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8 July 2014

**Director
Operations 3
Anti-Dumping Commission
101 La Trobe Street
Docklands
Victoria 3008**

By email

Dear Director

**SSAB Swedish Steel Pty Ltd
Comments regarding Commercial Metals Pty Ltd visit report**

We refer to the *Visit Report – Importer* in respect of Commercial Metals Pty Ltd (“Commercial Metals”) which was placed on the public record in this matter on 1 July 2014 (“the report”).

In that report the following is recorded:

Commercial Metals advised that SSAB Swedish Steels Pty Ltd (SSAB) is the price leader in the Australian market, and commented that that SSAB has been very aggressive in its pricing.

And:

Japanese mills are not causing injury to Bisalloy. Commercial Metals stated that the aggressive pricing of SSAB, the price leader in the Australian market contributed to Bisalloy’s injury.

Commercial Metals’ opinions about pricing in the market do not appear to be supported, in that Commercial Metals has offered no evidence for those opinions. The statement that SSAB is or was the “price leader” in the Australian market is incorrect. Our client would go so far as to describe that opinion as ludicrous.

Our client refers the Commission to section D of our letter dated 4 July 2014. In view of our client’s evidence as to prices in the Australian market during the period of investigation, it must be the case that Commercial Metals’ opinion is either not truly held or is simply misconceived. The Commission’s own findings in its preliminary affirmative determination also establish that SSAB’s export prices were the highest, and that those of Japanese suppliers were the lowest amongst the source countries concerned.

We fully expect that the Commission’s own inquiries will continue to contradict the opinion expressed by Commercial Metals. It is therefore submitted that the Commission should not rely on it at all.

Indeed, Commercial Metals then confuses its own argument in a submission dated 2 July 2014 that has also been placed on the public record. Commercial Metals states, in its latest submission:

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...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).

...

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).

Commercial Metals admits that what it now asserts to be its “lesser grade” product has undercut the prices of the higher grade products available in the market. SSAB supplies the highest specification products to its Australian customers, at higher price points to those of Bisalloy and – as appears to be the case from Commercial Metals’ submission – at even higher price points than Q&T steel imported by Commercial Metals and others.

We would also like to point out the following:

1. In the report, Commercial Metals claims to have been established in 1980 as an importer of long and flat steel products for the Australian market. That does not appear to be correct. According to Australian Securities and Investment Commission records, Commercial Metals was first registered as a company in June 2013.
2. In the report, Commercial Metals claims that it changed its name from CMC Australia Pty Ltd to Commercial Metals Pty Ltd as of September 2013. That does not appear to be correct. Commercial Metals Pty Ltd was first registered as a company with the name “Commercial Metals” in June 2013.
3. In the report, Commercial Metals claims that it was once called CMC Australia Pty Ltd. That does not appear to be correct. ASIC records indicate that a company called CMC Australia Pty Ltd was first registered in April 1996. It has a different ACN to that of Commercial Metals; last lodged a document with ASIC in 2005; and is still a registered company. From the annual report of Commercial Metals Pty Ltd for the financial year ended 31 August 2013:

During the year, in an effort to continue the company's re-branding initiative and also achieve certain administrative efficiencies, the directors commenced a reorganisation of the Australian entities. As a result of such reorganisation, CMC (Australia) Pty Ltd, the former parent company of the consolidated group, entered into liquidation and all of its contracts, assets and employees were transferred to a newly formed company, Commercial Metals Pty Ltd, becoming the new parent of the Australian entities.

4. In the report, Commercial Metals claims that its related company CMC Coil Steels Pty Ltd was formerly known as Coil Steels Group Pty Ltd. That does not appear to be correct. ASIC records indicate that the former names of CMC Coil Steels Pty Ltd were Coil Steels Properties Pty Ltd, Sydney Slitting Co Pty Ltd, Coil Steel Processors Pty Ltd and Helta Pty Ltd.
5. In the report, Commercial Metals claims that a small number of its sales were made to CMC Distribution Pty Ltd. That does not appear to be correct. ASIC has no record of a company with the words “CMC Distribution” in its name.
6. In the report, the Commission concludes “Overall, it was determined that the selected shipments were profitable”. Our client is not in a position to contradict that opinion, because it does not have

the confidential data upon which that opinion would need to be based. At the same time it is noted that the August 2013 P&L statement¹ which the Commission states it was unable to reconcile to the accounts of the “steel division” shows a loss for the financial year ended 31 August 2013 of AUD11.9 million, or 5.3% when expressed as a percentage of sales revenue. The P&L statement is said in the visit report to be of the “parent company”, when in truth it is the P&L statement of Commercial Metals itself.

Finally, we note that when Commercial Metals engages in a consideration of the relative merits of Bisalloy's product it supports the views that our client has already expressed about differences in the attributes of Q&T steel from different suppliers. Commercial Metals states (as recorded in the report):

- that “*continuous process result[s] in greater flexibility in the Q&T steel plate*” – this supports SSAB's submissions about its continuous process control;
- that “*Bisalloy has experienced problems with the flatness of its Q&T steel plate, particularly in the 5-12mm thickness range*” and that “*Bisalloy's production process does not use as many levellers as other manufacturers*” – these comments support the facts presented by SSAB about the superior flatness specifications of its products; and
- that “*there is potential inconsistency in the performance of Bisalloy's product because of the raw material input is from two sources, China and BlueScope Steel Limited*” – this echoes SSAB's concern that a multiplicity of sources of greenfeed, and the unavoidable variability of the greenfeed used, would be likely to result in variability in the finished product.

Yours sincerely



Daniel Moulis
Principal

¹ As publicly available from the Australian Securities and Investments Commission website.