



PO Box 305, Burwood, Victoria, Australia 3125
Office: Suite 307/737 Burwood Rd., Hawthorn East Vic. 3123
Telephone: +61 3 9882 1652 Mobile: +61 426 268 432
E-mail: dbirrell@steelaus.com.au Web: www.steelaus.com.au

21st August 2013

Director Operations 2

Anti Dumping Commission

5 Constitution Avenue

Canberra ACT 2601

Re: Hot Rolled Plate Steel exported from the People's Republic of China, the Republic of Indonesia, Japan, the Republic of Korea and Taiwan – Statement of Essential Facts Response

Submission: Public File Version

Introduction

The Australian Steel Association acknowledge the analysis undertaken in preparation of the Statement of Essential Facts though query the interpretation of the analysis in relation to the causal links in determining a finding of material injury. We contend that significant factors other than the imports alleged to have been dumped have been the causal drivers of the material injury claimed by the Applicant.

Material Injury

The 2012 Ministerial Direction on material injury included the following key points:

- material injury is injury which is not immaterial, insubstantial or insignificant;
- the injury must be greater than that likely to occur in the normal ebb and flow of business;
- identifying material injury will depend on the circumstances of each case;
- injury caused by other factors must not be attributed to dumping or subsidisation, however dumping or subsidisation need not be the sole cause of injury to the industry.

The Commission's summary of major injury indicators in the SEF are listed as:

- * Loss of Sales Volume
- * Loss of Market Share
- * Price Depression
- * Price Suppression
- * Reduced Profit
- * Reduced Profitability



Considering these:

1. Loss of Sales Volume & Loss of Market Share

- The Commission have indicated that the Plate market is 500,000tpaⁱ
- Figure 8 of the SEF clearly indicates that the major change in market share for the PUI was from Korea (where key participants have been found NOT to have dumped) and from Other Imports which, apart from Taiwan, include Bluescope's own New Zealand operation. It is understood that Bluescope's plate imports from its own operations increased substantively during the PUI.
- Figure 13 of the SEF reinforces that the key changes in market share are due to imports that have been found not to have been dumped and 'Other Imports' which includes Bluescope's own New Zealand imports as mentioned.
- Figure 14 and the subsequent Commission commentary indicates that "*in 2012 the market share held by imports found to be undumped is not insignificant*".

The Commission has compared the export prices of the undumped exports to those of the dumped exports and found that the dumped exports are undercutting the prices of the undumped exports.

*Given the volume of undumped and unsubsidised imports has increased from 2011 to 2012, and the relativity of average undumped unit prices to dumped unit prices in 2012, **it is not unreasonable to assume that this increase in market share has been gained through the exporters of the undumped imports decreasing prices to compete against dumped and subsidised imports in an attempt to increase sales volume and market share.***

- The Australian Steel Association strongly query this conclusion as being not supported by the facts.
- If the assumption is that the alleged dumped goods decreased prices to increase sales volume and market share it is reasonable to expect that this would have resulted in a significant increase in market share of the dumped goods during the PUI. This has not been the case.
- What is evident from Figure 13 is that the market share of dumped goods has not changed notably during the PUI. Rather the loss of market share by the Applicant during the PUI is solely attributable to an increase in market share from other factors, namely:
 - (i) imports found not to have been dumped, and from
 - (ii) 'Other Imports' which includes the Applicant's New Zealand operations.
- Accordingly any finding of material injury due to loss of sales volume and market share due to the alleged dumped good is without basis.
- Given that the Applicant has lost market share during the PUI and this is not due to the alleged 'dumped goods' this does raise the question as to what are the causal drivers for the change in the Applicant's market share.

A more reasonable conclusion is that the market has responded to the announcement of the Applicant to close a significant proportion of its' plate production capacity in the period immediately prior to the PUI.

Telephone/Facsimile: +61 3 9882 1652 Mobile: 0426 268 432 E-mail: dbirrell@steelaus.com.au

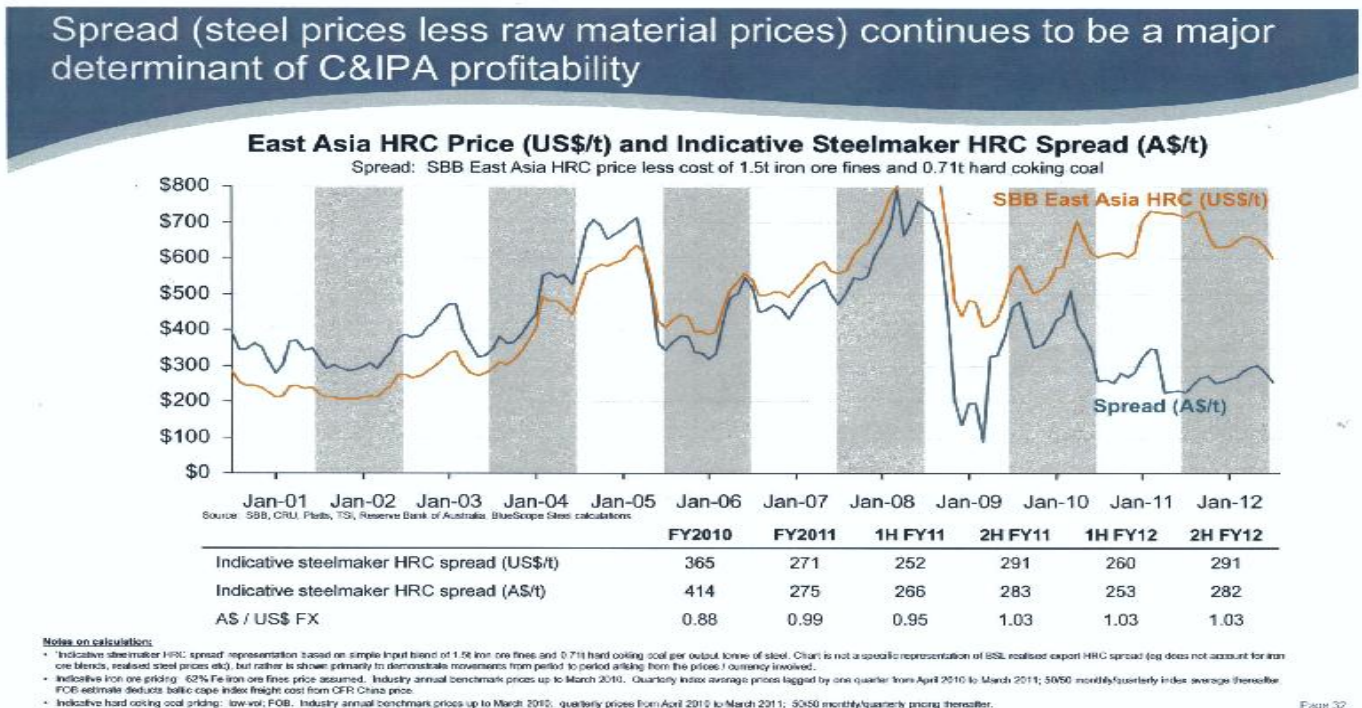


2. Price Depression / Price Suppression

- Two factors negate the claims of price depression & price suppression.
- The first is the Commission's assumption that *"the exporters of the undumped imports decreasing prices to compete against dumped and subsidised imports in an attempt to increase sales volume and market share"*

As previously indicated, if this was the intent, and there is no basis for indicating such, it is not borne out by increases in market share. The fact that the 'dumped goods' shares remained constant whilst undumped goods share increased markedly strongly counters the basis of this assumption and the conclusions drawn from it.

- The second factor is that the changes in price are reflective of international price movements during the PUI.



Source: BSL 2012 Annual Report; page 32

- Considering whether material injury due to price suppression will continue, we request that the Commission consider that whilst the AUD exchange rate was relatively high during the PUI at \$1.03AUD/USD, the exchange rate has subsequently declined to 0.90 AUD/ USD.
- The change in exchange rate since the PUI of itself has afforded the Applicant a 14.4% improvement in prices attainable. A Deutsche Bank analysis of the 20th August 2013 indicated that each 1c movement in the currency affords the Applicant an \$11M improvement in EBIT.
- The ASA note that the magnitude of favourable outcome due to currency in such a short period strongly challenges the attribution of material injury to the allegations of dumping and additionally questions



whether the claimed injury due to price suppression is greater than that likely to occur in the normal ebb and flow of business.

3. **Reduced Profit / Profitability**

- In considering profit and profitability, we firstly note that it is disingenuous to have the 2008/09 year as a datum. It is widely acknowledged that the 2008/09 financial year preceding the GFC was an aberration in terms of steel industry profitability.
- Considering more specifically the PUI, Figure 9 of the SEF indicates an increase in the Applicant's unit costs and a decline in the unit price. Both of these factors will reduce profit and profitability.
- The increase in unit costs during the PUI should not be attributed to external market factors
- Similarly, the decrease in unit price is consistent with international market movements during the period under investigation as previously indicated.
- Additionally we note that the Commission has found these lower prices are equally found for both goods that have been found not to have been dumped as well as those alleged to have been dumped.
- The "not insubstantial" quantity of undumped goods at these prices reinforces that the price levels during the PUI are due to international market movements and **not** due to the allegations of dumping.

Conclusion:

Recognising that increases in market share during the period under investigation have been attained by goods determined by the Commission's investigation not to be dumped and from other imports and NOT by the goods alleged to have been dumped, the Australian Steel Association question whether:

- Injury caused by other factors has been attributed to the dumping or subsidisation and whether
- The injury claimed is greater than likely to occur in the normal ebb and flow of business.

The conclusions drawn from the SEF attribute (unfairly we believe) claims of material injury to the goods alleged to have been dumped.

The ASA contend that what has transpired is simply the market driven responses to the unilateral actions of the Applicant, namely:

1. The decision to exit unprofitable export markets due to a high Australian currency
2. The announcement in August 2011, immediately prior to the PUI, to close a significant part of the Applicant's plate manufacturing capacity including the closure of a blast furnace and hot strip mill.
3. An adjustment in supply sources by Australia's manufacturing sector as they have sought to secure reliability of supply. This is evidenced notably in the increase in Plate from sources that the Commission's investigation has subsequently determined had not dumped during the PUI.
4. A transfer of plate production by the Applicant to their New Zealand subsidiary as evidenced in the increase of Other Imports during the PUI.



The Australian Steel Association respectfully request that the Commission:

- investigate the sequence of events outlined in determining the true causal link of the changes in the supply to the Australian plate market.
- substantiate the percentage change in imports from the Applicant's New Zealand subsidiary from the August 2011 announcement through the period under investigation.
- evaluate the impacts of favourable currency movements in the short period since the PUI as part of the Commission's assessment as to whether material injury will continue

Subject to the Commission's analysis we respectfully contend that the claims of dumping and material injury are the result of the Applicant's understandable, though nevertheless, unilateral actions in dealing with difficult market conditions and an inflated Australian currency.

These external factors however are in no way related to the allegations of dumping.

Accordingly we request that following the Commission's further analysis, the Hot Rolled Plate Steel case be terminated.

Yours Sincerely

David Birrell

Australian Steel Association

ⁱ SEF 5.1 Australian market; Preliminary Finding