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Director Operations 1
Anti-Dumping Commission
GPO Box 1632
Melbourne VIC 3001

**Dumping investigation into alloy round steel bars exported from the
Peoples Republic of China**

Dear Director

This submission is made on behalf of Donhad Pty Ltd (Donhad) in response to the submission by OneSteel Manufacturing Pty Ltd (OneSteel) dated 24th November 2017. Donhad takes this opportunity to again specifically address and disprove the assertions made by OneSteel in response to the other causes of injury and the impact on OneSteel's sales volumes.

OneSteel's transparency concerns

Donhad notes that OneSteel continues to claim that public versions of Donhad's earlier submissions did not provide a sufficient summary to make them aware of the specific quality and testing issues raised with the Anti-Dumping Commission (the Commission). These concerns are not valid and should be dismissed by the Commission, as submitted evidence of communications between Donhad and OneSteel clearly shows that OneSteel were aware of, and accepted its limitations and impediments to complying with specification and testing requirements.

The evidence submitted by Donhad to the investigation to date is of a highly confidential nature given that Moly-Cop is the sole local producer of grinding bar and Donhad's sole local competitor in the grinding media market. In addition, allowing for some of this information to be public would jeopardise sales to existing customers and be detrimental to Donhad's business interests. Therefore, confidential information has again been redacted in this submission to protect Donhad's business interests, and all reasonable effort has been made to provide a proper summary of those redactions.

Injury caused by quality issues are the main driver of decline in Onesteel volume since early 2015

OneSteel attempts to simply dismiss the quality issues raised with and identified by the Commission as exaggerations on the part of Donhad. As the evidence submitted to the Commission

demonstrates, all of Onesteel's quality issues and process limitations are based on facts and fundamentals of steel making.

It is an undisputed fact that the main driver for losing orders from Donhad since early 2015 has been the quality issues experienced with [redacted] [product] supplied by Onesteel. Donhad has ordered [redacted] tonnes of [redacted] [product] since early 2015. Onesteel is aware of their inability to supply acceptable quality [redacted] [product] alloy bar and hence their reason for limiting the scope of the investigation to goods not exceeding 98.5mm.

Donhad's internal testing of Onesteel's [redacted] [product] feed material proves the lower quality of Onesteel's [redacted] [product] compared to [redacted] or [redacted] [source of supply] equivalent grades. Based on both Onesteel test reports and Donhad test reports, the primary areas of quality concerns were:

- i) [redacted] [quality characteristic] – directly impacts the product [redacted] [quality characteristic]. Donhad has experienced numerous quality issues in the past [redacted] years with OneSteel supplied grinding bars. Investigations of these issues have confirmed that the [redacted] [quality characteristic] of OneSteel supplied grinding bars compared to Chinese mills is a major contributing factor to [redacted] [type of failure]. OneSteel has tried to [redacted] [quality characteristics]. Supporting test reports have been provided to the Commission;
- ii) [redacted] [quality characteristic] – OneSteel's [redacted] [product] has a [redacted] [description of comparative analysis in technical characteristics between OneSteel supplied products and overseas sources of equivalent products]
- iii) [redacted] [quality characteristic] - Chinese mills are required to [redacted] [testing requirements]. By contrast, OneSteel does not have capability [redacted] [testing requirements]. Donhad has [redacted] [type of failure]. Supporting evidence provided by OneSteel has been provided to the Commission;
- iv) [redacted] [quality characteristic] - Chinese mills are required to do [redacted] [testing requirements]. OneSteel currently does not have this capability.

Donhad again reiterates that these highlighted quality issues are supported by test reports conducted by both Donhad and Onesteel. As supported by submitted evidence, Donhad has ceased sourcing product from [redacted] [redacted] [sourcing decisions]. Therefore, OneSteel's lost sales were solely due to the highlighted quality issues.

Injury caused by development of new grade

- i) Timeline

The development of Donhad's "[redacted]" [grade] (known today as [redacted]) grade dates back to [redacted]. At that time, the grade was referred to as [redacted] as opposed to [redacted]. The naming

difference was due to [REDACTED]

The attached "Product Development Presentation" from [REDACTED] [period] shows the timeline of trialling the [REDACTED] grade in [REDACTED]. This presentation is the product development strategic plan. The attached "[REDACTED] Report" from [REDACTED] is the field trial report of [REDACTED] [grade] at a mine site. Donhad understands that this was the first field trial of this grade. The grade was sourced from [REDACTED].

Based on its records, Donhad placed the first order of [REDACTED] [grade] with [REDACTED] in [REDACTED]. The attached "Order Summary" is evidence of that order. The attached "Purchase Order" from [REDACTED] is the oldest purchase order for [REDACTED] that Donhad were able to find in its system.

ii) Decision to source the new grade

Until [REDACTED], Moly Cop and Onesteel were part of the same company, Arrium. The Commission would be aware that Onesteel uses the Moly Cop bar rolling facility in Waratah Newcastle to roll all of Donhad's grades. [REDACTED]

[REDACTED] [strategic business decisions].

Since [REDACTED] when Donhad [REDACTED]

[REDACTED] [strategic business decisions].

In [REDACTED] Donhad [REDACTED]

[REDACTED] [strategic business decisions].

[REDACTED] [strategic business decisions].

During Onesteel's voluntary administration it became very difficult [REDACTED]. Donhad's emails regarding development works would often remain unanswered for a long period of time.

In [REDACTED], due to [REDACTED]

[REDACTED] [strategic business decisions], Donhad decided to assess Onesteel's capability in making the [REDACTED] grade to [REDACTED] [REDACTED] [strategic business decisions].

As previously stated, Onesteel wasn't able to meet the original Donhad specification for [REDACTED] grade. Therefore, before assessing OneSteel's capabilities, Donhad [REDACTED]

[redacted] [strategic business decisions]. Nevertheless, Donhad agreed to proceed with a trial and assess Onesteel's capability in making this grade. However, as previously demonstrated, the trial process didn't progress beyond the development of the trial charter due to the fact that Onesteel refused to [redacted]. This important point appears omitted from OneSteel's submission.

The attached email "[redacted]" provides communication evidence in that regard. Also, the attached draft "[redacted]" includes Onesteel's comments around [redacted].

iii) Impact on alternative grades

As stated above, in [redacted] and [redacted] Donhad [redacted] [redacted] [strategic business decisions].

Donhad refers to [redacted]. Its records show that it [redacted] during the investigation period. Evidence of [redacted] are contained in attachment "[redacted]" [strategic business decisions]. Importantly, whilst these two grades are [redacted] [comparative analysis of alternative grades].

To explain this further, there are number of variables within a mill that affect the performance of the grinding ball. Three basic wear mechanisms affect grinding media consumption, being:

- i) mass losses that arise as a result of impact between media and ore particles;
- ii) abrasion of the media by ore particles or other media, and;
- iii) corrosion of the media.

Media consumption and failure is governed by both intrinsic and extrinsic factors. Ore hardness, feed size, product size, pulp density, pulp level, mill size/speed and throughput are all intrinsic factors, whilst media quality is the extrinsic factor. Ball failures such as surface spalling, loss of shape, shelling, capping and halving may be caused by variations in ball chemistry, hardness or structure.

Taking all this into account, evidence shows that [redacted] [redacted] [redacted] [redacted] [redacted] [comparative analysis of alternative grades].

The number of Donhad customers and product mix does not demonstrate a [redacted] [redacted]. For example, in [redacted] Donhad [redacted]. During this antidumping investigation, Donhad supplied [redacted] tonnes of [redacted] grade to this customer. The product that is sold to a new customer at supply commencement will always be the grade that had been specified by the customer during the tender process, with a view to transitioning them to alternative newer grades. In the case of this new customer they requested [redacted] as the incumbent was supplying [redacted] grade too.

Donhad still has several customers requesting [REDACTED], [REDACTED]

[REDACTED] [strategic business decisions].

Broader injury claims by OneSteel

Despite the impact of these other factors on OneSteel's sales, it continues to allege that it suffered price related injury to the remaining small volume of sales made during the investigation period. It is clear that OneSteel continues to conveniently overlook the fact that the local producer of the alloy round bar sold to Donhad was Moly-Cop, and as such, any injury assessment must be undertaken in relation Moly-Cop's financial performance over the investigation period.

This is confirmed in OneSteel's submission in the reference to the finding '... by Lockhart J in *Re Portland Cement v Minister for Small Business and Customs*, who on the question of how to deal with the expression "Australian industry", decided in relevant part:

The determination whether material injury to an Australian industry producing like goods has been, or is being caused, or is threatened, is not an exercise of counting heads of markets, production or distribution centres or things of this kind. It is essentially a practical exercise designed to achieve the objective of determining whether, when viewed as a whole, the relevant Australian industry is suffering material injury from the dumping of goods.

It is undisputed then that the material injury assessment and determination must be made with respect to the Australian industry producing like goods. Therefore, the specific claims of injury by OneSteel with regards to its sales of grinding bar must ultimately be causally linked to the producer of those like goods, being Moly-Cop.

As Donhad highlighted in its previous submission, given that Moly-Cop is the sole local producer of grinding bar and the predominant local member of the Australian industry producing like goods as confirmed in SEF 384, its refusal to cooperate with the Commission's request for information prevents a proper and thorough material injury assessment to be undertaken. On that basis, Donhad reiterates its view that the Commission is unable to be satisfied that material injury has occurred.

Yours sincerely

John Bracic