

4 June 2014

Ms Kerry Taylor  
Director Operations 3  
Anti-Dumping Commission  
1010 La Trobe Street,  
Docklands Vic 3008  
Australia

Operations3@adcommission.gov.au

Attention: Kerry Taylor

**For Public File**

Dear Ms Taylor,

**Re: Quenched & Tempered Steel Plate exported from Sweden, Japan and Finland – Preliminary Affirmative Determination No. 234 of 19 May 2014**

Introduction

Bisalloy Steels Group Pty Ltd (“Bisalloy”) welcomes the publication of Preliminary Affirmative Determination Report No. 234 (“PAD 234”) and the imposition of provisional securities on exports of Quenched and Tempered (“Q&T”) steel plate exported from Finland, Japan and Sweden.

Bisalloy notes that the preliminary dumping margins determined by the Anti-Dumping Commission (“the Commission”) are consistent with those detailed in its application. It is critical to the ongoing viability of the Q&T steel plate industry in Australia that the preliminary dumping margins determined for each country are not diminished in any way during the investigation through the exporter verification visits and/or representations by the respective exporters.

PAD No 234 – Comments

Bisalloy understands that PAD 234 is predicated on a combination of verified and unverified information. The Commission had received completed exporter questionnaire responses from:

- SSAB Emea AB (SSAB);
- Ruukki Metals Oy (Ruukki); and
- JFE Steel Corporation (JFE).

Normal values for the above manufacturers/exporters have been determined based upon the verified and unverified information available to the Commission. Bisalloy concurs with the Commission that manufacturers – as distinct from traders are the exporters of Q&T steel plate exported to Australia. It is widely known that the steel industry was suppressed during 2013 and that selling prices by traders are unlikely to reflect the full cost to make and sell (“CTM&S”) the goods under investigations. Additionally, the Commission has received full cooperation from a manufacturer in each of the exporting countries. The information available to the Commission will ensure that normal values in each country can reflect the manufacturer’s selling prices (and/or fully absorbed CTM&S) in the country of export.

*Finland normal values*

The Commission has preliminarily determined export prices for Ruukki under s.269TAB(1)(a) of the *Customs Act 1901* using invoiced export prices, with normal values assessed using Ruukki’s domestic sales under s.269TAC(1). Bisalloy acknowledges and agrees with the Commission in not making an adjustment for a level of

trade on account of differences between domestic and export sales in determining Ruukki's normal value. Ruukki has previously stated in an earlier submission<sup>1</sup> that their 'figures were best estimates due to the fact that there is no accurate and objective way of valuing such factors as market power or brand in terms of price effect'<sup>2</sup>. Bisalloy considers that other level of trade adjustment factors raised by Ruukki are not justified, as Bisalloy believes these are also based upon inaccurate/internal estimates and/or market intelligence provided by Ruukki that has not been objectively verified. Bisalloy therefore agrees with the Commission that no level of trade adjustment is warranted and should be dismissed by the Commission.

#### *Japan normal values*

JFE's export prices were assessed using invoiced export sales to Australia. Normal values were determined on the basis of domestic sales under s.269TAC(1) and under s.269TAC(2)(c) where there were low volumes of domestic sales. Adjustments to allow for differences between domestic and export sales were also considered.

For non-cooperative Japanese exporters, it appears that JFE's normal value information has been used (without adjustments) in assessing the relevant dumping margins.

Bisalloy agrees with the Commission's approach to normal value assessment for non-cooperative exporters in Japan.

#### *Sweden normal values*

Bisalloy supports the Commission's determination for export prices for SSAB that exclude related and/or associated sales. Preliminary normal values have been assessed on the basis of SSAB's domestic sales of like goods in Sweden (under s.269TAC(1)). Bisalloy also supports the methodology of calculating "product" dumping margins for SSAB.

The determined dumping margin for like goods exported by SSAB to Australia is consistent with Bisalloy's understanding of commercial offers in the marketplace for SSAB Q&T steel plate.

#### *Material injury to Australian industry*

Bisalloy agrees with the Commission's findings that the Australian industry has suffered injury during the investigation period in each of the nominated indicators identified at Section 8.9 of PAD 234 including lost sales volumes, price depression, price suppression, reduced profits and profitability, reduced return on investment, reduced capacity utilization, reduced revenues and increased stock levels of like goods.

Bisalloy would also like to highlight with the Commission the recent announcement by Bisalloy dated 20 May 2014 to restructure its business (copy of Media Release attached). This has resulted in a 20 per cent reduction to the Bisalloy workforce due to a combined contraction in demand on the Australian market and the availability of unfairly priced imported Q&T steel plate.

Bisalloy maintains and re-emphasizes that the material injury from dumping is exacerbated in a contracting market as was evident in 2013 and continuing in 2014.

#### *Causation*

Bisalloy notes the Commission's comments at Section 9.2 of PAD 234 concerning volume-effect injury to the Australian industry throughout the investigation period. The Commission has stated that due to the downturn in the mining industry "There is currently insufficient evidence to establish that volume injury suffered by Bisalloy as a result of dumping is material and greater than that likely to have occurred in the normal ebb and flow of business in a contracting market".

---

<sup>1</sup> Ruukki Submission dated 6 March 2014, published in Public file Submission No. 023 on 14<sup>th</sup> March 2014.

<sup>2</sup> Ibid, P.3.

Bisalloy respectfully disagrees with the Commission's assessment that it has not experienced volume injury above and beyond the "normal ebb and flow" of business in a contracting market. An examination of the aggregated import volumes from Finland, Japan and Sweden contrasted with Bisalloy's domestic sales volumes in 2012 and 2013 are reflected in Table 1 below. It is evident that Bisalloy has experienced a far steeper decline in domestic sales volumes than was evident for the dumped imports in 2013, and this is similarly reflected in Bisalloy's contraction in market share (down by 3 per cent) whereas the share held by the dumped imports increased by almost 4 per cent.

**Table 1 – Contrasting sales volumes and market shares – Bisalloy v Dumped Imports**

|                             | 2012 | 2013 |        |
|-----------------------------|------|------|--------|
| Bisalloy Sales Volumes      |      |      |        |
| Dumped Import Volumes       |      |      |        |
| Bisalloy Market Share       |      |      | ↓ 2.9% |
| Dumped Imports Market Share |      |      | ↑ 3.8% |

Table 1 demonstrates that Bisalloy's domestic sales volumes in 2013 declined by xxxx per cent, whereas the sales volumes of dumped imports declined by xxxx per cent. Bisalloy's sales volumes reduced by almost 10 percentage points more than the dumped imports in 2013. In terms of market share, Bisalloy's market share contracted by 2.9 per cent in 2013, whereas the market share held by dumped imports increased by 3.8 per cent.

The foregoing indicates that in a contracting market, Bisalloy experienced volume injury from dumped exports as Bisalloy's sales volumes declined by a much greater rate than that of the dumped imports. This was reflected in the market share figure for 2013 – Bisalloy's share declined by almost 3 per cent, whereas the share held by the dumped imports increased by approximately 4 per cent.

Bisalloy submits that its decline in sales volumes and market share were in excess of the normal ebb and flow of business that should have impacted sales by all parties equally.

The Commission's conclusions concerning the impact of the dumped prices on Bisalloy's selling prices and profit and profitability as causing material injury to the Australian industry are supported. The recognition by the Commission that an increase in price equal to the lowest dumping margin determined "is sufficient to have taken Bisalloy out of a position of negative profit" is also well-founded.

#### *Other causes of injury*

Bisalloy would like to address the Commission's conclusions concerning the apparent link in the contraction of the Q&T steel plate market and actual mineral exploration expenditure in Australia. Bisalloy has acknowledged the contraction in demand in the Q&T steel plate market in 2013, however, it does not consider that figures relating to "Actual Mineral Exploration Expenditure in Australia" reflects the consumption of Q&T steel plate in Australia. Had the Commission obtained data that relates to actual mining expenditure (as distinct from mineral exploration expenditure) a more reasonable alignment may have been established. Bisalloy does not consider that any inferences can be made about mineral exploration expenditure and domestic sales of Q&T steel plate.

#### Forms of dumping duty

PAD 234 details the basis for the forms of duty to be implemented for the purposes of provisional measures. The Commission has applied *ad valorem* measures on exports from Finland and Japan, and a combination of the fixed and variable duties for exports from Sweden.

Bisalloy submits that the most appropriate form of duty for all exports of Q&T steel plate is the combination method that involves fixed and variable components. The ad valorem duty method does not prevent the exporter from reducing export prices following the imposition of measures, hence, injury to the Australian can continue. The combination method addresses this shortcoming. Bisalloy encourages the Commission to recommend to the Parliamentary Secretary in its Report that interim duties be based upon the combination method for exports from Finland, Japan and Sweden.

#### Conclusions

Bisalloy welcomes the publication of PAD No 234 and the imposition of provisional measures from 19 May 2014. The measures will assist in minimizing the impact of injurious dumping on the Australian industry producing Q&T steel plate.

Bisalloy requests that the Commission:

- not materially alter the preliminary dumping margins determined for exporters of Q&T steel plate from Finland, Japan and Sweden;
- dismiss Ruukki's claims that a level of trade adjustment to Ruukki's normal value is warranted;
- re-assess volume injury to the Australian industry in light of the greater reduction in sales volumes in 2013 to Bisalloy versus the contraction in sales of dumped imports and, the loss in market share for Bisalloy versus the increased market share for dumped imports;
- re-visit the conclusions concerning demand for Q&T steel plate versus mineral exploration expenditure; and
- recommend in the Report to the Parliamentary Secretary that the forms of interim duties to be applied is based upon the combination (i.e. fixed and variable) method to limit ongoing material injury to the Australian industry where export prices decline.

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  
Business Development and Strategy Manager  
Bisalloy Steels Group Limited

20 May 2014

**ASX/MEDIA RELEASE****Bisalloy Issues Business Update**

The Directors of Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) have today advised that the difficult market conditions discussed at the Annual General Meeting in November 2013, and reiterated in the media release issued in February 2014, have continued throughout the second half of the financial year.

The challenges facing businesses that provide services and materials to the resources industry have continued throughout FY2014 as resource companies have curtailed spending on new projects and minimised spending on repairs and maintenance. This has resulted in a significant decline in the available market for quench and tempered steel plate ("Q&T plate"), which Bisalloy believes has been exacerbated by overseas suppliers unfairly pricing exported Q&T plate in the Australian market resulting in downward pressure on pricing for Q&T plate, a claim which is currently under investigation by the Australian Anti-Dumping Commission. In the current market environment, the Board expects for FY2014 a normalised Earnings before Interest, Tax and Depreciation (EBITDA), including a contribution from the Chinese Joint Venture before finance costs and local taxes, of between \$2.1m and \$2.4m, compared to \$8.4m in FY2013.

In light of the expected market conditions over the medium term, the Group is undertaking a restructuring of its Australian operations to more closely align its capabilities with the forecast market requirements. This will unfortunately result in a reduction in the current workforce by around 20% across the Australian manufacturing and support functions and incur a one-off restructure cost of between \$0.95m and \$1.1m to be charged to the results in FY2014, which is excluded from the normalised EBITDA guidance. Bisalloy is working closely with those affected in an attempt to mitigate the impact of these job losses. The Board considers these changes essential to maintain the competitiveness and sustainability of the business and to generate appropriate shareholder returns going forward.

The restructure and cost saving measures will deliver savings of around \$2.5m.

The Board advises that no dividend will be paid in respect of the FY2014 year.

The Board is confident that Bisalloy is well placed to maximise the benefits from any recovery in demand across its key domestic and regional markets for Q&T plate and remains optimistic on the growth prospects for the Chinese Joint Venture.

-ENDS-



Bisalloy is Australia's only manufacturer of high-strength structural, wear-resistant and armour steel plates using quenched and tempered steel. Bisplate is used in the mining, construction, general fabrication and defence sectors. Bisalloy has an extensive distribution network across Australasia Indonesia, Thailand and the People's Republic of China. See our website at [www.bisalloy.com.au](http://www.bisalloy.com.au).

For further information please contact:

Robert Terpening  
Managing Director/CEO  
Phone: +61 2 4272 0444  
Mobile: +61 418 285 108

David MacLaughlin  
CFO/Company Secretary  
Phone: +61 2 4272 0451  
Mobile: +61 400 472 421