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BY EMAIL: operations3@adcommission.gov.au Attention: Kerry Taylor

Ms Kerry Taylor Director of Operations 3 Anti Dumping Commission 1010 Latrobe Street DOCKLANDS VIC 3008 Squire Patton Boggs (AU) Level 21, 300 Murray Street GPO Box A39 Perth WA 6837

O +61 8 9429 7444 F +61 8 9429 7666 squirepattonboggs.com

Scott Meacock T +61 8 9429 7417 scott.meacock@squirepb.com

Partner: Michael Ferguson T +61 8 9429 7402 michael.ferguson@squirepb.com

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Dear Ms Taylor

Statement of Essential Facts No. 234-Quenched and Tempered Steel Plate Exported from Sweden, Japan and Finland

We act for Metso Minerals (Australia) Limited (**MMAL**). We enclose a public record version of a submission on its behalf in relation to the above investigation.

As will be apparent from the submission MMAL is an end user of quenched and tempered steel plate in Australia.

If you need any further information please contact Michael Ferguson or Scott Meacock.

Yours faithfully

Squire Patton Boggs (AU)

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Metso Minerals (Australia) Limited

Investigation into the alleged dumping of quenched and tempered steel plate exported from Finland, Japan and Sweden

PUBLIC RECORD VERSION

1 INTRODUCTION

- 1.1 This submission is made by Metso Minerals (Australia) Limited (**MMAL**) in relation to the alleged dumping of quenched and tempered steel plate (**Q&T steel plate**) exported from Finland, Sweden and Japan. The investigation was commenced by Anti-Dumping Notice Number 2014/01 dated 8 January 2014.
- 1.2 In May 2014 the Commissioner of the Anti-Dumping Commission (**Commissioner**) issued Preliminary Affirmative Determination report No. 234 (**PAD**) in which the Commissioner expressed his satisfaction that, at that time and for the purposes of the PAD, Q&T steel plate from Finland, Japan and Sweden had been dumped in the Australian market which had caused and was causing material injury to the Australian industry. Accordingly Anti-Dumping Notice No. 2014/42 required the taking of securities in respect of interim dumping duty that may become payable in respect of the goods exported from Finland, Japan and Sweden.
- On 27 August 2014, the Commissioner published a Statement of Essential Facts (SEF). On 12 September 2014, Bisalloy provided a submission to the Commission on certain matters raised in the SEF (Bisalloy Submmission).
- 1.4 MMAL is an end user of Q&T steel plate in Australia and in this submission provides information it considers relevant to aspects of the SEF and the Bisalloy Submission.

2 MMAL

Structure

- 2.1 MMAL is a non-listed public company first registered in Australia in 1958. It is a subsidiary of Metso Minerals Oy, which in turn is a subsidiary of Metso Corporation (**Metso**), which is listed on the Helsinki Stock Exchange.
- 2.2 Metso is a market leader in the design and manufacture of comminution, materialshandling and automation technologies in the mining and construction segments. This pre-eminence extends to the supply of life cycle solutions, process improvement and wear and spare parts. It operates in 44 countries around the world.

In Australia

- 2.3 The main business areas of MMAL are sales of capital equipment, aftermarket sales, and the provision of services to mining customers and to construction customers.
- 2.4 MMAL has:
 - (a) offices in West Perth, Adelaide, Melbourne, Sydney, Newcastle, Brisbane, Mackay, Port Hedland, Newman and Kalgoorlie;
 - (b) manufacturing premises in Canning Vale (CV2) where rubber based products are made, and in Newcastle where MMAL assembles vibrating screens and pumps; and

- (c) workshop and service facilities on Henderson (Perth), Kalgoorlie, Newman, Port Hedland, Geraldton, Newcastle and Mackay.
- 2.5 MMAL's business is generally linked to the activity levels in the mining and construction sectors. As capital investment in those sectors declines, MMAL's sales of capital equipment generally decline resulting in a decrease in its profits.
- 2.6 MMAL notes that in general terms, such a downturn in its sales of capital equipment is, to an extent, off-set by an increase in sales of replacements for wear and spare parts. This is because users are more likely to seek to extend the operational life of capital equipment than they are to acquire new, replacement capital equipment.

General operations

- 2.7 Relevantly, MMAL manufacturers and sells mill linings for use in autogenous (**AG**), semiautogenous (**SAG**) and ball grinding mills used in the mining industry. It uses Q&T steel plate in the manufacture of its mill liners.
- 2.8 Mill liners can be classified according to the materials from which they are manufactured. There are, generally, steel liners, rubber liners or composite steel/rubber liners.
- 2.9 Metso developed the concept of the composite liner and protected it by patents commencing in 1987. It markets that mill lining under the name Poly-Met[™] mill lining, which it manufactures in CV2.
- 2.10 The Poly-Met[™] mill lining combines rubber and steel which allows the use of harder and more wear resistant alloys of iron and steel in the lining because the rubber substantially dampens impact forces. It weighs between 30% and 60% less than metallic liners of a similar size. The result is more effective and longer wearing mill linings. Metso is constantly improving Poly-Met[™] using its extensive knowledge of materials and processes to reach optimal grinding and lining performance.
- 2.11 In 2012, Metso released Megaliner[™] Poly-Met shell liners for AG mills to the market which are suitable for use in large mills. A Megaliner[™] mill liner is quicker and safer to install than other mill liners because it is bolted into place from the outside of the mill. The Megaliner[™] shell liner is now also available for use in ball mill applications. One significant advantage from the use of Megaliner[™] mill linings is that downtime costs during replacement are significantly reduced.
- 2.12 The harder and more wear resistant alloys of steel required for the manufacture of both PolyMet[™] and Megaliner[™] mill liners is supplied to MMAL by JFE and SSAB in the form of Q&T steel plate.
- 2.13 Metso prefers to produce the Poly-Met[™] and Megaliner[™] mill liners in locations close to each market area which provides support to local communities and businesses. It also assists in Metso remaining competitive in its areas of operations. It has 7 mill liner factories around the world.
- 2.14 In Australia, MMAL manufactures Poly-Met[™] and Megaliner[™] mill liners at CV2. It is committed to maintaining operations at CV2 notwithstanding the slight price premium

2.15 In the last two years MMAL's net sales were:

2012	2013
XXXXXXXXXXXX	XXXXXXXXXXXX

Table 1 - MMAL's net sales for FY 2012 and 2013

2.16 Its profit after tax in each of those years was:

2012	2013
XXXXXXXXXXXX	XXXXXXXXXXXX

Table 2 – MMAL's profit for FY 2012 and 2013

- 2.17 It can be seen that over those 2 years, MMAL's net sales decreased by XXXXXXXX or by XX% and its profit after tax decreased by XXXXXXXX or by XX%.
- 2.18 MMAL attributes those results almost entirely to the decrease in capital investment in the mining and resources sector and, to a lesser extent, the construction sector. MMAL would expect that any company with exposure only, or mainly, to the minerals and resources sector would have experienced declines.

CV2 Operations

- 2.19 MMAL employs XXX personnel of which XXX are located at the West Perth Office and XXX are at CV2. In addition MMAL engages a further XXX contract personnel at CV2 supplied by labour hire companies.

- 2.23 Since February 2013, staff numbers at CV2 have also been reduced by about XX%.
- 2.24 MMAL notes that on 20 May 2014, Bisalloy announced that it would restructure its operations resulting in a reduction of its then current workforce by around 20% across the Australian manufacturing and support functions. MMAL has also acted swiftly in reducing its workforce (it commenced doing so in February 2013) in response to the decrease in demand. It has reduced its workforce by a greater proportion than Bisalloy has recently done. MMAL has also adopted the other measures described above in response to the marked decrease in demand for its products. MMAL suggests that the reduction in Bisalloy's workforce is a prudent response as a result of the downturn in demand and not as the result of any alleged dumping of Q&T steel plate.

Competitors

- 2.25 As is to be expected, because the process of making rubber/steel composite mill liners has been around so long, other companies now manufacture composite mill linings.
- 2.27 MMAL estimates it has approximately XX% of the Australian market for mill liners. Its main competitors are XXXXXXXX which MMAL estimates has XX% of that market, XXXXXXXXX (XX% of the market) and XXXXXXXXX (XX% of the market) **[comment regarding competitors and market share]**.
- 2.29 The rate of wear of mill liners is not an exact science. It is affected by the hardness and brittleness of the feed material (including steel grinding media) amongst a number of other factors and these vary over time. It is therefore not possible to have a strictly scheduled program for replacement of mill linings.
- 2.30 MMAL is generally able to provide replacement mill linings to its customers within XX XXXX of receiving an order. XXXXXXXXXX cannot match this and therefore it might be necessary for customers to maintain an inventory of XXXXXXXXX mill liners on-site. When mill liners cost between XXXXXXXXX and XXXXXXXXXX this is a significant

outlay that many companies are presently seeking to avoid, in order to improve cash flow [details of competitive advantage].

- 2.31 While this is a distinct competitive advantage to MMAL, if one of its major inputs increases in cost by 9.6% and 24.5% respectively, MMAL would be faced with the decision either:
 - (a) to attempt to pass along that increased cost to its customers by way of an increased price for its mill linings; or
 - (b) to absorb that increased cost itself.
- 2.33 There will also be peripheral impacts on other businesses. Preparatory work on the Q&T steel plate is performed by XXXXXXXX **[identity of input supplier]**, who have indicated that work done for MMAL comprises about XX% of their output, and have further indicated that a loss of work from MMAL could result in the loss of XX to XX jobs.

3 REQUIREMENTS FOR Q&T STEEL PLATE

General

- 3.1 MMAL requires Q&T steel plate with particular qualities to manufacture its Poly-Met[™] and Megaliner[™] mill linings.
- 3.2 Those characteristics include a tensile strength of 1512 MPa equivalent, a Brinell hardness of at least 542 in thicknesses of 40mm, 60mm, 75mm and 100mm. Most of the Q&T steel plate that MMAL uses is 60mm or 75mm thick.

Choice of Suppliers

- 3.3 Some years ago, MMAL carried out a comparison of the Q&T steel plate then available in Australia including from Bisalloy, JFE and SSAB.
- 3.4 Those tests revealed that the Q&T steel plate supplied by Bisalloy for testing did not perform as well as the Q&T steel plate supplied by SSAB and JFE for testing. As a result, MMAL decided then that its preferred supplier of Q&T steel plate would be JFE with more specialised purchases from SSAB.
- 3.5 Over the years, MMAL has not regretted its decision. The Q&T steel plate supplied by JFE meets MMAL's requirements. Price is an issue, but in no way the major issue, in MMAL's (and Metso's) decisions as to the supplier of Q&T steel plate.

Bisalloy

- 3.6 Despite that decision, MMAL has ordered Q&T steel plate from Bisalloy. Specifically in years 2011 and 2012 MMAL's Newcastle factory purchased Q&T plate from Bisalloy as set out in **Confidential Annexure 2**.
- 3.7 This was wear plate of a thickness from 8mm to 40mm for use in XXXXXXXXX [identity of product] that were then being manufactured at Newcastle. It is not comparable to the plate required by CV2 to manufacture PolyMet[™] and Megaliner[™] mill linings.
- 3.9 After the issue of the PAD, MMAL contacted Bisalloy to purchase 75 mm thick Q&T steel plate so that it could again be tested against the Q&T steel plate that MMAL currently purchases from JFE and SSAB. That order was placed through Southern Steel, one of Bisalloy's distributors
- 3.10 Bisalloy said that it did not have any of that size plate in stock as it was not a product it had supplied before, apart from a couple of occasions in Queensland some years ago. MMAL believes that the price charged for this single order of Q&T steel plate is excessive at XXXXXX per tonne. A copy of the relevant purchase order is attached as **Confidential Annexure 3**.
- 3.11 Bisalloy has now offered a price of XXXXX/mt (XXXXX/kg) across all 40, 60 and 75mm thicknesses of Q&T steel plate. MMAL will not consider buying Q&T steel plate from Bisalloy unless and until the tests it intends to carry out establish that its Q&T steel plate is at least equivalent in quality to the Q&T steel plate provided by JFE and SSAB.

JFE and SSAB

- 3.12 MMAL buys Q&T steel plate of 40mm, 60mm, 75mm and 100mm thicknesses for its manufacturing operations at CV2. It also buys some 20mm thick Q&T steel plate. The majority of Q&T steel plate it purchases is of 60mm and 75mm thickness.
- 3.13 MMAL's purchases of Q&T steel plate, and the prices paid, for the years 2010 to 2013 are set out in **Confidential Annexure 4.** That Confidential Annexure also sets out the price paid by MMAL for Q&T steel plate for each quarter from 1 October 2012 to 30 September 2013.
- 3.14 MMAL rarely experiences any delays in obtaining the required Q&T steel plate through JFE or SSAB.

4 STATEMENT OF ESSENTIAL FACTS

4.1 MMAL has reviewed the SEF and makes the following comments on aspects of it.

The Goods and Like Goods – Section 3

Like goods – Section 3.6

4.2 At paragraph 3.6.2 SEF, the Commission dealt with claims by interested parties as to alleged differences that meant that the Australian industry's Q&T steel plate was not like to imported Q&T steel plate for a number of reasons.

Differences in dimensions

- 4.3 The Commission noted that several interested parties submitted that the Australian industry could not supply the entire range of dimensions of Q&T steel plate described in the goods description. After examining confidential evidence submitted by Bisalloy, the Commission said it was satisfied that the dimensions of Q&T steel plate sold by Bisalloy during the investigation period are generally reflective of the dimensions in the goods description.
- 4.4 During the process of ordering steel plate from Bisalloy described in paragraphs 3.9 and 3.10 above MMAL was told by Bisalloy that it had no 75 mm plate in stock, did not generally supply Q&T steel plate of that thickness and that supply of Q&T steel plate of that thickness would require between 5 to 12 weeks from order date. It also said that to ensure that Bisalloy had sufficient stock on hand in the future, MMAL would need to place forward orders to cover its expected needs for 3 to 4 months.
- 4.5 Bisalloy also said that:
 - (a) 90% of the Bisplate 500 which Bisalloy sells is manufactured from stock supplied by Bluescope Steel;
 - (b) the remaining 10% is manufactured in China by its joint venture partner (Jinang Iron & Steel). This is sold to the Asian market and is not imported into Australia; and
 - (c) Bisalloy purchases green feed from Bluescope Steel which is already rolled to the size and thickness of plate required. Bisalloy's process is to quench and temper the plate to the required hardness¹.

Product specification and quality differences

- 4.6 As noted above in paragraphs 3.3 and 3.4 above, some time ago MMAL determined that steel plate produced by Bisalloy was inferior to that produced by both JFE and SSAB and was not suitable for use in the mill linings manufactured by MMAL.
- 4.7 No doubt Bisalloy would claim that its Q&T steel plate has been improved over the years. As described in paragraph 3.9 above, MMAL will again test steel plate which has been quenched and tempered by Bisalloy against Q&T steel plate manufactured by JFE and SSAB.

¹ Pages 15 & 16 SEF

4.8 As it seems that Bisalloy does not usually supply Q&T steel plate of thicknesses of 75mm and 100mm, MMAL has concerns that the quenching and tempering processes used by Bisalloy may not produce Q&T steel plate of the quality required by MMAL. In any event, until MMAL is satisfied that Bisalloy's 75 mm thick steel plate is of at least equivalent quality to JFE or SSAB, MMAL will not take the significant risk it sees in using untested plate in its products. Pricing issues are not determinative of this decision.

Dumping – Preliminary Findings – section 6.1

- 4.9 The Commission has made a preliminary finding that Q&T steel plate exported to Australia from Finland, Japan and Sweden during the investigation period was dumped. The preliminary calculations of export price, normal value and dumping margins in respect of Q&T steel plate are confidential².
- 4.10 In Consideration Report 234, the Commission estimated export prices for Q&T steel plate for the period from 1 October 2012 to 30 September 2013³.
- 4.11 MMAL assumes without being able to know that those export prices played some part in the Commission's preliminary finding of dumping.
- 4.12 MMAL has provided the prices actually paid by MMAL for Q&T steel plate during those periods in Confidential Annexure 4. MMAL acknowledges that these prices are DDP prices, not FOB prices. Despite this, the export prices determined by the Commission are in all cases substantially less than the prices actually paid by MMAL for shipments of Q&T steel plate during the relevant period.
- 4.13 Globally, Metso makes significant purchases of Q&T steel plate. Not only is this steel used in the supply of Poly-Met[™] and Megaliner[™] mill liners, but also in capital equipment, including grinding mills, feeders, crushers, feed chutes and boxes, vibrating screens, car dumpers, stackers and reclaimers and the like.
- 4.14 MMAL provides, in **Confidential Annexure 5**, details of the prices that Metso paid (and is paying) for Q&T steel plate purchases in 2011, 2012 and 2013 in XXXXXX, XXXXXX and XXXXX **[identity of foreign markets]**. Metso generally records prices in Euros, and, as necessary, MMAL has converted those prices from Euros to Australian dollars using exchange rates that Metso mandates each year to account for purchases between related companies.
- 4.15 Currently Metso pays a price of about XXXXX/kg or XXXXXX per tonne (XXXXX/kg). Metso does have some buying power, because of its volumes, but this does not translate into a significant price reduction.
- 4.16 MMAL believes that the figures clearly demonstrate that the movements in price for Q&T steel plate exported to Australia are in line with the movements in the price of Q&T steel plate that Metso uses overseas, particularly in XXXXXX. The Q&T steel plate that Metso purchases for use in XXXXXX is not supplied by JFE **[identity of foreign market]**.

² Page 30 SEF

³ Page 24 Consideration Report

4.17 MMAL suggests that the decreases in prices in Q&T steel plate exported to Australia is evidence of the world-wide decline in demand for Q&T steel plate rather than evidence of dumping.

Traders - section 6.3.1

- 4.18 The Commission considers that only in rare circumstances will intermediaries, such as those identified in the SEF, be found to be the exporter. The example given is where the manufacturer has no knowledge that the goods are destined for export⁴.
- 4.19 MMAL is concerned that this approach ignores market realities. MMAL purchases JFE Q&T steel plate for us in its manufacturing processes. It does so through Mitsubishi Australia. MMAL cannot purchase JFE Q&T steel plate directly from JFE and so, in actuality, the exporter in MMAL's case is Mitsubishi Australia. To find otherwise ignores reality.

Has dumping caused material injury - section 8

- 4.20 The SEF states that "The Commission preliminary finds that Q&T steel plate exported to Australia from Finland, Japan and Sweden at dumped prices has caused material injury to the Australian industry producing like goods⁵."
- 4.21 MMAL notes the submission dated 3 April 2014 made by Moulis Legal⁶ on behalf of SSAB as to other causes for the material injury claimed by Bisalloy. MMAL agrees that any injury suffered by Bisalloy is likely to have been caused by factors other than the alleged dumping of Q&T steel plate

Downturn in the relevant market

- 4.22 MMAL is a supplier to the mining sector and its revenue is closely linked to investment in new projects in that sector. It is notorious that the mining sector is presently focussed on reducing costs which has resulted in a marked reduction in the implementation of new projects and the purchase of new capital equipment.
- 4.23 All parties accept that the demand for Q&T steel plate is strongly influenced by the levels of activity in the mining and constructions sectors. Bisalloy says as much in its Annual Report for the financial year ending 30 June 2013, and the PAD acknowledges that the Q&T steel plate market in Australia is driven by the resources and mining sector and, to a lesser degree the general construction, infrastructure, and transport sectors⁷.
- 4.24 MMAL agrees. In its experience demand for its products using Q&T steel plate was highest in 2011 and 2012. It is apparent from the information in paragraphs 2.20 and

⁷ Par 6.1 PAD

⁴ Page 31 SEF

⁵ Page 44 SEF

⁶ Public record 28

- 4.25 MMAL attributes XXXXXXXX **[comment on sales]** to the lack of new investment in the resources sector which has reduced the demand for new items of a capital nature. There is no doubt that mining property, plant and equipment capital expenditure in Australia has decreased since 2012.
- 4.26 Even though the products of CV2 are not capital in their nature, but in the wear parts market, there has also been a downturn in this market. This is reflective in the reduced output in some mines, which reduces the frequency of wear part replacement.
- 4.27 MMAL observes that in the Q&T steel plate market there is a demand in the capital market, which has been dealt with above. There is also a demand in the wear parts market. This market will also be affected by the downturn as observed in paragraph 4.26 above. Furthermore, whereas the capital market creates spikes in demand, the normal demand in the wear parts market is much more moderate in its ebbs and flows. This is because wear parts wear at differing rates, and therefore replacement is not at defined cyclic times from capital installation. MMAL observes that this creates a consistent demand, but at much lower levels of turnover.

Australian experience reflected overseas

- 4.28 On a global basis, McKinsey estimates that:
 - (a) capital expenditure on mining projects declined from USD110 billion to USD85-90 billion from 2012 to 2014;
 - (b) the new project pipeline for coming years has dried up; and
 - (c) the capital investment mix is likely to shift away from big growth projects to maintenance and depletion capital expenditure.

Effect of downturn on pricing

- 4.30 As a supplier of materials used principally in the mining industry, it is no surprise to Metso that Bisalloy has experienced a decrease in its sales and its sales price. MMAL can make no comment on whether Bisalloy's business model is a further cause of the matters about which it complains, except to note that in an industry where often Q&T steel plate is required quickly (particularly as the cycle shifts to repair and maintenance) Bisalloy's inability to supply certain types of Q&T steel plate any earlier than 12 weeks from order is a significant negative factor.
- 4.31 MMAL is experiencing pushback on pricing from its customers. Based on international research available to MMAL (which is attached as **Confidential Annexure 6**), it is

expecting that in the short to medium term customers are likely to push back on prices due to the global downturn in investment in the mining and resources sectors, and reductions in the prices for the miners' outputs.

4.32 It is possible that up to XX% of MMAL's customers will not agree to any price increase but would, in fact, expect reductions in price in a tightening market.

Price undercutting – section 8.5.2

- 4.33 MMAL notes that the Commission carried out a price undercutting analysis by comparing Bisalloy's weighted average selling price against each visited importer's weighted average selling prices for products described in the SEF⁸.
- 4.34 MMAL notes that the products in respect of which that analysis was conducted were not products which it uses in its operations.
- 4.35 Accordingly, there seems to be no evidence of price undercutting for Q&T steel plate of a tensile strength of 1512 MPa equivalent, a Brinell hardness of at least 542 in thicknesses of 40mm, 60mm, 75mm and 100mm. As noted above in paragraph 3.12, most of the Q&T steel plate that MMAL uses is 60mm or 75mm thick.

Contractions in demand or changes in patterns of consumption

4.36 MMAL's position is stated in paragraphs 4.22 to 4.32 above. MMAL believes that market factors and the ebb and flow of normal economic activity are the real cause of the decrease in the price of Q&T steel plate throughout the world, including Australia for both exports to Australia and local production.

Revision of securities – section 12

- 4.37 MMAL notes that the Commission is satisfied that an increase in price, equal to the lowest dumping margin was sufficient for Bisalloy to operate profitably during the investigation period⁹.
- 4.38 The Commission then proposes amended provision securities under section 42 of the Customs Act¹⁰.
- 4.39 MMAL is concerned to ensure that the Commission is acting to address the impact of dumping rather than to restore Bisalloy to profitability. In a challenging economic environment there can be no certainty that a company that essentially manufactures one product only will be profitable. This is particularly so when that company's product is used in an industry which has undergone a severe, worldwide contraction in investment.

⁸ Page 46 SEF

⁹ Page 59 SEF

¹⁰ Page 67 SEF

5 BISALLOY SUBMISSION

- 5.1 At paragraph 2.1 of the Bisalloy Submission, Bisalloy explained that it had examined available statistics from the Australian Bureau of Statistics as to exports from Finland, Japan and Sweden from May 2014, after the imposition of securities. It contended that the figures showed a continuing decrease in price (in the case of Sweden) and a levelling out of prices from Japan that were below the average monthly price over the period of investigation. It expressed its concern that the securities imposed by the Commission had proved ineffective.

6 CONCLUSION

6.1 MMAL appreciates the opportunity offered to it to provide these submissions. It would be pleased to provide further information if required by the Commission.