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155

14th February 2012

Mr Geoffrey Gleeson
Director
International Trade Remedies Branch
Australian Customs and Border Protection Service
5 Constitution Avenue
CANBERRA ACT 2601

Dear Geoff,

Submission - Public File Version

Conflict between OneSteel Australian Tube Mills Pty Ltd Application for Anti-Dumping Duties and Countervailing Duties ("Application") *and* OneSteel Limited Annual Report 2011 ("Annual Report")

1. We refer to Application lodged on 12 August 2011 and Annual Report lodged with the ASX on 30 September 2011.

2. We are concerned the Applicant's claims that alleged dumped or subsidised goods were the causation of material injury, are not disclosed in holding company's Annual Report. In addition, we are also concerned that other factors causing reduced performance, as disclosed in Annual Report are not outlined in their Application.

3. Attached as Annexure "A" is an analysis of extracts from the Annual Report.

4. From the attached it would appear that numerous other significant factors have influenced performance, other than alleged dumped or subsidised goods, including the following:-

   4.1. Transformation strategies;
   4.2. Ongoing effects of GFC;
   4.3. Very weak domestic and international steel markets;
   4.4. Rapid and significant increase in the Australian dollar;
   4.5. Review's of its steel product portfolio and facilities;
   4.6. Low construction activity due to funding availability;
   4.7. Unseasonal wet weathers;
   4.8. Under-utilisation in international steel markets;
   4.9. High raw material prices;
   4.10. Weakening in confidence levels due to factors such as the uncertainty over proposed new domestic taxes, global debt issues and higher interest rates;
   4.11. Current economic conditions;
   4.12. Weak manufacturing sector; and
   4.13. European and US debt issues.

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154

5. In addition, OneSteel has not advised shareholders and ASX of any material injury caused by alleged dumped or subsidised goods, when this would be the appropriate and duty-bound forum for such disclosure, if claims in Application were accurate.

6. We request Australian Customs and Border Protection Service conduct a detailed analysis of OneSteel Limited ASX announcements and query OneSteel on anomalies and inconsistencies with Application and whether OneSteel will be correcting either documents for consistency.

I look forward to your response.

Yours Sincerely

David Birrell

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Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Page 2 - About OneSteel

*During the year, we acquired and successfully integrated the Moly-Cop Group mining consumables businesses in the Americas. This represented another significant milestone in OneSteel's long-term growth strategy and **transformation**.*

OneSteel remains well positioned to continue to manage through difficult domestic and international economic conditions and has significant leverage to economic recovery.

Investment merits
- *Miner and exporter of iron ore*
- *Significant mining consumables business*
- *Exposure to global resources sector*
- ***Vertically integrated operations***
- *Self-sufficient in iron ore*
- *Ability for self-sufficiency in scrap steel*
- *Flexible steel production with both integrated and electric arc furnace (EAF) processes*

Leading market positions
- *#1 globally in grinding media*
- ***#1 in general Australian steel distribution***
- *#1 in Australian reinforcing*
- *#1 in Australian wire*
- *#2 in Australian recycling*
- *#1 in New Zealand general distribution*

Has long term transformation strategy had any bearing on diminished results of steel manufacturing and distribution?

OneSteel acknowledge the benefits of their vertically integrated operations and #1 position in general Australian steel distribution. Does this indicate distribution level pricing is correct point of price comparison and does #1 position in distribution confirm their position as price setter?

Annexure "A" to ASA Public File Version Submission dated 14th February 2012
Extracts from One Steel Limited 2011 Annual Report

Page 6 - Financial and Operational Summary

Operational overview

- ***Overall performance impacted by difficult external environment and ongoing effects of GFC***
- *Resources focused businesses performed well*
- *Iron Ore EBIT up 57% to $524 million*
- *Achieved Iron Ore sales volume of 6 million tonnes*
- *Confident that there will be sufficient reserves and beneficiated ore to support sales at 6 million tonnes per annum for at least 10 years1*
- *Mining Consumables EBIT $65 million – New Moly-Cop Group businesses included from 1 January 2011*
- *Recycling EBIT $21 million, significant improvement from $8 million in prior year*
- ***Australian steel businesses impacted by adverse external environment***
- ***Manufacturing underlying EBIT loss $185 million***
- ***Australian Distribution underlying EBIT $10 million***
- ***Raw steel production increased to 2.31 million tonnes due to the contribution from AltaSteel***
- *Significant leverage to economic recovery.*

Page 6 – Chairman's Report

OneSteel's overall profit performance for the year highlights the benefits of the ***company's strategy*** *to grow its mining and mining consumables businesses and* ***diversify its exposure away from domestic construction and infrastructure cycles.***

Despite the good performance of our Iron Ore and Mining Consumables businesses, our ***Australian steel businesses continued to be severely affected by the adverse external environment, including very weak domestic and international steel markets and a rapid and significant increase in the Australian dollar.***

So, while it has continued to be a ***very challenging year for our Australian steel businesses,*** *the company has made significant progress in its growth and* ***transformation plans*** *and this is helping to strengthen OneSteel. This is reflected in the change in the proportion of OneSteel's overseas sourced revenue, which has grown from almost nothing at the time of being spun out of BHP 11 years ago, to now more than 40% due to our expanded business portfolio. This diversification strategy is continuing to better position the company for the future.*

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151

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

A level playing field

*Although OneSteel has diversified into mining and mining consumables, **its Australian steel businesses remain important to the company's business portfolio**. At the time of being spun out from BHP and many times since, our Australian steel businesses have gone through considerable challenges, and many people have underestimated the company's ability to work through these challenges and succeed. These businesses are again facing a **very challenging external environment**, which in the past financial year led to a disappointing and unacceptable performance. OneSteel has always recognized that it is its responsibility to accept and work through the challenges before it and announced **in August that it had commenced a review of its steel product portfolio and facilities**.*

*While OneSteel focuses on initiatives to return these businesses to acceptable returns, it is very important that the **Government ensures the level playing field is not adversely impacted by its policy decisions**. OneSteel has been very vocal on this point over the past year in particular, emphasising the need when setting policy for government to consider how industries or particular companies may be impacted cumulatively by its policies, rather than on an individual policy basis. The potential impact on costs, cash flow and competitive position are key factors affecting a company's investment decisions and these need to be properly factored in by Government.*

*From OneSteel's perspective, policy areas including carbon reduction, which includes the Carbon Tax, the Renewable Energy Target Scheme and the National Energy Greenhouse Reporting Scheme, the Mineral Resource Rent Tax, Research and Development legislation amendments **and ineffective anti-dumping administration have all been areas of concern**. We have been **liaising with Government** on these matters and have been **encouraged by recent announcements** on the Carbon Tax **and anti-dumping in particular**. In this current external environment, the pressures on the competitiveness of the Australian steel industry are already significant and for the sake of the future of the industry should not be exacerbated by the cumulative impact of government policy. It needs to be remembered that steel and a viable Australian steel industry is required for the continued growth and prosperity of Australia.*

While OneSteel make claims of an ineffective anti-dumping administration as being one area of concern regarding Government policy, they do not elaborate or quantify any impact. In addition the Chairman provides additional comment regarding Carbon Tax and Mining Tax.

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150

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Page 7 - Chairman's Report

The year in review

*I would now like to comment on OneSteel's financial performance for the year. As I mentioned earlier, the company's performance reflects the strengths in the markets of our different businesses with the resources focused Iron Ore and new Mining Consumables businesses performing well, underpinned by continued strength in the resources sector. The performance of our Recycling business improved for the year, particularly in the second half, **but our Australian steel businesses performed poorly due to continued weakness in international and domestic steel markets, and the impact of the significant increase in the Australian dollar.***

*Sales revenue for the year increased 15% to $7.1 billion due to higher revenue in the Iron Ore and Recycling segments and the contribution of the new Moly-Cop Group businesses from 1 January 2011. The sales margin decreased to 6.0% from 6.7% in the prior year **due mainly to lower margins in the Manufacturing and Australian Distribution segments.***

Outlook

*In the short term, the outlook remains positive for steelmaking raw materials and mining consumables. **For our Australian steel businesses, the immediate outlook for domestic construction activity is expected to continue to be relatively weak. However, we expect increased activity in the resources sector and from Government funded civil works projects.***

*In the longer term, we expect continued strong growth in demand for iron ore and mining consumables. **We remain confident we will see improvements in the fundamentals for key Australian and international steel markets and that Australian steel demand and pricing will improve as economic conditions improve.***

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149

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Page 8 - Managing Directors Review

*I am pleased to present the 2011 financial year results for OneSteel Limited, a year of success, challenges and **transformation**.*

Market conditions

*The 2011 financial year performance clearly reflected the different strengths of the markets of our businesses. The international and resources focused businesses in our portfolio performed well, underpinned by continued strength in the resources sector, whilst our **Australian steel businesses performed poorly due to a very difficult external environment. This included continued weak domestic demand compounded by unseasonal wet weather, under-utilisation in international steel markets, high raw material prices, and the rapid and significant appreciation of the Australian dollar during the year. The escalation of the Australian dollar adversely affected prices and margins for our Australian steel businesses** and also had an adverse translation impact on earnings, particularly in our Iron Ore, Recycling and Mining Consumables segments.*

*As mentioned previously, our Manufacturing and Australian Distribution segments were significantly **adversely impacted by the very difficult external environment. The rapid appreciation of the Australian dollar resulted in further price and margin pressure and a deferral of sales during periods of the year. Domestic demand levels continued to be weak, impacted by a further weakening in confidence levels due to factors such as the uncertainty over proposed new domestic taxes, global debt issues and higher interest rates.***

Cost reduction initiatives

In response to the continuing difficult market conditions, the Australian steel businesses have commenced a further program of labour and other cost reductions to lower the cost bases of the businesses. We expect that this initial review will result in annual labour savings of approximately $40 million. We are also undertaking reviews of our steel product portfolio, facilities and cost base given that further initiatives will be required to address the current economic conditions and the unacceptable financial performance of these businesses.

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148

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Page 9 – Managing Directors Review

In Australian steel, the immediate outlook for ***domestic construction activity is to continue to be relatively weak overall.*** *However, we expect* ***increased activity in the resources sector and from Government funded civil works projects. Prices are expected to remain under pressure from weak confidence, soft international steel markets and the Australian dollar,*** *if it remains at recent high levels.*

In our ***Australian steel businesses,*** *we remain confident we will* ***see improvements in the fundamentals for key Australian and international steel markets over the longer term,*** *and that* ***Australian steel demand and pricing will improve as economic conditions improve.***

Are OneSteel confirming there in no threat of injury from alleged dumped or subsidised goods?

In September, OneSteel announced a ***number of management changes*** *that better align our organisational structure with the increased scale and scope of the business, particularly following our recent expansion in Mining Consumables and in Iron Ore, including the recently announced port expansion at Whyalla and the agreement to acquire WPG Resources' iron ore assets, as mentioned by the Chairman. These changes better support our ability to deliver value to shareholders, both through delivering on the growth opportunities from our resources focused businesses and* ***from addressing the unique set of challenges currently facing our Australian steel businesses.*** *These changes are now being implemented and will be reflected in next year's annual report.*

Page 10 – Operational Overview

The benefits of OneSteel's ***transformation*** *since being spun out from BHP 11 years ago, including its focus on growing its Iron Ore and Mining Consumables businesses, is clearly evident in the company's overall profit performance for the 2011 financial year.*

In our ***Australian steel segments, continued weak domestic demand, higher raw material prices, under-utilisation in international steel markets, unseasonal wet weather and the impact on prices of a 28% run up in the Australian dollar over the year, all led to a very disappointing and unacceptable result.***

The ***Australian steel businesses*** *have* ***commenced a further program of labour and other cost reductions to the businesses' cost base in response to the continuing difficult market conditions.*** *This initial review will involve labour reductions of approximately 400 employees and contractors substantially by the end of the September quarter, and is expected to result in annual labour savings of*

PUBLIC FILE 147

Annexure "A" to ASA Public File Version Submission dated 14th February 2012
Extracts from One Steel Limited 2011 Annual Report

*approximately $40 million. **Reviews of the businesses' product portfolio, facilities and cost base are continuing and further initiatives will be required given current economic conditions and the businesses' unacceptable performance.***

*With **steelmaking utilisation levels still well below pre-GFC levels, the Australian steel Manufacturing business remains strongly leveraged to volume as well as price improvements, as does the Australian Distribution business.***

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Page 13 - Key Business Drivers

Under figure 8 - Steel Imports into Australia

Figure 8 shows the ***import volumes of steel into Australia had increased 10%*** *in FY11 compared to import volumes in FY10.* ***Import volumes in the OneSteel range increased by 14%*** *whereas in the flat products range, volumes increased by 10%.* ***The strong Australian dollar has driven the increase in steel import volumes.***

Does this figure include OneSteel's own imports?

Page 14 - Strategic Framework Scorecard

While OneSteel's ***growth focus is on mining and mining consumables****, the company* ***remains focused on returning its Australian steel businesses to acceptable returns and continues to invest for this purpose****.*

This doesn't appear to indicate a "reduced attractiveness to invest".

Organisational efficiency and capability

• *The company commenced* ***further cost and labour reduction programs during the year in response to the difficult market conditions****. This includes a review of our steel product portfolio and facilities.*

Page 17 - Review of Operations at a Glance

Manufacturing Segment

Market conditions

Activity levels *for many of our key domestic markets* ***continue to be relatively weak*** *and* ***well below pre-GFC levels****. Outside of mining, engineering construction and rail infrastructure, other segments* ***remained relatively weak****.*

Performance

Segment earnings were adversely impacted by lower margins, which were severely affected by higher raw material costs and the impact of the rapid run up in the Australian dollar on domestic prices in an environment of weak demand*. Sales volumes* ***continued to be affected by weak domestic construction activity, exacerbated by a further weakening in confidence levels.***

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Extracts from One Steel Limited 2011 Annual Report

Initiatives

The business commenced repair and redesign work on the Whyalla blast furnace in the fourth quarter to extend its design life beyond 2020. Cost savings and operational improvement initiatives were implemented to improve coke oven yield and hot metal utilisation at Whyalla. ***The business commenced a further round of cost and labour reductions in response to the continuing difficult market conditions, and has commenced a review of its steel product portfolio and facilities.***

Outlook

In the short-term we expect the **commercial and non-residential markets to remain** weak. We expect to see **continued price pressure due to the effect of the high Australian dollar and under-utilisation of international steel capacity**.

Australian Distribution Segment

Market conditions

The slow-down in activity levels experienced towards the end of the previous financial year continued through the year with confidence levels impacted by the volatility in the external environment. Across the sectors, mining production activity remained strong despite a slower than anticipated recovery in production following the Queensland floods. There was improvement in the level of publicly funded civil construction activity; however, ***the residential and non-residential construction and manufacturing sectors remained*** *weak.*

Performance

Segment earnings decreased year on year due to a lower average selling price. This result ***reflected the significant appreciation in the Australian dollar and generally weak market volumes, partly offset by cost savings. Sales volumes remain well below pre-GFC levels.***

Initiatives

During the year, the Australian Distribution ***business consolidated the Steel & Tube and Metaland management structures, and the Sheet, Coil & Aluminium and Piping Systems management structures. These initiatives are designed to reduce the cost base*** *of the business and improve customer focus and responsiveness. Towards the end of the financial year,* ***the business implemented additional cost reduction initiatives, including repositioning some businesses for improved profitability, revision of operating models and staff redundancies.***

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Annexure "A" to ASA Public File Version Submission dated 14th February 2012
Extracts from One Steel Limited 2011 Annual Report

Page 24 – Review of Operations Continued - Manufacturing

Market conditions remained very weak during the year. *There was a* ***further weakening in domestic confidence levels due to concerns over potential implications from European and US debt issues, the prospect of new domestic taxes, as well as concerns over further increases in interest rates and the Australian dollar.*** *Domestic demand, particularly in the construction sector, was* ***adversely impacted by weak confidence, wet weather and credit availability issues.***

Underlying EBIT for the year decreased significantly to a loss of $185 million, ***due to weaker demand, lower average prices as a result of a 28% increase in the Australian dollar, higher raw material costs*** *and additional costs related to the blast furnace shut down in May and June.*

Sales revenue was down 2% to $2,426 million due to the impact of lower sales volumes and average sales prices compared to the prior year. ***Sales volumes during the year were adversely impacted by continuing weak domestic construction activity and further weakening in confidence levels. Sales margins were significantly affected by the impact of the rapid appreciation of the Australian dollar and higher raw material costs.***

The business ***continued to focus on cost efficiency improvements*** *during the year which led to* ***favourable outcomes*** *in areas including overheads, labour, electricity purchasing and freight. The business has also commenced* ***further labour and other cost reduction programs in response to the continuing weak external environment. Reviews of our steel product portfolio, existing facilities and cost base are continuing and further*** *initiatives* ***will be required given current economic conditions and the unacceptable performance of the business.***

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Annexure "A" to ASA Public File Version Submission dated 14th February 2012
Extracts from One Steel Limited 2011 Annual Report
Page 25 – Review of Operations Continued - Manufacturing

Australian Tube Mills
The Australian Tube Mills (ATM) business manufactures structural pipe and tube from manufacturing facilities at Acacia Ridge, QLD, Newcastle, NSW and Somerton, VIC. The ATM business also manufactures precision tube at manufacturing facilities in Sunshine, VIC and Kwinana in WA. Key market sectors for ATM products include construction, manufacturing and agriculture, while precision tube is supplied to the Australian manufacturing, automotive, fencing and home improvement segments. ***Sales volumes were 5% down on the previous year due to weaker construction and manufacturing activity, but market share increased slightly.***

Does this conflict with Dumping Application?

Page 26 – Review of Operations Continued – Australian Distribution

OneSteel's Australian Distribution business serves the construction, manufacturing and resources markets with a diverse range of steel and metal products including structural steel sections, steel plate, angles, channels, flat sheet, reinforcing steel and coil in carbon and stainless, and a range of aluminium products, pipe fittings and valves. ***The business distributes products sourced from OneSteel, as well as externally purchased products.***

Revenue decreased *3% to $2,439 million* ***due to a lower average selling price, reflecting the significant appreciation in the Australian dollar and generally weak sales volumes.*** *Underlying EBIT decreased to $10 million from $60 million in the prior year* ***due to margin pressure from lower average prices, partly offset by cost savings.***

The ***slow-down in activity levels*** *experienced towards the end of the prior financial year* ***continued into the 2011 financial year.*** ***Domestic demand weakened due to credit availability issues, poor weather and lower confidence levels related to European and US debt issues.***

Across the sectors, mining production activity remained strong and there were encouraging signs of improvement in mining investment activity towards the end of the financial year. There was an improvement in publicly funded civil construction work as a number of infrastructure projects commenced, but there was ***a further decline in privately funded non-residential construction. Residential construction activity was also generally weak due to affordability constraints and lower consumer confidence. In the manufacturing sector, soft demand and the impact of the significantly stronger Australian dollar contributed to a continuation of overall weak activity levels during the year.***

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142

Annexure "A" to ASA Public File Version Submission dated 14th February 2012 Extracts from One Steel Limited 2011 Annual Report

Metaland I Steel & Tube
*The Metaland I Steel & Tube business processes and distributes a broad range of structural steel and related steel products and is **the leading steel distribution business in Australia**.*

*Sales volumes for the year were flat, **but were stronger in the second half due to market share gains rather than an improvement in market activity**, which continued to be affected by weak levels of construction.*