities
NIP	Non-injurious price
Nominated countries	Finland, Japan and Sweden
OEM	Original Equipment Manufacturers
PLC	Programmable logic controllers
Parliamentary Secretary	Parliamentary Secretary to the Minister for Industry
Q&T greenfeed	Quenched and tempered steel plate greenfeed
Q&T steel plate	Quenched and tempered steel plate
SG&A	Selling, general and administrative
TCO	Tariff Concession Order
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry
USP	Unsuppressed selling price

## **1 SUMMARY AND RECOMMENDATIONS**

### **1.1 Background**

This report provides the results of the Anti-Dumping Commission's (the Commission's) consideration of an application lodged by Bisalloy Steels Pty Ltd (Bisalloy) for the publication of a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

### **1.2 Application of law to facts**

Division 2 of Part XVB of the *Customs Act 1901* (the Act)<sup>1</sup> sets out procedures for considering an application for a dumping duty notice.

### **1.3 The role of the Commission**

The Commission is responsible for preparing a report for the Commissioner of the Anti-Dumping Commission (the Commissioner) examining an application for a dumping duty notice. In this report, the following matters are considered in relation to the application:

- whether the application complies with subsection 269TB(4);
- whether there is, or is likely to be established, an Australian industry in respect of like goods; and
- whether there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application.

### **1.4 The role of the Commissioner**

The Act empowers the Commissioner, after having regard to the Commission's report, to reject or not reject an application for the publication of a dumping duty notice.

If the Commissioner decides not to reject the application, the Commissioner must give public notice of the decision providing details of the investigation.

### **1.5 Findings and conclusions**

The Commission has examined the application for the publication of a dumping duty notice in relation to Q&T steel plate exported to Australia from Finland, Japan and Sweden. The Commission is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (the reasons for being satisfied are set out in Chapter 3 of this report);
- there is an Australian industry in respect of like goods (as set out in Chapter 4 of this report); and

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<sup>1</sup> All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application (as set out in Chapters 5, 6 and 7 of this report).

### 1.6 Recommendation

The Commission recommends that the Commissioner decide not to reject the application.

If the Commissioner accepts this recommendation, to give effect to that decision, the Commissioner must publish the notice at **Appendix 1** indicating that the Commission will inquire into whether the grounds exist to publish a dumping duty notice.

## 2 BACKGROUND

### 2.1 Application

On 20 November 2013, Bisalloy lodged an application requesting that the Minister for Industry (the Minister) publish a dumping duty notice in respect of Q&T steel plate exported to Australia from Finland, Japan and Sweden. Bisalloy provided further information and data in support of its application on 10 December 2013. As a result, the Commission restarted the 20 day period for considering the application.

Bisalloy alleges that the Australian industry has suffered material injury caused by Q&T steel plate exported to Australia from Finland, Japan and Sweden at dumped prices. Bisalloy claims the Australian industry has been injured through:

- lost sales volumes;
- price depression;
- price suppression;
- reduced profits and profitability;
- reduced return on investment;
- reduced attractiveness for re-investment;
- reduced revenues;
- reduced capacity utilisation;
- increased stock levels of like goods; and
- reduced wages for Bisalloy employees.

### 2.2 The goods the subject of the application

#### 2.2.1 Description

The goods the subject of the application (the goods) are:

*“Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered (“Q&T”) steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).*

*Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered”.*

### 2.2.2 Properties

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:

- *“High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as ‘Wear’ Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as ‘Structural/High Tensile’ Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as ‘Armour’ Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000)”.*

### 2.2.3 Clarifying description

To clarify the goods description Bisalloy stated that Q&T steel plate has chemical compositions up to:

- *“Carbon Max – 0.5%;*
- *Manganese Max – 2.5%;*
- *Silicon Max – 0.65%;*
- *Sulphur Max – 0.04%;*
- *Phosphorous Max – 0.04%;*
- *Nickel Max – 3.0%;*
- *Chromium Max – 3.0%;*
- *Molybdenum Max – 2.0%;*
- *Vanadium Max – 0.2%;*
- *Boron Max – 0.01%;*
- *Aluminium Max – 0.1%;*
- *Titanium Max – 0.1%;*
- *Copper Max – 0.5%;*
- *Niobium Max – 0.1%;*

*The percentage of the above individual alloying elements may vary in accordance with each manufacturer’s grade specifications and not all elements may be utilized in all Q&T steel plate grades. Additional other quantities of trace elements up to a max 0.1% each may also be utilised or found (as trace elements) in Q&T steel plate”.*



#### 2.2.4 Australian standards

The Australian and New Zealand Standard Industrial Classification Code for the goods is category 2711.

There are no specific industry standards to which wear and armour grades of Q&T steel plate are manufactured in Australia.

Australian Standard AS3597 (Structural and pressure vessel steel – Quenched and Tempered Plate), AS4100 (Steel Structures) and AS1554.4 (Structural Steel Welding - Welding of High Strength Quenched and Tempered Steels) may be relevant to some structural/high-tensile Q&T steel products but are not a requirement of the goods described at Section 2.2.1.

#### 2.2.5 Tariff classification

Goods identified as Q&T steel plate as set out in section 2.2.1 are classified to tariff subheading 7225.40.00 in Schedule 3 to the *Customs Tariff Act 1995*.

Tariff subheading 7225.40.00 deals with flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils. The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to subheading 7225.40.00, statistical codes 22 and 24. Where Bisalloy have identified imports under statistical codes 22 and 24 as the goods the subject of this application, Bisalloy has included these goods in its Australian market assessment. The Commission will seek further clarification on this matter during the course of the investigation.

For tariff subheading 7225.40.00, the general rate of duty is 5 percent for goods imported from Finland, Japan and Sweden.

#### 2.2.6 Tariff Concession Orders

There are currently 16 Tariff Concession Orders (TCO) applying to tariff subheading 7225.40.00 (**Non-Confidential Attachment 1** refers).

### 2.3 Previous investigations

There have been no previous dumping investigations for Q&T steel plate in Australia.

### 2.4 Consideration of the application

Under subsection 269TC(1) of the Act, the Commissioner must examine an application for publication of a dumping duty notice within 20 days of lodgement (or 20 days of lodgement of further information in support of the application) and decide whether or not to reject the application.

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In relation to this application, this decision must be made no later than **30 December 2013**.

Subsection 269TC(1) specifies that the Commissioner shall reject the application if he is not satisfied that:

- the application complies with subsection 269TB(4); or
- there is, or is likely to be established, an Australian industry in respect of like goods; or
- there appear to be reasonable grounds for the publication of a dumping duty notice or a countervailing duty notice in respect of the goods the subject of the application.

The above matters are examined in the following sections of this report.

### **3 DOES THE APPLICATION COMPLY WITH SUBSECTION 269TB(4)?**

#### **3.1 Findings**

Based on the information provided in the application, the Commission is satisfied that the application complies with subsection 269TB(4) of the Act.

#### **3.2 Legislative framework**

Subsection 269TB(4) requires that the application must:

- be in writing; and
- be in an approved form; and
- contain such information as the form requires; and
- be signed in the manner indicated by the form; and
- be supported by a sufficient part of the Australian industry.

#### **3.3 Approved form**

The Commission considers that the application is in writing, is in an approved form (a B108 application form), contains such information as the form requires (as discussed in the following sections) and is signed in the manner indicated in the form.

Confidential and public record versions of the application were submitted. The Commission considers that the public record version of the application contains sufficient detail to allow a reasonable understanding of the substance of the information within the confidential application.

#### **3.4 Supported by Australian industry**

An application is taken to be supported by a sufficient part of the Australian industry if the Commission is satisfied the persons who produce or manufacture like goods in Australia and who support the application:

- account for more than 50 percent of the total production or manufacture of like goods by that proportion of the Australian industry that has expressed either support for or opposition to, the application; and
- account for not less than 25 percent of the total production or manufacture of like goods in Australia.

The application states that Bisalloy is the only Australian producer of Q&T steel plate in Australia. Based on the information provided and the Commission's preliminary research, the Commission is satisfied that Bisalloy is the sole Australian producer of Q&T steel plate and the application is supported by a sufficient part of the Australian industry.

### **3.5 The Commission's assessment**

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

## **4 IS THERE AN AUSTRALIAN INDUSTRY IN RESPECT OF LIKE GOODS?**

### **4.1 Findings**

Based on the information provided in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the data provided within the application is sufficient for the purpose of analysing the economic condition of the Australian industry for Q&T steel plate.

### **4.2 Legislative framework**

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, he is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

### **4.3 Locally produced like goods**

Subsection 269T(1) defines like goods as:

*goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

#### **4.3.1 Applicant's claims**

Bisalloy stated that it manufactures Q&T steel plate by heat treating Q&T steel plate greenfeed (Q&T greenfeed) in an Austenitising Furnace followed by water quenching and subsequent tempering if required and/or levelling if required for obtaining flatness of steel plate of thicknesses between 4.5-110mm, widths up to 3,200mm and lengths up to 14m.

Bisalloy's locally produced goods are marketed under the registered brand names 'Bisplate', 'Bisalloy' or 'BIS'.

Bisalloy submits that it is the sole Australian producer of Q&T steel plate and that it manufactures Q&T steel plate products that are like to the goods the subject of the application on the following grounds (this applies to wear, structural and armour grades):

#### **i. Physical Likeness**

- Products made locally by Bisalloy have a physical likeness to the goods exported from Finland, Japan and Sweden.
- Bisalloy's locally produced Q&T steel plate and the imported goods are manufactured to the requirements of Australian recognised industry hardness and/or toughness and/or elongation requirements and in the case of structural/high-tensile Q&T steel plate to applicable Australian or International standards.

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### ii. Commercial likeness

- Bisalloy Q&T steel plate competes directly with imported Q&T steel plate in the Australian market.

### iii. Functional Likeness

- Both the locally produced and imported steel plate have comparable or identical end-uses.

### iv. Production Likeness

- Locally produced and imported Q&T steel plate is manufactured in a similar manner and via similar production processes.

To support these claims, Bisalloy provided the following tables (**Tables 1 and 2** refer) comparing the properties of imported plate to Bisalloy's Bisplate:

Bisalloy Steels' Bisplate Q&T Steel Plate import comparisons - Wear and Armour grades							
		Q&T Brandname(s)	High Hardness/Abrasion resistant- Wear & Armour Grades (HBW-10/3000)				
Country	Company	Wear (Brinell HBW-10/3000)	320-380	400	450	500	600
Australia	Bisalloy Steels Pty. Ltd.	Bisplate - BISXXX (Wear) Bisplate- HHA, UHTA, UHH & HIA (Armour)	BIS320	BIS400 HIA	BIS450 UHTA	BIS500 HHA	BIS600 UHH
Sweden	SSAB (Swedish Steel)	Hardox XXX(wear) Armox XXX(Armour)	Hardox Hi-Tuff Armox 370T	Hardox 400 Armox 400T	Hardox 450 Armox 440T	Hardox 500 Armox 500T	Hardox600 Armox 600T
Japan	NSSMC (Nippon Steel & Sumitomo Metal Corp.)	Wel-Ten AR XXXX (wear) SUMIHARD K XXX (wear) ABREX XXX(Wear )	AR360E K340	AR400E K400 ABREX400 ABREX400LT	K450 ABREX 450 ABREX400LT	AR500E K500 ABREX 500 ABREX 500LT	ABREX 600
Japan	JFE (Total Steel)	Everhard EHXXX (Wear)	EH360E EH360A EH360LE	EH400 EHSP	EH450	EH500 EH500LE EHS500	EHS600
Finland	RUUKKI	RAEX XXX (Wear)	Raex 300	Raex 400	Raex 450	Raex 500	

**Table 1: Bisplate Q&T steel plate import comparison for wear and armour grades**

Bisalloy Steels' Bisplate Q&T Steel Plate import comparisons - High Strength (High Tensile) Structural grades							
		Q&T Brandname(s)	High Strength (High Tensile) - Structural Grades				
Country	Company	0.2% Proof Stress (Min.) Tensile Strength (Range)	400MPa 450-580MPa	500 MPa 590-730MPa	600 MPa 690-830MPa	690 MPa 790-930MPa	890 Mpa 940-1100MPa
Australia	Bisalloy Steels Pty. Ltd.	Bisplate - BISXX	BIS60	BIS60	BIS70	BIS80 BIS80PV	BIS100
Sweden	SSAB (Swedish Steel)	Weldox XXX				Weldox 700	Weldox 900 Weldox 960 Weldox1100
Japan	NSSM (Nippon Steel & Sumitomo Metal Corp)	Wel-Ten XXX (Nippon) SUMITEN XXX (Sumitomo) SBHSXXX (NSSMC)	WEL-TEN 590 SUMITEN590	WEL-TEN 600 SUMITEN 610	WEL-TEN 690 SUMITEN 690 SBHS500	Wel-TEN 780 SUMITEN 780S SBHS700	WEL-TEN 950 SUMITEN950
Japan	JFE (Total Steel)	HITEN XXX (Structural)	HITEN590	HITEN 610	HITEN710	HITEN 780	HITEN980
Finland	RUUKKI	OPTIM XXXQL				OPTIM 700 QL	

**Table 2: Bisplate Q&T steel plate import comparison for structural/high tensile grades**

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Bisalloy therefore considers that its locally produced Q&T steel plate is 'alike' to the imported goods, and possesses the same essential characteristics as the imported Q&T steel plate.

### **4.3.2 The Commission's assessment**

Based on the information provided in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application.

## **4.4 Manufactured in Australia**

Subsections 269T(2) and 269T(3) of the Act specify that, for goods to be regarded as being produced in Australia, they must be wholly or partly manufactured in Australia. In order for the goods to be considered partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

### **4.4.1 Applicant's manufacturing operations**

Bisalloy states that it is an independent Q&T steel plate manufacturer with a significant capital intensive manufacturing facility, including research and development.

The quenching and tempering process involves the combination of heating and subsequent rapid cooling of Q&T greenfeed, which changes the microstructure and improves the strength, hardness and toughness of the Q&T greenfeed.

Bisalloy manufactures Q&T steel plate in Australia from Q&T greenfeed that is largely supplied from BlueScope Steel Limited who is also the only manufacturer of Q&T greenfeed in Australia. Bisalloy also sources some imported Q&T greenfeed.

Bisalloy submits that it undertakes the following manufacturing operations:

1. plate is heated in a natural gas fired furnace under different temperatures or time periods depending on plate grade being manufactured;
2. plate undergoes quenching (i.e. rapid cooling using jets of water) in the roller quench unit;
3. plate goes through the tempering process (if required), during which the plate is reheated in order to transform the crystalline structure of the plate, hence increasing its strength and hardness;
4. all furnace and quenching operations as well as tests/checks are scientifically controlled by programmable logic controller (PLC), which enables tight and consistent control over all processes, including water flow rates and pressures, furnace temperatures and residency times;
5. pre and post heat treatment shot blasting removes rust, scale and other visible impurities, in order to achieve improvements in product properties, welding and cutting, simplification during fabrication, as well as increase the attractiveness of the plate;

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6. plate (for sizes up to 32mm thickness) undergoes levelling in the plate leveller, which significantly improves the flatness of plate to a market standard which is much tighter than the Australian standard or international standards;
7. each plate undergoes a series of tests, including a hardness test, under which all structural grades are tested in Bisalloy's National Association of Testing Authorities (NATA) approved mechanical testing laboratory. All plates finally undergo individual hard stamping with a unique identification number. Plates of all grades are also certified.

The above processes are summarised in the following diagram (**Diagram 1 refers**):

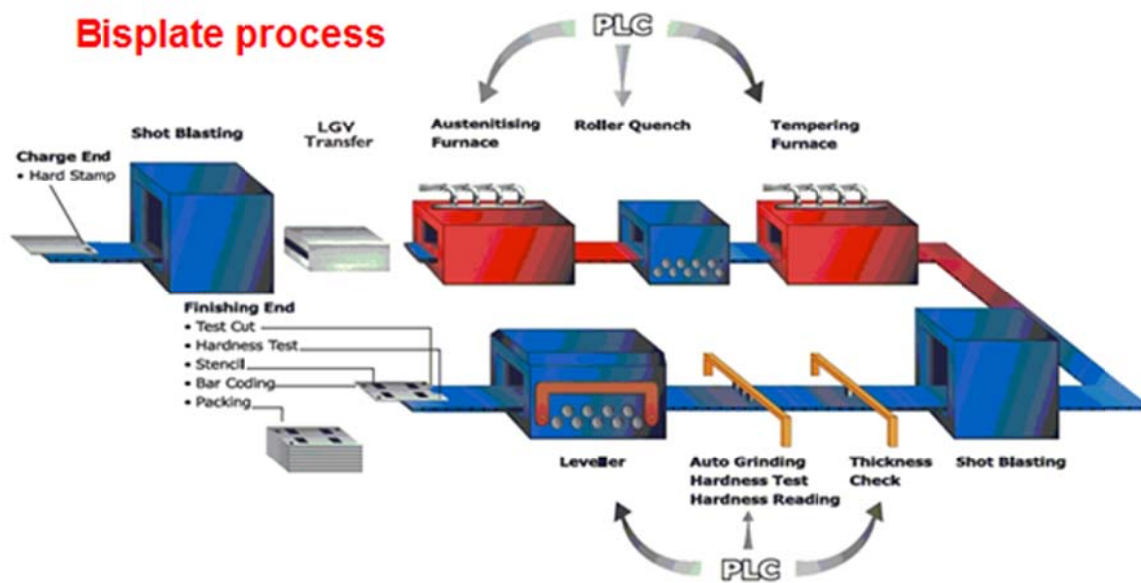


Diagram 1: Bisplate production process

### 4.4.2 The Commission's assessment

Based on the above description of the manufacturing process, the Commission is satisfied that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

## 4.5 Australian Market

### 4.5.1 Background

Q&T steel plate products have been produced by Bisalloy under the 'Bisplate', 'Bisalloy' or 'BIS' brand name since 1980. Bisalloy is located at Unanderra, New South Wales.

Bisalloy described the primary end-use applications of its Q&T steel plate as follows (**Table 3 refers**):



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Primary end use market	Applications
Mining Equipment Technology and Services Sector	<p>Heavy Mobile Equipment used in extracting (above and below ground) and processing of bulk commodities such as Iron Ore &amp; Coal as well as other valuable minerals resources such as Gold, Silver, Copper, Zinc, Manganese, Tin, Lead and rare earths, in components such as:</p> <ul style="list-style-type: none"> <li>• Excavator/Dragline Buckets;</li> <li>• Off Highway Dump Truck Bodies;</li> <li>• On Highway Truck Bodies;</li> <li>• Longwall Mining Equipment – Roof Shields, Pan-lines etc.</li> <li>• Front-end loader arms and buckets;</li> <li>• Primary and Secondary Ore Processing fixed plant equipment such as apron feeders, chute liners, ROM hoppers, Train Load-out Hoppers, Screens, Surge Bins, Rail Bins, Stackers &amp; Reclaimers;</li> <li>• Crushers, Conveyors;</li> <li>• Ship loaders;</li> <li>• Ore Rail cars;</li> <li>• Sub-sea Oil and Gas valve actuator cylinders; and</li> <li>• Jack up rigs.</li> </ul>
General Construction, Infra-structure, Ports & Rail structural applications	<ul style="list-style-type: none"> <li>• Bridges (including rail) and Gentries;</li> <li>• High Strength Structural beams;</li> <li>• Crane booms and lifting equipment ;</li> <li>• Building Construction – High Strength Beams and columns; and</li> <li>• General steel fabrication and heavy transport.</li> </ul>
Defence Applications	<ul style="list-style-type: none"> <li>• Australian Defence Force Bushmaster Infantry Mobility Vehicle;</li> <li>• Civil armoured vehicles; and</li> <li>• Submarine plate.</li> </ul>

**Table 3: Primary end-use applications of Q&T steel plate**

Bisalloy submits that the locally produced and imported goods are used interchangeably across a variety of applications in the Australian market, including the main end-use applications identified above in Table 3.

### 4.5.2 Market segmentation

In its application, Bisalloy stated that:

*“The Australian market place for Q&T steel plate is dominated by the resources sector in bulk commodities such as Iron Ore and Coal and their extraction, transport, processing and shipping and export or ‘Pit-to-Port’ major production operation’s equipment. Q&T steel plate is utilized by much of the Mining Equipment Technology Services and sectors that support the mining industry at large through the fabrication of heavy mobile and fixed plant equipment.*

*The mining of other valuable minerals (e.g. Gold, Copper, Silver, Tin, etc.) also utilises the use of Q&T steel plate in similar equipment on a different scale commensurate with production volumes and value.*

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*General Construction, Infrastructure and transport also utilize Q&T steel plate to a lesser degree, subject to the prevailing market activity and conditions”.*

### 4.5.3 Marketing and distribution

Bisalloy claims that it sells approximately:

- 80 percent of its Q&T steel plate domestically through a network of distributor companies; and
- 20 percent directly to larger end-user Original Equipment Manufacturers (OEM)/fabricators who service the mining sector on major project expansions and repairs and maintenance.

Bisalloy submits that it competes with importers of Q&T steel plate in all states and territories in Australia and across each segment via similar distribution channels to sell product to the larger distributors and OEMs/fabricators in Australia.

### 4.5.4 Demand variability

Bisalloy stated that key sources of demand in the Australian market for Q&T steel plate include:

- mining – particularly the bulk commodities of iron ore and coal;
- heavy transport – associated with movement of bulk commodities such as dump trucks, front end loaders, road trains, rail ore cars and dumpers, stackers and reclaimers and ship-loaders;
- infrastructure – ports and bridges; and
- defence – armoured vehicles.

In terms of demand variability, Bisalloy stated that there are a number of factors that influence demand variability for Q&T steel plate products within the Australian market including:

#### ***“Seasonal Fluctuations***

- *demand for bulk commodities (iron ore & coal – both metallurgical and thermal) from China and others;*
- *expansion project activity;*
- *repairs and maintenance activity;*

#### ***Factors contributing to overall market growth or decline***

- *availability of capital for project expansion activity – largely based around whether or not the longer term demand will deliver the required investment return rate;*
- *global and domestic business and consumer confidence;*
- *trend to ‘off-shore’ fabrication for large fixed plant and mobile equipment; and*
- *resource production volumes driving repairs and maintenance requirements”.*

#### 4.5.5 Alternative Products

Bisalloy submits that substitutable products include but not are limited to the following products:

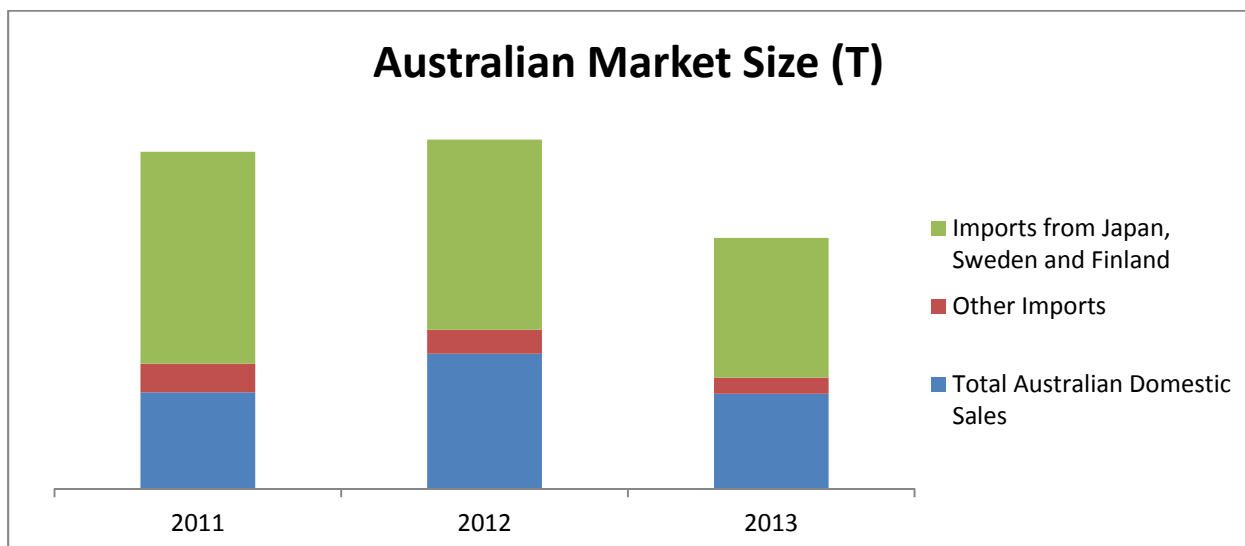
- weld overlay or clad plate (most applications for Q&T steel plate);
- castings and forgings (typically in ground-engaging tools (GET));
- ceramics (typically as wear-resistant liners in fixed plant);
- thermo mechanical controlled process (TMCP) hot rolled steels (typically used in truck bodies); and
- fabricated wear/structural equipment components from Q&T steel plate (e.g. ore hoppers, ore bins and chutes).

#### 4.5.6 Market Size

In its application, Bisalloy used import data sourced from the Australian Bureau of Statistics (ABS) and its own sales data to estimate the size of the Australian market for Q&T steel plate for each year ending 30 September during 2011 to 2013 inclusive.

The Commission compared the estimated import volumes in the application to data extracted from the Australian Customs and Border Protection Service (ACBPS) import database. The ACBPS import data showed that total imports of Q&T steel plate under the relevant tariff classifications were generally similar or marginally higher than those estimated by Bisalloy. Consequently, for consideration purposes, the Commission considers that the data from ABS and Bisalloy's sales data provide a reasonable estimate of import volumes.

The following graph (**Figure 1** refers) depicts Bisalloy's estimate of the Australian market size for Q&T steel plate for each year ending 30 September during 2011 to 2013 using data from ABS and Bisalloy's sales data:



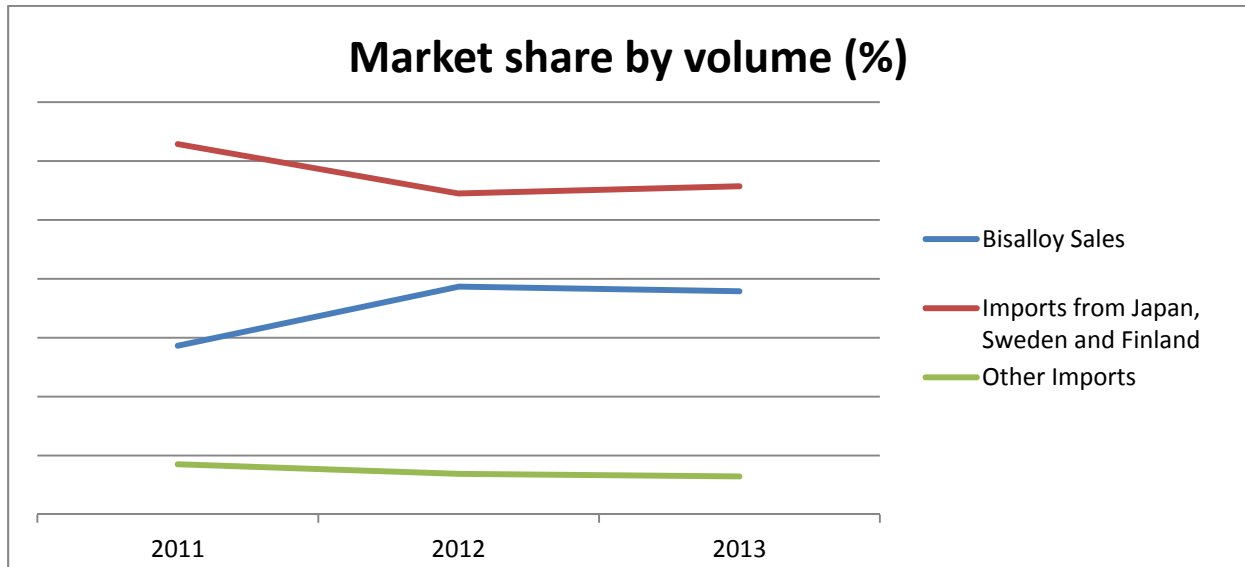
**Figure 1: Australian market for Q&T steel plate: years ending 30 September 2011 to 2013 <sup>2</sup>**

<sup>2</sup> Total Australian Domestic Sales shown in Figure 1 represent Bisalloy's domestic sales.

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Figure 1 shows that the total Australian market for Q&T steel plate increased slightly in 2012 before substantially contracting in 2013.

Notwithstanding the overall decrease in the size of the total Australian market, Bisalloy was able to marginally increase its market share between 2011 and 2013, which is highlighted in **Figure 2** below.



**Figure 2: Australian market share for Q&T steel plate: years ending 30 September 2011 to 2013**

Figure 2 shows that imports from Finland, Japan and Sweden held the majority of the Australian market for Q&T steel plate for years ending 30 September 2011 to 2013.

Bisalloy increased its market share significantly in 2012, with a slight decrease in 2013. In contrast, the market share of imports from Finland, Japan and Sweden decreased significantly in 2012, with a slight increase in 2013.

The market share of other imports remains low, marginally decreasing between 2011 and 2013.

The Commission's estimate of the Australian market (size and shares) for Q&T steel plate is at **Confidential Appendix 2**.

## 4.6 Australian industry information

### 4.6.1 General accounting / administration

Bisalloy is 100 percent owned by the Bisalloy Steel Group Limited, a publicly listed company on the Australian Stock Exchange.

Bisalloy has distribution operations in Thailand and Indonesia and also has a 33 percent equity stake in a Cooperative Joint Venture in the Peoples' Republic of China (China) – Bisalloy Jigang (Shandong) Steel Plate Co., Ltd (Jigang) for the manufacture and distribution of Bisplate Q&T steel plate under licence in China.

Bisalloy's financial accounting period is 1 July to 30 June.

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Bisalloy's chart of accounts, internal management reports and 2013 annual report were provided to the Commission. Bisalloy submits its accounting practices are maintained in accordance with Australia's generally accepted accounting practices.

### **4.6.2 Australian industry sales information**

Bisalloy provided sales and production information in the application, including a summary of domestic and export sales volumes and revenue as required in the relevant Confidential Appendices A2, A3, A5 and A6 for the period 1 July 2010 to 30 September 2013, with Confidential Appendix A1 and A4 provided for the period 1 October 2012 to 30 September 2013.

The Commission examined the detail in, and link between, relevant appendices and identified some minor discrepancies. Notwithstanding these minor discrepancies, for the purposes of this report, the Commission considers that Bisalloy's appendices are reliable for assessing the economic condition of the Australian industry in respect of Q&T steel plate.

### **4.6.3 Cost information**

Bisalloy completed a Confidential Appendix A6 cost to make and sell (CTMS) spreadsheet for domestic and export sales. The information provided in this appendix included production and sales volumes, manufacturing costs, selling (including distribution), general and administrative (SG&A) expenses for the period 1 July 2010 to 30 September 2013.

The Commission examined the information provided and the link between other appendices and considers the information reliable for the purposes of preliminarily assessing the economic condition of the Australian industry in respect of Q&T steel plate.

### **4.6.4 Other economic factors**

Bisalloy completed Confidential Appendix A7 showing movements in assets, capital investment, revenue, return on investment, capacity, capacity utilisation, employment, productivity, closing stocks, cash flow measures and wages for the period 1 July 2010 to 30 June 2013.

### **4.6.5 The Commission's assessment – Australian industry**

Based on the information in the application, the Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application and that the information contained in the application is sufficient for the purposes of a preliminary analysis of the economic condition of the Australian industry in respect of Q&T steel plate for the period 1 July 2010 to 30 September 2013.

## 5 REASONABLE GROUNDS – DUMPING

### 5.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, there appear to be reasonable grounds to support the claims that:

- Q&T steel plate has been exported to Australia from Finland, Japan and Sweden (“nominated countries”) at dumped prices;
- the volume of Q&T steel plate that appears to have been dumped from each of the nominated countries is greater than 3 percent of the total Australian import volume of the goods, and therefore the volume from each country is not negligible; and
- the estimated dumping margins for each of the nominated countries is greater than 2 per cent and therefore the dumping margins are not negligible.

### 5.2 Legislative framework

Article 5.2 of the World Trade Organisation (WTO) Anti-Dumping Agreement states that an application shall include evidence of dumping. It states that simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet this requirement, but that such information must be reasonably available to the applicant.

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, the Commissioner is not satisfied that there appears to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG of the Act, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods. This issue is considered in the following sections.

### 5.3 Export prices

#### 5.3.1 Bisalloy’s claims

Bisalloy does not consider that free-on-board (FOB) prices for Q&T steel plate reported by the ABS are consistent with Bisalloy’s knowledge of actual selling prices for the goods in the Australian market. Bisalloy claims that, based on its estimates of importation costs and importer profits, the quoted selling prices it has observed in the Australia market for Q&T steel plate imported from Finland, Japan and Sweden are reflective of considerably lower FOB prices than those appearing in ABS import statistics.

Bisalloy claim that, in the case of Sweden, the relationship between the Australian importer and Swedish manufacturer may be influencing declared prices of imports. Bisalloy also claim that the declared prices of exports of Q&T steel plate to Australia from Finland and Japan did not reflect selling prices in Australia that have been reduced to compete with the Swedish imports.

Due to its concerns about the reliability of declared import prices, Bisalloy relied on deductive export prices from each of the nominated countries. The components of the deductive export prices are set out in **Table 4** below:

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Deductive export price component	Basis
First point of resale to an unrelated buyer in Australia	These prices are based on market intelligence gathered by Bisalloy and reported in its Monthly Sales Reports and supported by correspondence.
Deductions	Basis
Importer profit	An estimate of profit achieved by the importer.
Delivery to buyer	Not explained.
Warehousing	Based on a weekly charge for an estimated holding period. Evidence of the weekly charge was provided.
Selling, general and administrative costs	A percentage based on the financial statements of an Australian steel importer.
Freight from wharf to store	Based on typical expenses incurred by Bisalloy.
Customs duty	Based on the rate applying to imports of Q&T steel plate from the nominated countries.
Import clearance and handling costs	Quote provided by freight forwarder.
Overseas freight and insurance	Quote provided by freight forwarder.

**Table 4: Components of deductive export prices**

Quarterly export prices for Q&T steel plate for 1 October 2012 to 30 September 2013 estimated by Bisalloy are summarised in **Table 5** below:

Country	Dec quarter 2012 (AUD)	Mar quarter 2013 (AUD)	Jun quarter 2013 (AUD)	Sep quarter 2013 (AUD)
Finland	\$1,153	\$1,023	\$1,178	\$1,087
Japan	\$1,258	\$1,191	\$1,178	\$1,169
Sweden	\$1,379	\$1,379	\$1,158	\$1,140

**Table 5: Bisalloy's deductive export prices**

### 5.3.2 The Commission's assessment

Bisalloy stated that exporters in Finland and Japan must compete with the selling prices of Swedish Q&T steel plate and therefore must reduce into-store selling prices in Australia. Bisalloy claims that ABS declared prices of the goods imported from Finland and Japan do not reflect these reduced into-store selling prices in the Australian market.

In the Commission's view, Bisalloy has not provided sufficient reasoning or probative evidence to disregard declared prices for exports to Australia from Finland and Japan. There is no suggestion that importers of Q&T steel plate from Finland or Japan are related to the exporters. In the course of the recent plate steel investigation<sup>3</sup>, the Commission examined information relating to Q&T steel plate that had been misclassified as plate steel. Although the profitability of these imports when sold in Australia was not tested, the Commission confirmed that these imports had been accurately declared and verified export prices to source documentation (including commercial invoices). The Commission is not satisfied that there are sufficient grounds to consider that these imports were not arm's length transactions. Accordingly, the Commission has used

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<sup>3</sup> Anti-Dumping Commission Investigation No.198 - Hot rolled plate steel exported from China, Indonesia, Japan, Korea and Taiwan.

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information from the ACBPS's import database to estimate export prices for Q&T steel plate exported to Australia from Finland and Japan.

In respect of the goods exported from Sweden, the Commission has identified that the principal Australian importer of Q&T steel plate from Sweden appears to be closely related to the Swedish manufacturer and exporter. Average ABS declared prices of Q&T steel plate imported from Sweden are significantly higher than those of Finland and Japan. Bisalloy provided details of market intelligence gathered by its sales staff of prices of Swedish Q&T steel plate being offered in the Australian market. Those prices, if accurate, are significantly different from declared prices of imports from Sweden. Therefore the Commission considers that there is sufficient evidence available at this stage to support Bisalloy's claims that these transactions may not be arm's length and to use deductive export prices as a basis to estimate export prices for Q&T steel plate from Sweden.

The Commission examined information contained in Bisalloy's application supporting its estimates of selling prices of Swedish Q&T steel plate by importers in the Australia market (the first point of resale to an unrelated buyer). The Commission considers this information is reasonable as a starting point for Bisalloy's deductive export price estimates.

The Commission also examined the deductions from the selling price in Australia made by Bisalloy and found that the deductions appear to be reasonable and were supported by sufficient evidence with the exception of the following:

- Bisalloy suggested an amount for profit achieved by the Australian importer. This profit level was not supported by evidence but is considered reasonable based on the Commission's experience with steel importers in Australia in respect of other steel investigations;
- Bisalloy included a deduction for expenses covering delivery to the customer in Australia. However, information (provided in the application) for selling prices in Australia for Swedish Q&T steel plate indicates that the prices were not delivered. The Commission therefore considers that a deduction for delivery expenses is not required and has adjusted the estimates accordingly; and
- Bisalloy calculated Customs duty of 5 percent on imports of Q&T steel plate from Sweden on the resale price in Australia. However, Customs duty is calculated on the Customs value of the imported goods (generally the FOB value). The Commission has therefore recalculated Customs duty of the goods based on the FOB value of the imported goods.

The Commission's estimates of export prices for 1 October 2012 to 30 September 2013 are shown in **Table 6** below:

Country	Dec quarter 2012 (AUD)	Mar quarter 2013 (AUD)	Jun quarter 2013 (AUD)	Sep quarter 2013 (AUD)
Finland	\$1,432	\$1,457	\$1,349	\$1,292
Japan	\$1,448	\$1,404	\$1,358	\$1,500
Sweden	\$1,449	\$1,226	\$1,289	\$1,217

**Table 6: The Commission's estimates of quarterly export prices for Q&T steel plate**



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The Commission's estimated export price calculations are at **Confidential Appendix 3**. The Commission's estimated export prices are higher than the export prices calculated by Bisalloy.

### 5.4 Normal values

#### 5.4.1 Bisalloy's claims

Bisalloy claimed that it has not been able to access Q&T steel plate prices in any of the nominated countries. Bisalloy therefore constructed domestic selling prices for Q&T steel sold in the respective nominated countries using the following methodology (**Table 7** refers):

Constructed normal value component	Basis
Standard 250 mega Pascal grade plate steel price	Taken from steel industry pricing publications
Additional processing and alloy costs to produce Q&T greenfeed	Approximate additional costs incurred by Bisalloy's Chinese joint venture partner, Jigang, in producing Q&T greenfeed compared to standard grade steel plate.
Costs of manufacturing Q&T steel plate from Q&T greenfeed.	Based on Bisalloy's conversion costs. Bisalloy benchmarked its conversion costs to a Chinese manufacturer and submitted that the similarity in costs supported the claim that Bisalloy's costs are not excessive and are an appropriate estimate of costs in Finland, Japan and Sweden.
Selling, general and administrative costs	Bisalloy has used its own SG&A costs which it considers would reasonably reflect the expenses incurred by Q&T steel plate producers in Finland, Japan and Sweden.
Profit	Bisalloy applied the highest published profit level for the principal exporters in each of the nominated countries (an average of the two major exporters has been used for Japan) in 2010, 2011 and 2012. Bisalloy used the highest reported profit level over the period on the basis that Q&T steel plate is a niche product and is expected to provide higher returns than commodity steel products.

**Table 7: Bisalloy constructed normal value methodology**

Quarterly normal values for Q&T steel plate for 1 October 2012 to 30 September 2013 estimated by Bisalloy are summarised in **Table 8** below:

Country	Dec quarter 2012 (AUD)	Mar quarter 2013 (AUD)	Jun quarter 2013 (AUD)	Sep quarter 2013 (AUD)
Finland	\$1,443	\$1,517	\$1,558	\$1,600
Japan	\$1,554	\$1,552	\$1,602	\$1,670
Sweden	\$1,460	\$1,535	\$1,577	\$1,619

**Table 8: Bisalloy's estimates of normal value**

#### 5.4.2 The Commission's assessment

The Commission examined each of the elements of Bisalloy's constructed normal values and considers that Bisalloy used reasonable estimates of costs and profit to estimate selling prices in each of the nominated countries.

The Commission considers that incorporating reported selling prices for standard grade plate as the starting point for the constructed normal values could result in the normal values being marginally overstated as the reported selling prices would include selling expenses and a margin for profit that would not be incurred by an integrated Q&T steel plate producer.

The Commission considers that the amount included by Bisalloy to account for the additional expenses associated with manufacturing Q&T greenfeed (as opposed to standard 250 grade plate) is reasonable. In making this assessment, the Commission had regard to information verified during the plate steel investigation, which covered both Q&T greenfeed and standard grade plate steel.

Bisalloy included in the constructed normal value, its own average Q&T steel plate processing costs in 2011/12. It claimed that unit processing costs in 2011/12 were lower than in 2012/13, when lower production volumes increased unit processing costs. Bisalloy also compared its processing costs in 2011/12 with its knowledge of a Chinese Q&T steel plate manufacturer's costs to support the claim that the costs were not excessive.

Bisalloy provided supporting evidence of the processing costs in relation to the Chinese Q&T steel plate manufacturer. The Commission considers that the amount for processing costs included for the purpose of the constructed normal value is reasonable.

Bisalloy included its own SG&A costs for 2012/13 (excluding delivery expenses) in its constructed normal value, claiming that these costs would be a reasonable reflection of the costs incurred by manufacturers in the nominated countries. Bisalloy claimed that its SG&A costs were slightly higher than SSAB Sweden's SG&A costs (for 2013). It also claimed that Bisalloy's costs are representative of the SG&A costs incurred in Q&T steel plate sales rather than an average across all sales (which it claims reflects SSAB Sweden's SG&A costs).

The Commission notes that SG&A costs incurred by Bisalloy varied from quarter to quarter, and that this could have been the impact of reduced sales volumes in the period. To test the robustness of Bisalloy's normal value estimates, the Commission adjusted these costs to reflect the lowest quarterly unit cost of SG&A expenses incurred in 2012/13.

In respect of the estimated profit levels included by Bisalloy in its constructed normal values, the Commission considers that the basis for the levels included (the highest levels reported by the principal exporters in the nominated countries in 2010, 2011 and 2012) might not accurately reflect Q&T steel plate profitability. However, the Commission notes that the rates of profit are not excessive, and relate directly to the overall operations of the principal exporters and are derived from information that is reasonably available to the applicant.

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The Commission has adjusted Bisalloy's estimates of normal values for the issues discussed above. The Commission's estimates of quarterly normal values for 1 October 2012 to 30 September 2013 are set out in **Table 9** below:

Country	Dec quarter 2012 (AUD)	Mar quarter 2013 (AUD)	Jun quarter 2013 (AUD)	Sep quarter 2013 (AUD)
Finland	\$1,443	\$1,456	\$1,460	\$1,484
Japan	\$1,554	\$1,489	\$1,501	\$1,551
Sweden	\$1,460	\$1,474	\$1,478	\$1,502

Table 9: The Commission's estimates of normal value for Q&T steel plate

The Commission's estimated normal value calculations are at **Confidential Appendix 4**. The Commission's estimated normal values are relatively comparable to Bisalloy's estimated normal values.

### 5.5 Dumping margins

#### 5.5.1 Bisalloy's claims

The ranges for quarterly dumping margins for Q&T steel plate calculated by Bisalloy are summarised in **Table 10** below:

Country	Estimated dumping margin
Finland	32 to 47%
Japan	23 to 42%
Sweden	6 to 40%

Table 10: Bisalloy's estimates of dumping margins for Q&T steel plate

#### 5.5.2 The Commission's assessment

The Commission has estimated Q&T steel plate dumping margins using the following:

- estimates of export prices for Finland and Japan taken from the ACBPS's import database;
- deductive export prices for Sweden with adjustments described at Section 5.3.2; and
- estimates of normal value using constructed domestic selling prices for the respective nominated countries, adjusted as described at Section 5.4.2.

The Commission weighted unit export prices and normal values using estimates of import volumes for each of the nominated countries derived from ACBPS's import database. The Commission's estimates of dumping margins for the period 1 October 2012 to 30 September 2013 are shown in **Table 11** below:

Country	Estimated dumping margin
Finland	8%
Japan	6%
Sweden	14%

Table 11: The Commission's estimates of dumping margins for Q&T steel plate

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The Commission's estimates of dumping margins are considerably lower than the dumping margins that were calculated by Bisalloy (which reflects the revised export prices and normal values calculated by the Commission). The Commission considers the estimated dumping margins are high enough to remain at actionable levels (above 2 percent) even if the use of selling prices for standard plate caused the normal values to be marginally overstated.

The Commission's estimates of dumping margins are **Confidential Appendix 5**.

The Commission is satisfied that, based on the information submitted in the application and taking into account other relevant information, Bisalloy has demonstrated that there appear to be reasonable grounds for concluding that Q&T steel plate has been exported to Australia from Finland, Japan and Sweden at dumped prices.

### 5.6 Import volumes – nominated countries

Based on information available from the ACBPS's import database, it appears that imports of Q&T steel plate from each of the nominated countries represented more than 3 percent of the total import volume of Q&T steel plate exported in the period examined (1 October 2012 to 30 September 2013) and are therefore not in negligible volumes as defined in section 269TDA of the Act.

The Commission's estimates of import volumes from the nominated countries are at **Confidential Appendix 6**.

## **6 REASONABLE GROUNDS – ECONOMIC CONDITION OF THE AUSTRALIAN INDUSTRY**

### **6.1 Findings**

Having regard to the information contained in the application, and to other information considered relevant, the Commission is satisfied that Bisalloy appears to have experienced injury in terms of:

- lost sales volumes;
- price depression;
- price suppression;
- reduced profits and profitability;
- reduced capacity utilisation;
- reduced revenues; and
- increased stock levels of like goods.

### **6.2 Legislative framework**

Subsection 269TC(1) of the Act requires that the Commissioner must reject an application for a dumping duty notice if, inter alia, he is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under sections 269TG, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that, because of dumping of the goods, material injury has been or is being caused or is threatened to the Australian industry producing like goods.

### **6.3 Approach to injury analysis**

The injury analysis detailed in this section is based on information submitted by Bisalloy in its application. Bisalloy provided production, cost and sales data for Q&T steel plate on a quarterly basis from 1 July 2010 to 30 September 2013.

The information provided by Bisalloy was used as the primary basis for assessing Bisalloy's claims of material injury caused by the alleged dumping of Q&T steel plate.

The Commission's assessment of the economic condition of the Australian Q&T steel plate industry is at **Confidential Appendix 7**.

### **6.4 Cumulation of injury**

Subsection 269TAE(2C) of the Act provides for consideration of the cumulative effect of exports from different countries, if, after having regard to:

- the conditions of competition between the exported goods; and
- the conditions of competition between the exported goods and the like goods that are domestically produced,

the Minister is satisfied that it is appropriate to consider the cumulative effects.

Based on the information provided in the application, the Commission is satisfied that in respect of the Q&T steel plate market, the conditions of competition between imported and domestically produced like goods appear to be similar.

As discussed at Section 4, the Commission is satisfied that Bisalloy's Q&T steel plate is like to the imported Q&T steel plate, including similar specifications, similar end-uses, and they all compete in the same market segments.

The Commission considers that it is appropriate to consider the cumulative effect of the allegedly dumped imports.

## **6.5 The applicant's injury claims**

In respect of Q&T steel plate, Bisalloy claims that the Australian industry has been injured through:

- lost sales volumes;
- price depression;
- price suppression;
- reduced profits and profitability;
- reduced return on investment;
- reduced attractiveness for re-investment;
- reduced revenues;
- reduced capacity utilisation;
- increased stock levels of like goods; and
- reduced wages for Bisalloy employees.

Furthermore, Bisalloy submitted in its application, that the injurious effects of dumping have had a more substantive impact in a contracting market, as experienced by Bisalloy during the 12 month period ending 30 September 2013.

## **6.6 Commencement of injury**

Bisalloy submitted that material injury caused by the importation of Q&T steel plate has been occurring for a number of years, with the injury from dumped Q&T steel plate imports from Finland, Japan and Sweden being particularly material to Bisalloy's profitability for the 12 month period ending 30 September 2013.

## **6.7 Volume effects**

### **6.7.1 Sales volumes**

**Figure 3** below shows Bisalloy's quarterly domestic sales volumes for Q&T steel plate from 1 July 2010 to 30 September 2013. During this period Bisalloy's domestic sales

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volumes dropped marginally, with a significant decline during 1 October 2012 to 30 September 2013.

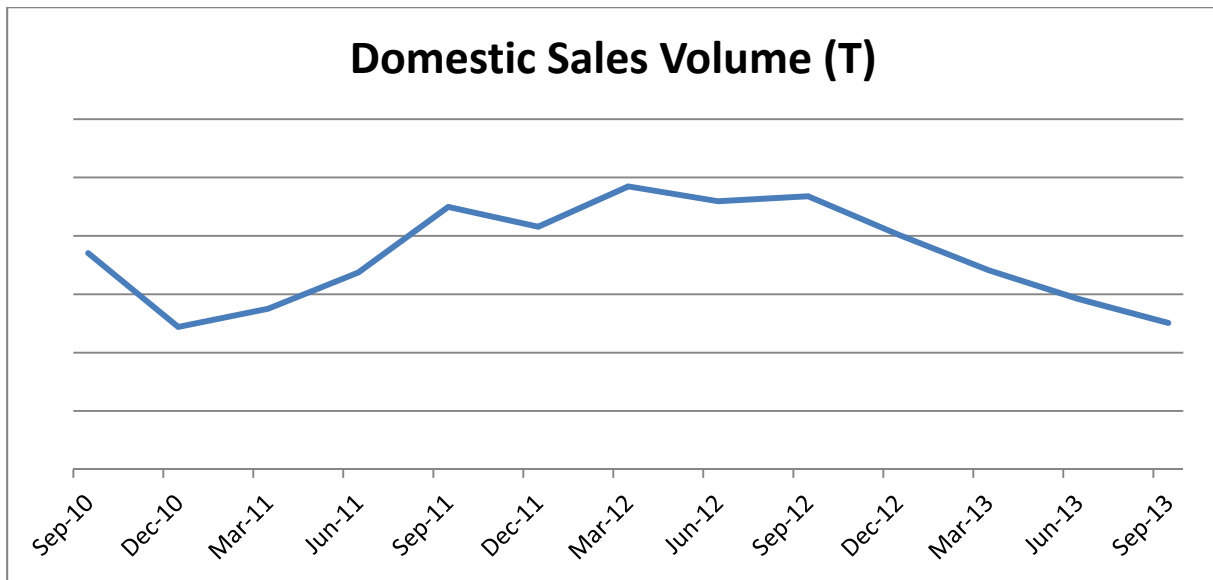


Figure 3: Bisalloy quarterly domestic sales volumes for Q&T steel plate in tonnes

## 6.8 Price effects

### 6.8.1 Price depression and price suppression

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs.

The following graph (**Figure 4**) shows the movements and relationship of Bisalloy's unit CTMS and unit revenue (net) for Q&T steel plate from 1 July 2010 to 30 September 2013.

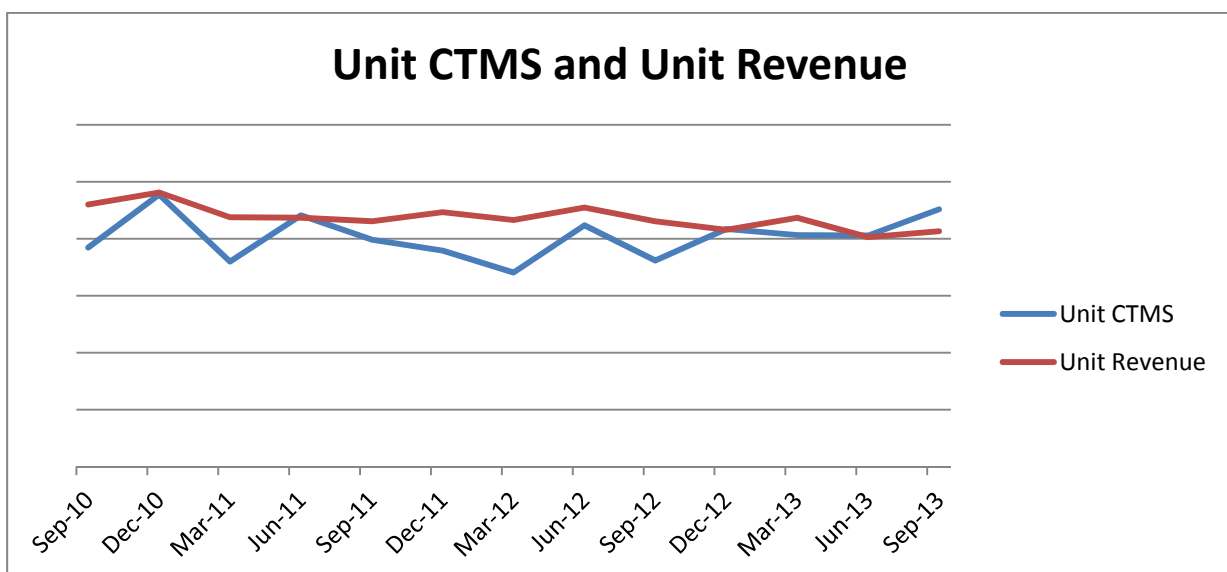


Figure 4: Unit revenue and unit CTMS for Bisalloy's domestic sales of Q&T steel plate

Figure 4 (above) shows that during 1 July 2010 to 30 September 2013:

- unit revenue has trended downwards and was lower at 30 September 2013 compared to unit revenue at 1 July 2010;
- unit CTMS has fluctuated and was slightly higher at 30 September 2013 compared to unit CTMS at 1 July 2010; and
- for the June and September 2013 quarters unit CTMS exceeded unit revenue.

## 6.9 Profit and profitability effects

The following graph (**Figure 5**) shows that Bisalloy's total domestic profit and unit profitability (unit profit measured as a percentage of unit revenue) in respect of Q&T steel plate has fluctuated during 1 July 2010 to 30 September 2013. However, total domestic profit and unit profitability has continually declined since the quarter ending 31 March 2013 (with total domestic profit consistently decreasing since the 2012 September quarter). Bisalloy's total domestic profit and unit profitability at 30 September 2013 is significantly lower compared to 1 July 2010.

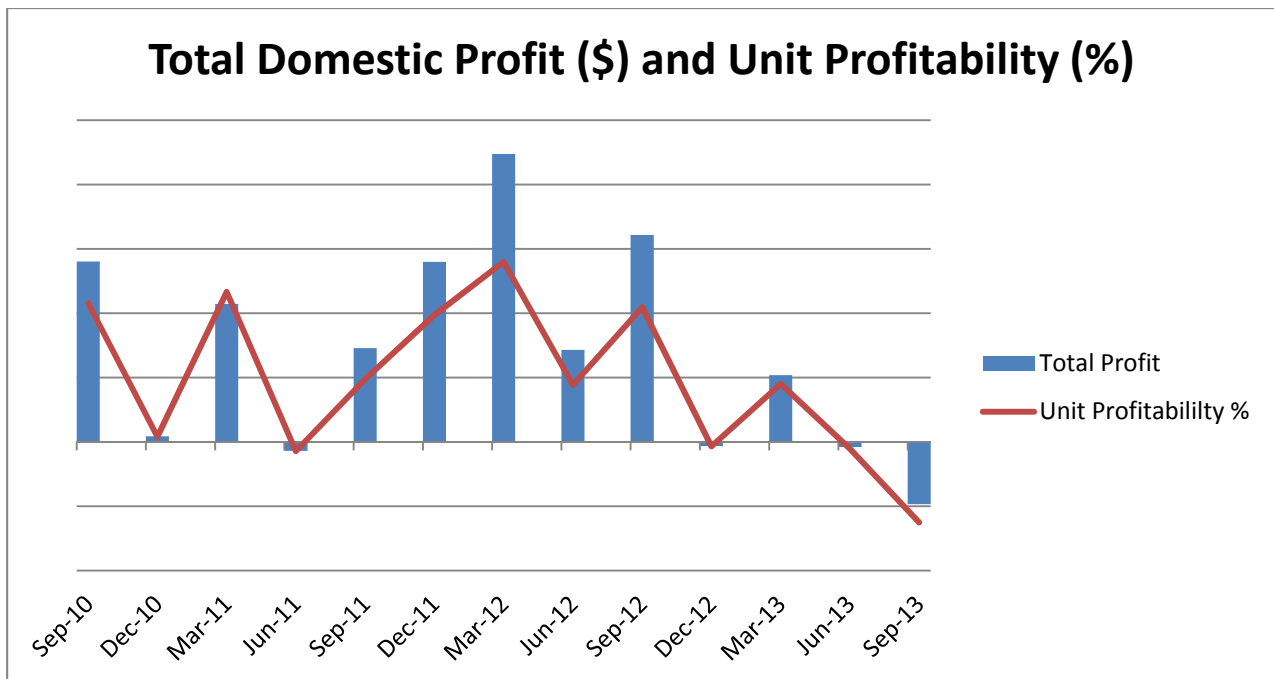


Figure 5: Bisalloy Q&T steel plate unit profitability on a quarterly basis

## 6.10 Summary of major injury indicators

Based on the preliminary analysis detailed above, there appear to be reasonable grounds to support the claim that Bisalloy suffered injury in the form of:

- lost sales volumes;
- price depression;
- price suppression; and
- reduced profits and profitability.



## 6.11 Other injury factors

Bisalloy claims that it has experienced injury in respect of the following other injury factors:

- reduced attractiveness for re-investment;
- reduced capacity utilisation;
- reduced revenues;
- increased stock levels of like goods; and
- reduced wages for Bisalloy employees.

Bisalloy completed a Confidential Appendix A7 for Q&T steel plate for the financial years ending 30 June 2011 to 30 June 2013 to support these claims.

The Commission has reviewed the data contained in Confidential Appendix A7 and identified the following trends for other injury factors:

- Capital investment: marginally increased from 2011 to 2013.
- Return on investment: showed a significant increase in 2012 followed by a smaller decrease in 2013, resulting in an overall increase during the period.
- Revenue: decreased in 2013.
- Capacity: remained the same throughout the period.
- Capacity utilisation: decreased in 2013.
- Closing stock: significantly increased each year, almost doubling during the period.
- Employment: the number of employees increased slightly during the period however, average wages showed a significant increase in 2012 followed by a smaller decrease in 2013, resulting in an overall increase during the period.

### 6.11.1 The Commission's assessment

Based on the information provided in the application, there appears to be reasonable grounds to support the claim that Bisalloy has experienced injury in the form of:

- reduced capacity utilisation;
- reduced revenues; and
- increased stock levels of like goods.

Bisalloy's claims in relation to other injury factors will be examined further during the investigation.

## 7 REASONABLE GROUNDS - CAUSATION FACTORS

### 7.1 Findings

Having regard to the matters contained in the application and to other information considered relevant, the Commission is satisfied that Q&T steel plate exported to Australia from Finland, Japan and Sweden at allegedly dumped prices appears to have caused material injury to the Australian Q&T steel plate industry.

#### 7.1.1 The applicant's claims

Bisalloy claimed that, in the last three years, imports from the nominated countries have held the dominant share of the Australian market. Bisalloy claimed that, in the 12 months ending September 2013, the Australian market for Q&T steel plate declined substantially due to a downturn in mining activity. The market contraction has, according to Bisalloy, increased competition in the market as imports and Bisalloy strive to retain sales volumes.

Bisalloy claimed that in this competitive market, it employed a strategy designed to retain sales volumes and market share. It claims that a reduction in selling prices was necessary in an attempt to compete with import price offers for goods from the nominated countries, which it claims undercut its selling prices. This price reduction (and price depression), and the impact of lower sales volumes on unit fixed and overhead costs resulted in price suppression and a significant fall in Bisalloy's profitability performance between 2011/12 and 2012/13.

Bisalloy claimed that the recent depreciation of the Australian dollar from April 2013 has not impacted the aggressive (and low) prices being offered for imported Q&T steel plate from the nominated countries.

Bisalloy stated that it routinely monitors and compares its selling prices against import prices (and resultant competition), both through import statistics and market intelligence. As discussed at Section 5.3.1, Bisalloy claimed that, having regard to selling prices for Q&T steel plate offered in the Australian market, import pricing reported by the ABS appears to be unreliable. Bisalloy provided information on its understanding of offer prices in the Australian market from each of the nominated countries. Bisalloy provided copies of its monthly internal management reporting and several examples of written quotations to support its claims regarding the price offers.

The price undercutting analysis provided by Bisalloy indicates that offers for Q&T steel plate from each of the nominated countries undercut Bisalloy's selling prices in most quarters during 1 October 2012 to 30 September 2013. **Table 12** below sets out the margins of price undercutting calculated by Bisalloy.

Period	Japan	Sweden	Finland
Oct-Dec 2012	14.2 – 19.5 %	Nil – 3.5 %	18.3 – 23.4 %
Jan-Mar 2013	2.4 – 18.6 %	7.5 – 13.3 %	n/a
Apr-Jun 2013	2.3 – 16.5 %	3.9 – 9.5 %	2.8 – 12 %
Jul-Sep 2013	10.5 – 16.5 %	8.0 – 13.8 %	12.0 – 18.0 %

**Table 12: Bisalloy's estimates of price undercutting by Q&T steel plate imports**

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Bisalloy claims that the undercutting of its prices by dumped imports from Finland, Japan and Sweden has forced it to lower its prices to retain sales and market share which, with rising unit costs, has led to a significant deterioration in its financial performance from 2011/12 to 2012/13.

### 7.1.2 Injury caused by factors other than dumping

Bisalloy stated that the Australian Q&T steel plate market contracted substantially in 2012/13 due to a downturn in the mining industry. Bisalloy maintains, however, that without the impact of dumping, it would have retained sufficient sales volume in the smaller market and not experienced such a significant deterioration in its performance.

Bisalloy acknowledged the impact of the high Australian dollar on import pricing and competition but notes that, due to reduced demand for Q&T steel plate in overseas markets, the recent depreciation of the Australian dollar had not seen the expected rise in import prices.

### 7.1.3 Comparison of export prices and estimated non-injurious prices

As an additional test of the causal link between the alleged dumping and injury, the Commission sought to compare export prices from each of the nominated countries to estimates of a non-injurious price (NIP) for the year ending September 2013.

To calculate the estimated NIP for each of the nominated countries, the Commission considers that it is reasonable to estimate the unsuppressed selling price (USP) for Q&T steel plate sold by Bisalloy in the year ending September 2013, based on its full weighted average CTMS for that year. At this stage, the Commission has not applied a profit to this CTMS for the purposes of this test.

The Commission then deducted amounts from that USP for importer SG&A and profit, as well as importer “into-store” costs, Customs duty and overseas freight. These calculations provided for a NIP at an FOB level, which is suitable for comparison to the export prices calculated in section 5.3.2.

The comparison showed, for each of the nominated countries, that the weighted average export prices for the year were below the NIP relevant to each country. The Commission regards this finding as being consistent with Bisalloy’s claim that the allegedly dumped goods have caused material injury.

The Commission’s estimated USP and NIP calculations and comparisons with FOB export prices are at **Confidential Appendix 8**.

### 7.1.4 The Commission’s assessment

The Commission considers that Bisalloy has provided sufficient information and probative evidence to substantiate its claims that its selling prices are being undercut by offers of imported Q&T steel plate from each of the nominated countries. Financial information supplied with Bisalloy’s application shows that its selling prices have declined despite rising unit costs and this has led to a significant deterioration in Bisalloy’s profit performance in 2012/13.

## **PUBLIC RECORD**

Combined import volumes from Finland, Japan and Sweden fell in the 12 months to September 2013 as the market contracted but retained a dominant share of the Australian market. The Commission considers that the contraction in the Australian market for Q&T steel plate in 2012/13 would have negatively impacted on Bisalloy's operating environment. However, the Commission also considers that Bisalloy's ability to respond to these external environmental circumstances (including declining demand) appears to have been hampered by the competition of allegedly dumped imports.

While the Commission has estimated dumping margins lower than those estimated by Bisalloy (Section 5.5.2 refers), the estimated dumping margins are not negligible (based on the information available to the Commission at the consideration stage). The Commission considers that exports from the nominated countries (representing the largest market share) would have contributed to intense market competition, with import prices for Q&T steel plate that undercut Bisalloy's selling prices.

Based on financial and sales information, as supported by sufficient evidence, provided by Bisalloy, the Commission considers that it appears that dumping of Q&T steel plate from the nominated countries has caused material injury to the Australian industry producing like goods.

### **7.2 Conclusion on material injury caused by dumped imports**

The Commission is satisfied that, based on the information submitted in the application, the applicant has demonstrated that:

- it appears to have suffered injury; and
- there appear to be reasonable grounds for concluding that the alleged dumping of Q&T steel plate exported to Australia from Finland, Japan and Sweden has caused material injury to the Australian industry producing like goods.

## 8 CONCLUSION

The Commission has examined the application and is satisfied that:

- the application complies with subsection 269TB(4) of the Act; and
- there is an Australian industry in respect of like goods; and
- there appear to be reasonable grounds for the publication of dumping duty notice in respect of the goods the subject of the application.

Accordingly, the Commission recommends that the Commissioner does not reject the application for the publication of a dumping duty notice under subsection 269TC(1).

For the purposes of the investigation:

- the investigation period to determine whether dumping has occurred will be from **1 January 2013 to 31 December 2013**; and
- the Commission will examine the Australian market and the economic condition of the industry from **1 January 2010** for the purposes of injury analysis.

## 9 APPENDICES AND ATTACHMENTS

<b>Appendix No.</b>	<b>Title</b>
Appendix 1	Public notice
Confidential Appendix 2	The Commission's estimate of the Australian market (size and shares) for Q&T steel plate
Confidential Appendix 3	The Commission's estimated export price calculations
Confidential Appendix 4	The Commission's estimated normal value calculations
Confidential Appendix 5	The Commission's estimate of dumping margins
Confidential Appendix 6	The Commission's estimated import volumes for Q&T steel plate
Confidential Appendix 7	The Commission's assessment of the economic condition of the Australian Q&T steel plate industry
Confidential Appendix 8	The Commission's estimated USP and NIP calculations
<b>Attachment No.</b>	<b>Title</b>
Attachment 1	TCOs for tariff classification subheading 7225.40.00
Confidential Attachment 2	Recommendation minute to Commissioner
Confidential Attachment 3	Commissioner's instrument



**Customs Act 1901 – Part XVB**

**Quenched and Tempered Steel Plate**

**Exported from Finland, Japan and Sweden**

**Initiation of an Investigation into Alleged Dumping**

***Public notice under section 269TC of the Customs Act 1901***

The Commissioner of the Anti-Dumping Commission (the Commissioner) has initiated an investigation into the alleged dumping of Quenched and Tempered steel plate (Q&T steel plate) (“the goods”) exported to Australia from Finland, Japan and Sweden. This follows an application seeking the publication of a dumping duty notice lodged by Bisalloy Steels Pty Ltd, a manufacturer of the goods in Australia.

The goods subject of the application are:

*Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered (“Q&T”) steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or unprimed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).*

*Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.*

A full description of the goods is available in Anti-Dumping Notice (ADN) No. 2014/01. This ADN is available on the internet at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The goods are currently classified to tariff subheading 7225.40.00, statistical codes 21 and 23, of Schedule 3 to the *Customs Tariff Act 1995*. The application also states that some goods may have been incorrectly classified to statistical codes 22 and 24. The Anti-Dumping Commission (the Commission) will seek further clarification on this matter during the course of the investigation. For tariff subheading 7225.40.00, the general rate of duty is 5% for Finland, Japan and Sweden.

The application alleges that the goods have been exported to Australia at prices less than their normal value and that the dumping has caused material injury to the Australian industry through:

- lost sales volumes;

- price depression;
- price suppression;
- reduced profits and profitability;
- reduced return on investment;
- reduced attractiveness for re-investment;
- reduced revenues;
- reduced capacity utilisation;
- increased stock levels of like goods; and
- reduced wages for employees.

The non-confidential version of the application, which contains the basis of the alleged dumping, is available on the public record.

The Commissioner specifies that the goods exported to Australia during the period 1 January 2013 to 31 December 2013 will be examined to determine whether dumping has occurred. The Australian market will be examined from January 2010 for injury analysis.

The date of initiation of this investigation is the date of publication of this notice.

Interested parties, as defined by subsection 269T(1) of the *Customs Act 1901* (the Act), are invited to lodge submissions concerning the publication of the dumping duty notice sought in the application, no later than the close of business on 17 February 2014, addressed to:

The Director  
Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street  
Docklands VIC 3008

Or by email to [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au) or by fax to +61 3 9244 8902.

ADN 2014/01, containing important procedural details is available at [www.adcommission.gov.au](http://www.adcommission.gov.au) and should be read in conjunction with this notice.

Particulars of the reasons for the decision to initiate this investigation are shown in *Anti-Dumping Commission Consideration Report No. 234*, which has been placed on the Commission's public record.

Documents included in the public record are available at [www.adcommission.gov.au](http://www.adcommission.gov.au). Alternatively, the public record may be examined at the Commission's office by contacting the Case Manager on the details provided below.

Enquiries about this notice may be directed to the Case Manager on telephone number +61 3 9244 8229, fax number +61 3 9244 8902 or [operations3@adcommission.gov.au](mailto:operations3@adcommission.gov.au).

Dale Seymour  
Commissioner  
Anti-Dumping Commission

8 January 2014



Tariff Concession Order Number	Description of Goods
TC 0210776 50	PLATES OR SHEETS OR FLATS, high alloy steel, to specifications DIN 40CrMnMoS8 6, hardened and tempered
TC 0614205 50	<p>PLATES AND SHEET, high speed steel, but NOT including those that have been hollow ground OR those that have centre holes OR pin holes</p> <p>NOTE: Not valid until 1 January 2007.</p>
TC 0807304 50	PLATE OR SHEET, nickel alloy steel, complying with American Society for Testing and Materials (ASTM) designation A553
TC 0943669 50	<p>PLATES OR SHEETS, high alloy steel, grain refined, quenched and tempered, having ALL of the following:</p> <p>(a) hardness NOT less than 570 HBW and NOT greater than 640 HBW;  (b) yield strength NOT less than 1 300 N/mm<sup>2</sup>;  (c) tensile strength NOT less than 2 000 N/mm<sup>2</sup>;  (d) elongation NOT less than 7%</p> <p>NOTE: Substitutable goods produced in Australia in the ordinary course of business by Bisalloy Steels, Unanderra, NSW. In transit provisions apply.</p>
TC 1115409 50	<p>STEEL PLATE, chromium-molybdenum alloy, conforming to European Standard 10028 10CrMo9-10 (EN 10028 10CrMo9-10), having ALL of the following:</p> <p>(a) length NOT less than 5 000mm;  (b) width NOT less than 1 200 mm;  (c) thickness NOT less than 20 mm</p>
TC 8341588 50	PLATES AND SHEET, alloy steel, containing more than 11% by weight of manganese and more than 0.8% carbon
TC 8433380 50	PLATES OR SHEET, steel, to Specification ASTM A387 Grades 2, 5, 11, 12, 21 or 22, but NOT including plates or sheet having a thickness of 3 mm or greater but NOT exceeding 105 mm, that have been annealed, normalised, quenched, stress relieved, tempered or subjected to

	<p>ANY combination of these heat treatments</p> <p>NOTE: Substitutable goods produced in Australia in the ordinary course of business Bisalloy Steels Pty Ltd. In transit provisions apply</p>
TC 8800908 50	STEEL, to Specification AS 1239-1973, Types D2A, D3A, D4A or D5A
TC 9209488 50	<p>PLATE OR SHEET, steel, quenched and tempered, having a thickness exceeding 101.4 mm</p> <p>NOTE: Substitutable goods produced in Australia in the ordinary course of business Bisalloy Steels Pty Ltd. In transit provisions apply</p>
TC 9504043 50	<p>PLATES AND SHEETS, high alloy steel, to specification DIN X210Cr12</p> <p>NOTE: Revoked for 2 years non-use. In transit provisions apply.</p>
TC 9504052 50	PLATES, SHEETS AND FLATS, high alloy steel, to specification DIN X45NiCrMo4
TC 9504075 50	SHEETS, PLATES AND FLATS, high alloy steel, to specification DIN 90MnCrV8
TC 9504095 50	PLATES, SHEETS AND FLATS, high alloy steel, to specification DIN X155CrVMo12 1, BS BD2 or AISI D2
TC 9504104 50	PLATE, SHEET AND BAR, high alloy steel, specification DIN X40CrMoV51, BS BH13 or AISI H13
TC 9508565 50	<p>PLATES, SHEETS AND FLATS, high alloy steel, to specification DIN 40CrMnNiMo8 6 4, hardened and tempered within the range of 980 N - 1 080 N per square millimetre(both inclusive)</p>
TC 9508576 50	<p>PLATES, SHEETS AND FLATS, high alloy steel, to specification DIN 40CrMnMoS8 6, hardened and tempered within the range of 950 - 1100 per sq. mm (both inclusive).</p>