30 December 2015

Director
Operations 3
Anti-Dumping Commission
GPO Box 1632
MELBOURNE VIC 3001

Dear Director,

URGENT SUBMISSION – CASE 320

INTRODUCTION

Following the submission of an application by AusTube Mills Pty Ltd (ATM) to the Anti-Dumping Commission (ADC) and the recent publication of the related Consideration Report by the ADC, this urgent submission is being made to the ADC, collectively on behalf of the following affected parties:

- Winston Scaffolding Pty Ltd T/A UTP Pipes Australia, KHK Scaffolding Australia and Winston Steel; and UTP Australia Pty Ltd (UTPL), both based in Australia and acting as Importers of hollow structural sections (HSS) from the three (3) manufacturing entities mentioned below

- Universal Tube and Plastic Industries Ltd, Universal Tube and Pipe Industries Ltd and KHK Scaffolding & Formwork LLC based in the United Arab Emirates (UAE)

All of the above companies are called the "Taurani group of companies" as they are all owned by the same shareholders (related parties) and as such, have the same interest in the outcome of the dumping investigation recently launched by the ADC. For the sake of convenience, all parties are collectively referred to as UTP.

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In this submission, UTP has expanded further on the following:

- Negative Impact of the 6.8% interim Dumping Duty
- UTP background, strategy and objectives
- UTP customers in Australia
- ATM
- Supporting evidence (attached)

NEGATIVE IMPACT OF THE 6.8% DUMPING DUTY

In this submission, UTP proposes to demonstrate as to why the recent complaint made by ATM, an Australian manufacturer of HSS, is not relevant to the exports and imports undertaken by UTP. Furthermore, any preliminary decision by the ADC to impose a provisional measure to UTP products would not only be unjust but highly injurious to UTP as well as UTP's customers in Australia who have relied on the supply of quality HSS from UTP over a number of years.

HSS from India that UTP competes with, have made a surge into the Australian market over the past 12-18 months and captured market share through lower prices. Contrasted to this, UTP has been a supplier to the Australian market over the past 17 years. UTP's share of the market has declined during the recent past as aggressive price competition from the Indian manufacturers has made UTP uncompetitive.

The provisional measures will further increase the price difference between products from Indian manufacturers and UTP. The Indian products are cheaper already by about 3%, a high percentage in the steel wholesale market. As ATM's estimated dumping margin is 2.3% on products imported from India, the price difference between UTP and the Indian products is likely to rise to 7.5%.

This price difference could be significant in a highly competitive market and could tip the scales in favour of Indian exporters irrevocably, thus reducing competition and giving the Indian manufacturers unbridled market power.

The ADC should be sufficiently concerned about the strong possibility of this outcome and should consult with the Australian Consumer & Competition Commission (ACCC) as the ACCC is very likely to be concerned about the prospects of reduced competition.

UTP BACKGROUND, STRATEGY AND OBJECTIVES

Mr. Arjan Taurani, presently the Chairman of the Taurani group of companies and now 80 years old, made a humble beginning in the 1970s by starting a steel trading business called Dayal Steel (now called DSS Steel) in Dubai, UAE. Through his foresight and business acumen, Mr. Taurani grew the business over time by establishing 7 sales branches of Dayal Steel and progressively added manufacturing through the establishment of steel tube and pipe mills, a scaffold and formwork factory and a foundry. He further expanded the business through the establishment of sales branches in the USA, UK, Canada and Australia to facilitate exports of the manufactured products to other parts of the world.

Mr. Taurani's strategy has been to re-invest profits back into the business to achieve growth that is sustainable. Without profits, it would not be possible to achieve growth. Mr. Taurani has maintained his focus on the business as an entrepreneur and never contemplated expansion through high levels of debt or equity raisings from third parties.

UTP is a family owned business that operates on the principles of little to no bureaucracy, low internal overheads, operating efficiency, innovation and thrift. UTP manufactures in the UAE, which is by no means a low cost manufacturing country and it receives no government subsidies, yet it successfully punches above its weight through its own efforts.

The manufacturing capacity of the UTP mills is limited. The mills are not large behemoths with any spare capacity but are entities that are focused on supply of quality products. The mills manufacture to various international quality standards including all applicable Australian Standards and are regularly audited by SAI Global (formerly Standards Australia) to verify compliance. The focus of the sales branches is on the customers. In Australia, UTP maintains a sales and service function through a team of Business Managers who regularly liaise with customers to provide pricing as well as order status updates. UTP customers in Australia have time and again expressed that the service they receive from UTP is unmatched in the industry. This combination of quality and customer focus has enabled UTP to achieve success worldwide, yet the growth is limited by the manufacturing capacity and the desire to make profits that need to be invested back to achieve further growth.

UTP understands the meaning of "Dumping" to be exporting products at prices lower than those applicable to local sales from the manufacturing entities within the country of manufacture. The only logical reason for anyone to dump would be a) due to a build-up of excess manufacturing capacity b) to gain market share, making even losses in the process.

UTP has neither a need nor the desire to "dump" products.

Often, UTP is unable to supply to market demand because of limited manufacturing capacity. Also, as UTP's customers would readily attest to, UTP's prices are always higher when compared with other imported products into Australia and there is a constant tussle between UTP customers and UTP on prices. The customers are constantly asking UTP to reduce prices. UTP does not reduce prices by reduction in its profit margin but only when external factors such as lower Hot Rolled Coil (HRC) prices allows UTP to pass on the cost savings to its customers.

UTP has been supplying into the Australian market since 1998. It has an established business and even if it wanted to, it could not increase its market share by any significant percentage, due to the limited manufacturing capacity of its mills and the worldwide demand for its quality products.

UTP CUSTOMERS IN AUSTRALIA

UTP established itself in Australia in 1998. Initially, it only supplied scaffolding products but was gradually also able to attract customers to its HSS products.

Following is the list of customers who regularly purchase HSS from UTP.

Customer	
[redacted]	

UTP has contacted its HSS customers and requested them to express their own views to the ADC on the subject matter by way of letters, e-mails, telephone calls or meetings as it may suit them and the ADC.

Due to the holiday break at the end of 2015, this could take some time. However, UTP will make every effort to have the communication between the ADC and the UTP customers expedited.

ATM

It is a commonly known fact that due to the severe fall in the price of iron ore, Arrium is facing severe economic pressure. Arrium has sold many of its loss making operating businesses over the recent past and has also unsuccessfully tried to sell ATM. Arrium, as is evidenced in the comments made by its CEO in the Annual General Meeting of 2015 is actively pursuing the policy of seeking protection for its loss making businesses through Anti-Dumping measures. Yet, such measures, by way of ATM's own admission, have had very little impact even when applied in practice, as the impacted imports have been replaced through other sources.

ATM stopped manufacturing of Hot Dipped Galvanised (HDG) HSS some years ago and imported the same from Vietnam at low cost. Yet, ATM could not succeed in selling the imported products into the market. Curiously, though ATM does not sell HDG HSS any more, by its own admission, it has maintained the overall tons of HSS it sells to the marketplace. This would suggest that ATM has in fact increased its market share in the sale of the HSS products that it chooses to manufacture and sell.

[redacted] [Domestic pricing information contained in **confidential attachment 1]**.

UTP is sympathetic to ATM's position. The ATM mills are old and may not be the most efficient. ATM bears high operating costs through high rent, high wages and high overheads imposed by Arrium. ATM is making efforts to reduce its fixed costs as evidenced by the recent closure of its manufacturing facility in Victoria, which has helped improve ATM's profitability.

UTP is willing and able to work co-operatively with ATM to help ATM achieve its goals.

However, the imposition of the provisional measure of 6.8% on UTP products is not the solution.

In ATM's submission to the ADC, ATM has not mentioned Orrcon Steel as a major importer of HDG HSS from Garg Tube Ltd, a manufacturer and exporter to Orrcon Steel from India. [redacted]. [Market intelligence contained in **confidential attachment 2]**.

In the above submission, ATM has contended that in spite of the deep depreciation in the value of the Australian dollar over the period in question, prices of HSS imports into Australia have reduced. This is indeed true. However, ATM does not seem to recognise the fact that HRC prices have fallen even more severely than the Australian dollar and the reductions in prices, at least by UTP, are a reflection of the fall in HRC prices, adjusted for the fall in the exchange rate between the Australian Dollar and the US Dollar.

ATM purchases most of its HRC from BlueScope, an Australian manufacturer. BlueScope has had tremendous difficulties in manufacturing and supplying HRC at internationally competitive prices, as evidenced by the recent threat by BlueScope to close down HRC manufacturing at its location in New South Wales. Only after reaching an agreement with the Unions and shedding 500 jobs, BlueScope has agreed to keep producing HRC. It is a well-known fact that HRC supplied by BlueScope has been expensive. Whether the recent measures would help bring prices down or not, remains to be seen.

ATM has referred to a company (not known to UTP) that publishes prices for local sales within UAE and has compared these prices to UTP's export prices to Australia, all based upon certain assumptions (again, details not known to UTP). The correct comparison would be between UTP's ex-works prices for local sales with the FOB prices for export to Australia. UTP would have been glad to make this information available to ATM if only it would have asked UTP for it. This would have been more factual information that ATM could rely on.

In its submission to the ADC, on page 24 and 25, ATM has given 5 examples of price offers made in Australia for HSS manufactured in India and the UAE which are marked as Confidential. UTP is not aware if ATM has included any of the price offers made by UTP in Australia. If ATM has done so, it is an illegal act because ATM is not a Distributor of UTP products, UTP has never sent any pricing to ATM and UTP pricing sent to its authorised Distributors is always subject to the provisions of "Commercial in Confidence".

As previously stated, UTP has neither the desire nor the need to dump goods into Australia.

UTP requests that the ADC takes due note of UTP's concerns and take action that is just and fair.

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SUPPORTING EVIDENCE

UTP recognises that the ADC needs to inspect all the evidence submitted by UTP as part of its investigation. UTP welcomes the inspection and will co-operate fully with the investigation. However, such inspection will take some time. In the meantime, UTP requests that the ADC takes due note of the supporting evidence submitted separately which is compelling.

SUMMARY

As mentioned earlier, UTP is sympathetic to ATM's position and understands the reasons why it has made an application to the ADC. It is possibly a matter of survival. UTP understands that ATM has estimated that a 11.5% Dumping Duty should be imposed on all HSS exported from the UAE. The ADC's initial assessment has found that HSS exports from the UAE were dumped by a margin of 6.8%. UTP is not privy to the information based upon which either ATM or the ADC has reached their respective positions.

UTP is of the view that the forthcoming investigation will conclusively prove that UTP has not dumped any products into Australia. However, should provisional measures mentioned above be imposed on UTP HSS, it has the strong possibility of having a significant negative impact on the business of not only UTP but its customers and also their own customers in the supply chain.

This negative impact is likely to result in reduced competition in the marketplace, an unintended consequence that the ADC has perhaps not considered.

UTP believes that it would be totally unfair to have any provisional measures imposed on UTP HSS while the investigation proper is under way. There is sufficient prima facie evidence available to the ADC by way of the e-mail correspondence submitted by UTP, to defer imposition of any provisional measures on UTP HSS.

UTP requests an urgent meeting with the ADC to discuss the matter further and would be grateful for an appointment at the earliest possible opportunity.

Thank you for your attention.

Yours sincerely,

RAJ LIMAYE
MANAGING DIRECTOR

CC: Mr. Arjan Taurani, Chairman – Taurani group of companies
Mr. Anil Taurani, Managing Director UTP UAE
Mr. Mervyn D'cunha, Financial Controller UTP UAE
Mr. Sandeep Israni, General Manager UTP UAE
Mr. John Bracic, External Consultant to UTP