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**The Director
Investigations 2
Anti-Dumping Commission
GPO Box 2013
Canberra
Australian Capital Territory 2601**

By email

Dear Director

SSAB – quenched and tempered steel plate from Finland and Sweden Key points for formulation of the Statement of Essential Facts

We offer the following insights for the assistance of the Commission in formulating its preliminary findings to be reported in the upcoming Statement of Essential Facts.

1 Question to be addressed

To advise that the measures should be continued the Commission must recommend to the Minister that, as a matter of probability, expiry of the measures would be likely to lead to a continuation or a recurrence of the dumping and the material injury that the anti-dumping measure is intended to prevent. In this regard the dumping that the anti-dumping measure was and has always been intended to prevent is dumping to the extent that it could be injurious. Although this is stating the obvious – because the statutory test refers to dumping *and the material injury the anti-dumping measure is intended to prevent* - it does bear repeating.

2 Non-injurious dumping

The Commission has placed the verification reports for both SSAB EMEA and SSAB AU on the public record. A dumping margin of 56.9% has been disclosed. No doubt much will be made of this by the Australian industry. Nonetheless, we wish to remind that this is not a measure of any *injurious dumping that the measure is intended to prevent*.

There are two calculation points for a dumping margin. The first is the normal value. In Sweden, SSAB's costs are high. Included in those costs are carbon mitigation costs, both tax driven and voluntary, which are incurred in much higher amounts by SSAB and in the EU overall than in Australia. Indeed, SSAB's

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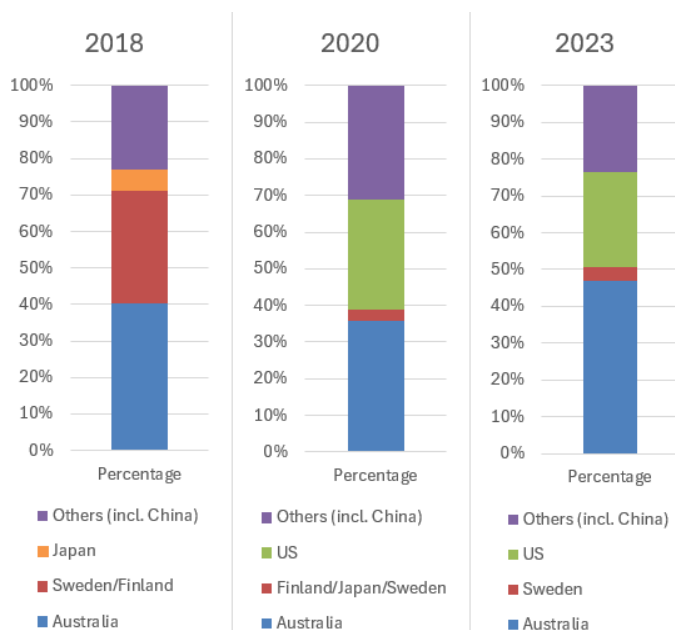
decarbonisation plan was described in 2022 as “the most aggressive in the industry”.¹

The high price in Sweden and the profit it generates is also relative to SSAB’s market leadership in premium steels and steel plate, built up over 140 years of steel-making experience. As per the Commission’s profitability calculations, SSAB enjoys a domestic market profitability with respect to the goods under consideration of just under [CONFIDENTIAL TEXT DELETED – number]%. SSAB’s quality steel position is recognised and rewarded by the reality of its high price leadership in all the markets in which it operates. SSAB’s prices do not *suppress* the prices of other sellers of quenched and tempered steel plate. [CONFIDENTIAL TEXT DELETED – commercial matters relating to prices]

SSAB has intentionally extended its price leadership in the Australian market. SSAB submits that it did not engage in injurious dumping in the inquiry period, nor in the years before. [CONFIDENTIAL TEXT DELETED – commercial matters relating to prices] It cannot be doubted that SSAB’s prices have consistently been higher than the rest of the market, and that the market price gap is quite pronounced.

The other calculation point for a dumping margin is the export price. The export price the Commission has adopted in this case is a deductive export price, meaning that it has been worked back from SSAB’s price in the Australian market to Sweden FOB by deducting SSAB’s profit and costs in between those two places. In so far as SSAB’s prices in the Australian market are not injurious, the work back deductive price cannot be indicative of injury either. The comparison between the high domestic price in Sweden, and the deductive export price worked back to Sweden from the Australian market, being two very faraway points of the globe, has mathematically created a high dumping margin that in the circumstances of this case is neither an indication of injurious price behaviour nor a measure of injury.

3 Market share and market share trends



The **volume trend** is clear.

A decade of anti-dumping measures has almost exactly decimated imports from the subject countries, from approximately 37% of the market in 2018 to one tenth of that in 2023.

We note that these market share estimates are not the same as those worked out by the Commission. Nonetheless, this table represents SSAB’s best estimates of Australian market share changes over the periods shown. They have been compiled by our client based on import statistics, sales trends and market knowledge. They are not easy to assemble because import data for any given period is not representative of real time sales in the market.

Any given set of statistics will be distorted by the dates on which sale contracts are entered into, the duration of warehousing before sale, inability to precisely track origin at the distributor sales point, and a lack of investigation or of verified information concerning large importers/distributors. One of those importer/distributor parties has a strong cross-shareholding with the Australian industry

¹ See <https://time.com/6171369/ssab-sweden-green-steel/>.

through ownership, and another may be acting with or for the Australian industry or its foreign manufacturing entity on a contractual basis.

We would be grateful for the Commission to investigate the discrepancy between the Commission's estimate of the Australian industry's market share of 38% compared to SSAB's estimate of 47% (noting the different periods of the year ended September 2023 and the calendar year 2023, respectively). Does this have anything to do with sales or consumption of imported steel plate by the Australian industry?

SSAB stands by its own estimates. Nonetheless, by whatever measure is used, imports from Sweden occupied a low single digit share of the Australian market in 2023.

4 Price and competition with the Australian industry and non-subject imports

The **price difference** is clear.

SSAB is not aware of prices of its imports from Sweden, as a subject country in the Australian market, that were lower than those of the Australian industry or of any imports from non-subject countries. In this regard, SSAB's award-winning US-produced imports² are non-subject country imports also. At all relevant times SSAB has applied an origin-agnostic sales policy, meaning that **[CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing]** has been equally applied to US imports of all grades as well, and where the same grade as the Swedish grade has been sold in the Australian market by SSAB from US stock, that has taken place at a price no different to that of the same Swedish grade.

[CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing], and is certainly unaware of any "undercutting" of other Q&T steel plate. The opposite is true, with documented and large price differences of from **[CONFIDENTIAL TEXT DELETED – number]%** to **[CONFIDENTIAL TEXT DELETED – number]%** between SSAB steel plate and non-SSAB steel plate available in the market in the inquiry period.

Therefore, the entirety of the non-SSAB non-subject country share (including that of the Australian processing industry), has at all relevant times in the inquiry period, and no doubt also beforehand, been priced a long way below **[CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing]**. Moreover, SSAB's sales include Q&T steel plate that is from the US, such product also being non-subject country imports for the purposes of the Commission's analysis. Based on SSAB's statistics, the share of the market occupied by Australian industry sales and non-subject imports amounts to 96%.

SSAB refers to all of the pricing evidence it has provided to the Commission in substantiation of the above statements.

5 Australian industry's prices have not been suppressed

SSAB refers to Slide 5 "Bisalloy's USP 1", as provided to the Commission on 5 April 2024.³ We submit that the assumptions are sound and that the conclusion to be drawn is that the Australian processing industry's profitability has been more than the level deemed by the Commission to be non-injurious. To state the obvious, the Australian industry's prices cannot be suppressed if its

² See SSAB news website accessible [here](#): "North American steelmaker SSAB Americas beat out steel industry competitors to win a 2022 Global Award for Steel Excellence for Environmental Responsibility/Stewardship from Fastmarkets AMM. SSAB Americas has won this award six out of the last eight years, first winning the award in 2015." See also *Environmental Product Declaration*, accessible [here](#).

³ Public record version of this slide is to be found on the public record of this inquiry accessible [here](#).

selling price is unsuppressed. Our careful explanation of the methodology used⁴ allowed Bisalloy to recreate the chart and to argue to the Commission that it was unsound. No such re-creation or argument is to be seen on the public record.

SSAB refers to Slide 8 “Bisalloy financial metrics 2”, as provided to the Commission on 5 April 2024.⁵ Our careful explanation of the methodology used allowed Bisalloy to explain what factors or events caused it to have lower profitability in the six month periods in the first continuation inquiry period (Jan-Dec 2018); the US investigation period (Jan-Dec 2020); and this second continuation inquiry period (Oct 22-Sep 23), each of which is questioned by the chart. No such explanation is to be seen on the public record.

6 Bisalloy’s Australian segment profitability is at record levels

SSAB refers to Slide 8 “Bisalloy financial metrics 2”, as provided to the Commission on 5 April 2024.⁶

This demonstrates that Bisalloy’s Australian segment profitability is at record levels.

7 No probability of future material injury to be caused by imports from Sweden

A consideration of what may happen in the future, as a matter of probability, must be informed, and can only be informed, by observations pertinent to the past and the present.

SSAB Q&T steel plate **[CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing]** offering in the Australian market. There is no reasonably predictable circumstance that would cause that situation to change.

SSAB has no record of suppressing the Australian industry’s prices for the last five years. There is no reasonably predictable circumstance that would cause that situation to change.

All non-SSAB sales of Q&T steel plate on the Australian market have been priced at levels significantly below that of imports of steel plate from Sweden in the inquiry period. **[CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing]**

SSAB Q&T steel plate from Sweden has dwindled to a shadow of its volumes of 10 years ago. There is no reasonably predictable circumstance that would cause that situation to change.

The continuing future impact of imports from the US, China, Germany, Belgium and other non-subject countries must be considered through the prism of the material injury considerations set out in Section 269TAE(2A) of the *Customs Act 1901*.⁷

The SSAB group complies rigidly with the *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022* and thereby fully complies with Australian entity tax requirements as published by the Australian Taxation Office.

⁴ Ibid, see Slide 6.

⁵ Public record version of this slide is to be found on the public record of this inquiry accessible [here](#).

⁶ Public record version of this slide is to be found on the public record of this inquiry accessible [here](#).

⁷ See, for example, administrative precedent as follows (investigation terminated): “*Import sources of the goods were dominated by countries other than Thailand... these volumes of imported aluminium extrusions were the prime competition for Australian industry impacting on the performance of the Australian industry... imports from other countries... have had a significant impact on the performance of the Australian industry.*” (TER 442 at p 70).

The Australian industry is experiencing levels of profitability which are historically and comparatively high. Ipso facto, the Australian industry's economic performance during the inquiry period has not been impacted by subject country imports.⁸

The investment market believes that for Bisalloy the only way is up. Its ability to attract investment, a key factor in resilience, innovation and competitiveness, is very strong:

- Source: <https://finance.yahoo.com/news/bisalloy-steel-group-limiteds-asx-033725293.html>

At first glance, Bisalloy Steel Group seems to have a decent ROE. On comparing with the average industry ROE of 10% the company's ROE looks pretty remarkable. Probably as a result of this, Bisalloy Steel Group was able to see an impressive net income growth of 27% over the last five years. We reckon that there could also be other factors at play here. For example, it is possible that the company's management has made some good strategic decisions, or that the company has a low payout ratio.

We then compared Bisalloy Steel Group's net income growth with the industry and we're pleased to see that the company's growth figure is higher when compared with the industry which has a growth rate of 20% in the same 5-year period.



- Source: <https://finance.yahoo.com/news/buy-bisalloy-steel-group-limited-220606226.html>

Another key way to measure a company's dividend prospects is by measuring its historical rate of dividend growth. In the last 10 years, Bisalloy Steel Group has lifted its dividend by approximately 13% a year on average. It's great to see earnings per share growing rapidly over several years, and dividends per share growing right along with it.

Final Takeaway

Should investors buy Bisalloy Steel Group for the upcoming dividend? Earnings per share have grown at a nice rate in recent times and over the last year, Bisalloy Steel Group paid out less than half its earnings and a bit over half its free cash flow. Bisalloy Steel Group looks solid on this analysis overall, and we'd definitely consider investigating it more closely.

⁸ See, for example, administrative precedent as follows (measures allowed to expire): "... almost the entirety of exports to Australia were not subject to measures. From the assessment of the market, the commission considers that the Australian industry's economic performance during the period examined has not been impacted by dumped exports from China." (REP 621 at p 79).

What is the Australian industry's take on its future? The following is from its *Condensed Consolidated Financial Report Six Months Ended 31 December 2023*:⁹

Group Revenues in the period were \$76,648k, down 2.3% from the corresponding period last year, impacted by Indonesian import restrictions and the impact of EBA negotiations in July to September 2023. Profit before tax was \$12,088k, up 18.1% from prior corresponding period reflecting improved margins driven by favourable product mix. Profit after tax increased to \$8,528k from \$7,369k in the prior corresponding period.

Net operating cash outflow in the six months was \$1,001k compared to the inflow of \$1,171k in the previous corresponding period.

....

FY24 Outlook Bisalloy has demonstrated strength and resilience in its business performance in H1 FY24. Our current order book indicates that H2 FY24 will maintain the strong profit momentum delivered in H1 FY24 with an anticipated move towards normalisation of product margins in the second half which will be moderated by lower energy and transportation costs.

We anticipate no material impact from the Australian SSN-AUKUS Hull Steel Qualification contract in H2 FY24. with deliveries scheduled for FY25.

Bisalloy remains committed to fair competition, however we are concerned with the potential outcome of the Anti-Dumping Commission's review into the continuation of the dumping measures against Sweden, Finland and Japan and its potential impact on FY25 and later years.
[underlining supplied]

The financial report proclaims its strong financial performance, and predicts strong profit momentum, and states that Bisalloy is committed to fair competition. Conversely, the report then voices token fears, presumably to influence the outcome of this inquiry, about non-existent Finnish imports and dwindling Swedish exports which (a) are from a facility that has no excess capacity; and (b) have been continually sold [CONFIDENTIAL TEXT DELETED – commercial matters relating to pricing].

What are Bisalloy's so-called "concerns" based on? That is the question for the Commission.

From SSAB's perspective, there are no circumstances that could rationally be expected to change the present conditions of competition in the Australian market, should the measures be allowed to expire.

Yours sincerely



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⁹ Accessible [here](#).