



Wednesday, July 02, 2014

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

Dear Sir/Madam

Investigation 234: Alleged dumping of Quenched and Tempered Steel Plate exported from Finland, Japan and Sweden

With respect to the above subject we wish to raise the following points:

- (a) The product mix exported by NSSMC and supplied by Bisalloy in the relevant period are different.
- (b) The contracting manufacturing market means that consumer demand has shifted towards favouring lower grade or specification of product.
- (c) The changing requirements of the mining sector, vis-à-vis cost implications coupled with the well documented end to the 'mining boom', was, in our opinion not met by the domestic manufacturer.

The points made above are explained in more detail below but CMC considers that it would be inappropriate for the ADC to impose anti-dumping measures.

Difference in product

The product that NSSMC has exported to Australia is different to that which Bisalloy has supplied to the market in the relevant time period. The difference is tangible and quantifiable and can be explained as follows:

- (a) Bisalloy's standard abrasion-resistant plate product is their "Bisplate 450" which has a hardness of 425-475BHN (please see <http://www.bisalloy.com.au/application/assets/uploads/editor/file/BIS0056%20-%20July%202013%20-%20450%20Comparison%20Manual.PDF>).
- (b) In contrast, the majority of the NSSMC abrasion-resistant product sold into Australia during this time period has been of a lesser grade (the Welten AR400E, Welhard400 or ABREX 400 grades, which have a guaranteed hardness of 50BHN less than the 450 grades). See attachments 1,2 & 3.

- (c) The premium to manufacture the 450 grade compared with a 400 grade product ranges varies per metric ton depending on the thickness and widths of the plates in question. This cost premium is absorbed within the net price of the goods offered to market such that the higher quality of the product warrants a higher price point.

Contracting market

There is an increasing trend for major end users to have work done offshore. The extent of this trend was not evident until the end of the mining boom when the work which had previously supported Bisalloy's day-to-day sales greatly diminished.

This was the result of a structural shift in the overall manufacturing sector and was completely unrelated to imported competition on the Q&T plate market.

This trend has been exacerbated by the continually high AUD/USD exchange rate which is increasingly facilitating the importation of ready-made products (for example, buckets, truck bodies etc).

Relevance of the above factors to the investigation

Consumer appetites are linked to end-use demands, both in terms of product specifications, volume and price sensitivities. The 450 grade product was popular in the market when demand was high and consumers placed higher value on issues of quality over price considerations in their procurement decisions.

However, consumers in the current contracting market are extremely conscious of price certainty and controllability such that current market demand can be satisfied by 'lower' grade product which is, exclusively, offered by imported sources.

It is unreasonable for the applicant to suggest that its prices have been 'undercut' in circumstances in which consumer preferences change and it fails to respond. To compare the price of a premium product with that of a lower grade product is commercially unreasonable and creates a distorted view of the dynamics of competition in the market.

It would be inappropriate for the ADC to impose AD measures in order to assist Bisalloy to impose an unrealistic price premium in a market which is obviously demanding a different grade and lower priced product (and enabling suppliers to supply lower graded product to meet these price requirements profitably).

In our view, Bisalloy does not address the fundamental shift in demand. Applying a 'but for' test, it is equally reasonable to assert that but for Bisalloy's inability (or unwillingness) to adapt to the current state of the market and provide product to meet consumer preferences they would have greater market share in a contracting market.

Conclusion

These issues are aspects of interrelated performance pressures driven by outside factors and variables in the market (market contraction) and the inability of the applicant to adequately react to changing market dynamics. These factors must be considered and not attributed when assessing whether import competition (dumped or otherwise) has caused material injury.

CMC's sales of Q&T plate ex NSSMC in the Australian market cannot be considered to have caused the loss of market share that Bisalloy alleges.

For and on behalf of,
Commercial Metals Pty Ltd

A handwritten signature in dark ink, appearing to read "Matthew Cleary", is written over a horizontal line.

Matthew Cleary
Marketing Manager