



11 April 2014

Ms Kerry Taylor  
 Director Operations 3  
 Anti-Dumping Commission  
 1010 La Trobe Street,  
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 Australia

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Attention: Kerry Taylor

**Public File**

Dear Ms Taylor,

**Re: Quenched & Tempered Steel Plate exported from Sweden, Japan and Finland – Bisalloy comments re submissions representing SSAB Swedish Steel Pty Ltd - Dated 3<sup>rd</sup> April 2014**

**Executive Summary**

Bisalloy Steels Pty Ltd ("Bisalloy") representing the Australian Industry manufacturing Quenched and Tempered ("Q&T") Steel Plate has examined the submission dated 3<sup>rd</sup> April 2014 made on behalf of SSAB Swedish Steel Pty Ltd (SSAB), an exporter of Q&T Steel Plate, the subject of the Goods under Consideration ("GUC" or "Goods"). Bisalloy rejects the various claims and assertions made on behalf of SSAB, including:-

1. That certain other factors claimed by SSAB including major industry/market declines, other countries Q&T prices, and Bisalloy's Greenfeed business model have caused material injury to the Australian Industry rather than the dumped exports from Sweden, Japan and Finland;
2. The claims by SSAB that Bisalloy's Q&T Steel Plate derived via the Greenfeed model is of a lesser quality, technically different and sold to different markets to SSAB Q&T Steel Plates are incorrect and unfounded;
3. The claims by SSAB that Bisalloy's Q&T Steel Plate supply model and financial structure has been the cause of injury to the Australian Industry rather than the alleged dumping of the GUC, is also considered to be incorrect, subjective and unproven;
4. The SSAB claims that other causal links are responsible for injury to the Australian Industry do not take full account of the impact of dumping and material injury on the Australian industry in a contracting market, and should be disregarded by the Commission; and
5. The claims regarding the inferior quality of Bisalloy's Q&T Greenfeed are incorrect and totally without foundation. Bisalloy places on record its concern that a global company of SSAB's stature would furnish (through a public process), incorrect and defamatory comments based upon speculative and unverified information concerning the quality of Bisalloy's Q&T Steel Plate, in order to defend itself against an Australian Industry which has a legal right to seek fair grounds to compete against the alleged dumping of the GUC.

As such, Bisalloy requests the imposition of 'Preliminary Measures' by the Commission commensurate with the dumping margins as detailed in Bisalloy's Anti-Dumping Application (ADA) (including against exports by SSAB), to prevent any further material injury being sustained by the Australian Industry by the dumped GUC.

The following detailed commentary is provided to the Commission in support of the above regarding the various<sup>1</sup> sections of the SSAB submission.

### **1. SSAB - Introduction**

The Application alleging dumping of Q&T Steel Plate exported from Sweden, Japan and Finland contained sufficient objective evidence to warrant the commencement of a formal investigation by the Anti-Dumping Commission ("the Commission"). Following initiation of an investigation into Bisalloy's allegations, submissions have been received from SSAB and Ruukki independently confirming that the goods exported to Australia have been at dumped prices.

### **2. SSAB - Legal Background**

SSAB claims *'that the applicant is incapable of manufacturing certain types of Q&T steel plate within the range of "like goods"'*<sup>2</sup>, and that *'SSAB Steel plate has not caused any injury to the applicant because it is technically different to the Applicant's Steel Plate, and is supplied to different markets at higher price points'*<sup>3</sup>. The Australian Industry contends that these statements by SSAB are incorrect on the basis that the GUC manufactured by Bisalloy within the range specified, are accepted by the majority of Australian customers in the major markets and industries nominated and considered substitutable for SSAB like goods by end-use customers that constitute greater than 90% of the Q&T Steel Plate market place by volume (tonnes).

In the event that SSAB's assertion that its Q&T Steel Plate is technically different to that manufactured by Bisalloy had any foundation, it would be expected that Tariff Concession Orders and/or By-laws would be in place supporting these claims. This is not the case and SSAB's claim that its Q&T Steel Plate is technically different to that manufactured by Bisalloy is incorrect.

### **3. SSAB - Suggestion that Bisalloy claims not to have suffered material injury**

SSAB make various claims<sup>4</sup> regarding statements in Bisalloy's 2013 Annual Report. These include that Bisalloy's performance as stated indicated that no injury was incurred by the Australian Industry during the period of the investigation. Bisalloy submits that no such conclusions can be derived from the statements made in Bisalloy's 2013 Annual Report, which bear no relationship to the material injury suffered due to the dumping by SSAB and other nominated exporters of the GUC (which includes an investigation period that does not align fully with Bisalloy's Reporting period).

Bisalloy's Chairman stated at the Annual General Meeting on the 26 November 2013 that *'significant import competition maintained downward pressure on both sales prices and margins and this intensified as falling demand resulted in surplus inventory being built up throughout the supply chain'*<sup>5</sup>. These and other statements made to the market by Bisalloy during the investigation period clearly support that the alleged dumping by the nominated Q&T Steel Plate exporters (including SSAB) were a major cause of the injury being sustained by the Australian Industry.

### **4. SSAB – Suggesting other factors to have been the cause of any injury**

SSAB makes various claims<sup>6</sup> regarding other factors including the downturn in the construction and mining industries and Bisalloy itself being the cause of injury to the Australian Industry rather than the dumping of the GUC by SSAB.

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<sup>1</sup> Bisalloy has not specifically addressed every issue raised within SSAB's submission due to repeating of themes, however, each major issue/theme raised has been addressed as a whole.

<sup>2</sup> SSAB Submission dated 3<sup>rd</sup> April P5 11(c).

<sup>3</sup> SSAB Submission dated 3<sup>rd</sup> April P5 11(d).

<sup>4</sup> SSAB Submission dated 3<sup>rd</sup> April items 12-17 P5-6.

<sup>5</sup> Bisalloy Market Announcement 26<sup>th</sup> Nov. 2013.

<sup>6</sup> SSAB submission dated 3<sup>rd</sup> April items 18-29 P 6-9.



Bisalloy contends that all of these claims are incorrect and misrepresent the fact that dumping in a declining domestic market was the major cause of material injury to the Australian Industry. Bisalloy has evidenced to the Commission that it could only maintain its market share at suppressed/depressed prices to compete with the dumped export prices for Q&T Steel Plate from Sweden, Japan and Finland. This was supported by the provision of examples of evidence of competitive interaction with SSAB, including evidence of price undercutting as supplied within Bisalloy's application and during the recent verification visit to Bisalloy.

#### **5. SSAB - Suggestion that Injury was caused by imports of Q&T Steel from other countries**

SSAB claims that *'SSAB does not consider there is any competitive interaction between its products and the products, produced by the applicant'*<sup>7</sup>. The Australian Industry contends that this claim is clearly incorrect as indicated by Bisalloy's numerous examples of reported competitive interactions with SSAB and other exports from Japan and Finland. The 'Evidence of Undercutting' plus other information provided within Bisalloy's ADA provides examples whereby SSAB is clearly nominated as a 'low price setter' on numerous occasions throughout the investigation period, i.e. SSAB participated in the alleged dumping of the GUC in order to maintain its market share forcing prices down (along with other exporters) causing injury to the Australian Industry.

SSAB claims that *'any downward price pressure to which the Applicant claims to have responded would be due to the lowest price competitors, and not to competitors operating at higher price points'*<sup>8</sup>, stating that *'The lowest-priced Q&T steel plate available in Australia is imported from China and Korea'*<sup>9</sup>. The Australian Industry contends that these claims by SSAB are incorrect as the volumes of Q&T Steel Plate imports from China and Korea during the investigation period were too negligible to have any significant impact overall on the price setting levels of Q&T Steel Plate on the Australian market. The reported ABS import statistics indicate less than 1 per cent of total import volumes originated from China and nil from Korea.

Bisalloy has maintained that the nominated exporters from Sweden, Japan and Finland within its application have been the low price setters on the Australian market and have been the major cause of material injury to the Australian Industry (as a result of exports at dumped prices).

#### **6. SSAB suggestion that Injury was caused by Bisalloy's Debt Structure**

SSAB further claims that *'The necessity to service such high levels of debt can be safely assumed to have negatively impacted its financial performance'*<sup>10</sup>.

Bisalloy has observed that SSAB uses a debt measure of Net Debt/Equity and reported a measure of 55% at 31 December 2013<sup>11</sup>. Using this same measure, Bisalloy had a superior result of 51% as at 31 December 2013; it is therefore incorrect for SSAB to infer from Bisalloy's debt structure that injury was caused by this matter anymore than the debt levels of SSAB might have led to the alleged dumping of the GUC.

#### **7. SSAB suggestion that injury was caused by Bisalloy's business model**

SSAB claim that *'Bisalloy manufacturers Q&T steel plate from imported Greenfeed and suggest that this model is sub-optimal for the kind of higher order and more specialized uses of Q&T steel plate, which is where SSAB operates'*<sup>12</sup>. Bisalloy contends that this claim by SSAB is incorrect on several grounds, including:-

<sup>7</sup> SSAB submission dated 3<sup>rd</sup> April items 30, P10.

<sup>8</sup> SSAB submission dated 3<sup>rd</sup> April item 31, P10

<sup>9</sup> SSAB submission dated 3<sup>rd</sup> April item 30, P10

<sup>10</sup> SSAB submission dated 3<sup>rd</sup> April item 35, P11

<sup>11</sup> From SSAB FY13 reported accounts

<sup>12</sup> SSAB submission dated 3<sup>rd</sup> April item 36, P11

- a. Bisalloy's Greenfeed model features the ability to source Q&T Steel Plate raw material (Greenfeed) from multiple 'integrated steel manufacturers', all of which provide similar benefits as claimed by SSAB in the making of high quality world class grades of Q&T Greenfeed steel plate and also equivalent to other nominated exporter countries within Bisalloy's ADA;
- b. As mentioned by Bisalloy in previous Public File submissions the current world environment of oversupply of general commodity steels and also Q&T Greenfeed, actually advantages the Australian Industry's Greenfeed business model over single-source integrated manufacturers of Q&T Steel plate such as SSAB and other alleged dumping exporters, as a Q&T Greenfeed producer can achieve greater leverage across multiple raw material supply chains compared to being constrained by the inefficiencies of a single integrated source of supply;
- c. The advantages of the Australian Industry's Greenfeed model is clearly evidenced and supported by the poor financial performance recently announced by of some Integrated Steel Manufacturers such as those nominated in Bisalloy's application (including SSAB);
- d. Bisalloy also asserts that the inefficiencies associated with vertical integration for certain exporters has contributed to the alleged dumping of the GUC as a means to affect loss-minimisation across their businesses and has also resulted in the need to merge with others to achieve acceptable levels of on-going competitiveness;
- e. The recently proposed merger of SSAB and Ruukki and the completed merger of Nippon Steel and Sumitomo Metals Corporation testifies that the business models of Integrated Steel Manufacturers are sub-optimal in the current market conditions of oversupply of steel in general and in this investigation Q&T steel plate;
- f. Bisalloy also contends that the higher order (we assume that this is for Q&T Steel Plate <4.5mm thickness) of specialized uses of Q&T as presented by SSAB is not required by the vast majority (i.e. >90%) of customers markets such as the mining and construction industries where Bisalloy competes with SSAB for its business on a regular basis; and
- g. The Australian Industry considers that 'niche' markets representing less than 5% of the total domestic Q&T market such as the light truck transport and trailer industry, also consume Q&T Steel Plate which Bisalloy can provide, however, many of the sizes required by this industry are <4.5mm thickness. These goods are excluded from the GUC and therefore suppliers of these sizes will be unaffected by the Australian Industry's application (and any subsequent measures that may be determined by the Commission and recommended to the Minister).

The abovementioned reasons establish that any suggestion by SSAB that injury was caused by Bisalloy's business model and associated Greenfeed model being sub-optimal for 'higher order' Q&T Steel Plate where SSAB operates, are incorrect and misrepresent the coverage of Bisalloy's application for goods the subject of the investigation.

Bisalloy has also clearly established that contrary to SSAB's assertions, it is evident that the SSAB business model (which is similar to that other nominated exporters) has been found to be less effective in maintaining market share in the current environment and therefore lacking in delivering acceptable financial performance which the Australian Industry considers has contributed to the dumping of the GUC.

SSAB claims that the *'Applicant's market supply model is also lacking, in a comparative sense as it relies on a Distribution chain to access the market, and operates limited warehouses sites of its own'*<sup>13</sup>

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<sup>13</sup> SSAB submission dated 3<sup>rd</sup> April item 37, P11



The Australian Industry considers the above claims by SSAB to be incorrect and misrepresent Bisalloy's Value Proposition to the Australian market place which positively differentiates Bisalloy's offering from SSAB and other importers. Bisalloy considers that whilst the Australian Industry supply model may be different from that of SSAB

and other nominated exporters, this has no relevance to whether or not dumping of the GUC has been undertaken by exporters in Sweden, Japan and Finland.

However, the Australian Industry does reiterate that the related party situation highlighted in its application is a factor that contributes to the injury sustained by the Australian industry during the investigation period.

#### **8. SSAB suggestion that Bisalloy cannot make the range of Q&T products under investigation**

It is claimed that the author of SSAB's submission has *'been instructed that the Applicant can only produce Q&T Steel Plate with: maximum width of 3140mm and minimum thickness of 8mm and maximum thickness of 100mm'*<sup>14</sup>.

Bisalloy confirms that it can produce Q&T Steel Plate of the widths and thickness as described within the GUC and therefore confirms that SSAB have incorrectly instructed its representative regarding Bisalloy's manufacturing capabilities with respect to the sizes as indicated by the GUC. Bisalloy highlights with the Commission that the further assertions by SSAB regarding overreach on sizes and thickness in the submission are considered by the Australian Industry to be incorrect and irrelevant (to the extent the dimensions fall outside those of the GUC).

#### **9. SSAB suggestion that SSAB steel plate has not caused injury to the Applicant**

SSAB claim that the *'Commission cannot find that imports of SSAB steel plate have caused material injury to the Applicant, because there is no competitive interaction between SSAB Steel plate and the Q&T Steel Plate produced by the Australian Industry. In the absence of such interaction, the imports of SSAB steel plate cannot be said to have had any impact, whether or not injurious, on the products produced by the Applicant'*<sup>15</sup>.

The Australian Industry has previously detailed its competitive interaction with SSAB and other nominated exporters of the GUC (in this and earlier submissions, and in Bisalloy's application). The claim by SSAB of an absence of competitive interaction is incorrect and misrepresents the significant competitive interaction that regularly take place between Bisalloy and SSAB within the Australian market place that has resulted in price depression and price suppression experienced by the Australian industry during the investigation period.

The Australian Industry also respectfully submits to the Commission that such obviously incorrect claims by SSAB regarding not competing against Bisalloy (when added to other incorrect and misrepresented claims highlighted by Bisalloy), should be disregarded.

#### **10. SSAB suggestions its steel plate and Bisalloy steel plate are supplied to different markets**

*'SSAB firmly maintains that its steel is of a higher quality than the Applicant's and is resultantly sold to different customers, who purchase that plate for different purposes.... and... that this is a "Scientific" fact not put forward as merely being subjective perception held by SSAB or by the market'*<sup>16</sup>.

The Australian Industry considers the above claims by SSAB are not creditable and display what may be considered as apparent ignorance and/or arrogance with respect to the Australian Industry as well as what the majority (by volume/tonnes) of markets/customers (we compete and serve in for the GUC) may regard or define as 'higher quality'.

<sup>14</sup> SSAB submission dated 3<sup>rd</sup> April item 39, P 12

<sup>15</sup> SSAB submission dated 3<sup>rd</sup> April 2014 item 43, P13

<sup>16</sup> SSAB Submission dated 3<sup>rd</sup> April 2014 item 46, P14.



Bisalloy submits that the Australian Industry has a 'proven and well regarded brand heritage' developed over the past 35 years in the supply of high quality world class Q&T Steel Plate products (brand-named Bisplate®) made to world class standards, in terms of published product specifications which conform to Australian Standards AS3597 (also recently included in AS4100 and referenced in AS1554.4). The company's quality control and management system is assessed by Lloyd's Register Quality Assurance and accredited to ISO9001, in recognition of acceptable quality standards.

Bisalloy's Q&T Steel Plate 'Bisplate®' products are also accepted by major global customers and consumers of Q&T Steel Plate within both the domestic and other regional markets e.g. SE ASIA, China, Korea, India, South America, EMEA etc. and are considered to be of 'equivalent or better' quality when compared with competitors imports including those from SSAB and other nominated exporters of the GUC.

The Australian Industry submits that the true measure of the value of quality of one company's products over another is determined by the market place and not the supplier as suggested by SSAB. In this context SSAB has provided no independent evidence to support claims of 'scientific facts' held by either SSAB or the major (by volume/tonnes) markets for Q&T steel plate as suggested. In this regard and with respect to SSAB's declining profitability within the Asia-Pacific region over the investigation period, the Australian Industry would suggest that SSAB has only been able to maintain its market share in the Australian market by reducing margins with the assistance of dumped export prices and not as a result of 'so called' higher quality GUC at allegedly higher prices as claimed.

*'SSAB claims that the Applicant supplies cheaper Q&T Steel Plate than SSAB does to its customers that require higher Q&T Plate and that SSAB steel plate has unique and advanced features that exceed industry norms'<sup>17</sup>.*

The Australian Industry considers that all such claims made by SSAB in this section of their submission are incorrect with respect to the GUC and again are largely subjectively held views by SSAB and not upheld by the the customers/markets of the GUC in which Bisalloy and SSAB both vigorously compete on a daily basis.

*SSAB claims that 'a large part of SSAB's Australian Sales are to customers that are serviced by the SSAB Group globally'<sup>18</sup> and the Applicant cannot break into these supply channels as the Applicant does not operate globally and is unable to develop the same relationships with the customers concerned'*

The Australian Industry considers that these claims by SSAB are another example of previously displayed and apparent ignorance and arrogance toward both Bisalloy and the Australian Industry's major Q&T Steel Plate market place and customers whose business Bisalloy and SSAB both compete for on a regular basis.

In addition Bisalloy considers that SSAB's claim regarding its ability to capture and inhibit other competitor companies like Bisalloy from appealing to its global customers is incorrect. Bisalloy's Q&T Steel Plate is accepted and supplied to many of SSAB's supposed 'unbreakable supply chains of global customers' and that the Australian Industry has indeed been able to develop similar relationships with global customers in both the Australian and regional/global market place as previously mentioned above. As such these claims should be disregarded as incorrect and not supported by the available evidence.

*SSAB claims that the 'Applicant works via distributor chains, and has little with end users. It appears to SSAB that the Applicant's commercial operations are not based on the quality of the products supplied and the longevity of the relationships involved'<sup>19</sup>.*

The Australian Industry considers this claim by SSAB to be of a similar nature and tone to the preceeding claim above and it is suggested is unsupported by the available evidence. .

<sup>17</sup> SSAB submission dated 3<sup>rd</sup> April item 47, P14

<sup>18</sup> SSAB submission dated 3<sup>rd</sup> April item 51, P15

<sup>19</sup> SSAB submission dated 3<sup>rd</sup> April item 54, P15

#### 11. SSAB suggestion that its steel plate and Bisalloy Steel plate are technically different

SSAB claim that in contrast to itself *'the Applicant uses low-quality Greenfeed plate imported from China which, so far as SSAB is aware, is made from steel scrap. As a result, the Applicant's plate does not have the purity and cleanliness that even approached that of SSAB steel plate'*<sup>20</sup>.

The Australian Industry has addressed this claim above. Additionally, Bisalloy considers SSAB's commentary on 'scrap steel' used in poor quality Chinese Greenfeed utilised at times by the Australian Industry is baseless and completely refuted by Bisalloy. All the GUC produced by Bisalloy meet the same product specification, mechanical properties and standards as published by Bisalloy regardless of the source of the Greenfeed.

Bisalloy views the above claims by SSAB as defamatory and misrepresentative towards Bisalloy's products. Bisalloy reserves its rights to seek recompense for damage caused to its reputation due to these comments by SSAB that have been allowed to be published by the Commission's ADA process without proper verification of their validity or otherwise, and as a result of Bisalloy simply seeking to enforce its legal rights.

The Australian Industry respectfully submits to the Commission that all such claims made by SSAB submissions regarding their perceived superior technical, quality, supply chains, etc. as detailed in this and other sections of this submission by SSAB be disregarded as incorrect and misrepresentative of the facts and have no bearing and/or relevance in determining whether or not SSAB's exports of the GUC to Australia were at dumped and injurious prices.

#### 12. Conclusion

SSAB attempts to summarise that the matters raised in its submission should be cause for the Commission to exempt SSAB from the outcomes of this investigation, or failing that, exclude it from any final measures recommended to the Minister.

The Australian Industry contends that this submission establishes that none of the matters raised by SSAB in their abovementioned submission provides any basis or coherent rationale to support the exclusion of SSAB from this investigation and/or from any final measures that may be determined by the Commission and recommended to the Minister.

If you have any questions concerning this submission please do not hesitate to contact either myself on (02) 4272 0407 Mob: 0406317671 or Bisalloy's Consultant John O'Connor on (07) 3342 1931 Mob: 0411 252 451.

Yours faithfully,



Tom Matinca  
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Bisalloy Steel Group Limited

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<sup>20</sup> SSAB submission dated 3<sup>rd</sup> April item 59, P16