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commercial + international

3 August 2021

Mr Roman Maevsky
 Assistant Director
 Anti-Dumping Commission
 Level 6, 215 Spring Street
 Melbourne
 Victoria 3000

By email

Dear Roman

SSAB - quenched and tempered steel plate from USA Corporate and transactional behaviours of the Australian industry

We wish to raise certain matters which we believe should be the subject of inquiries by the Commission for the purposes of its investigation and findings.

As per its application, Bisalloy Steel Group Ltd (“Bisalloy”) operates a quenching and tempering line at Unanderra, in NSW. To our client’s understanding, “Southern Steel” is a major nationwide customer of Bisalloy.

A website referred to as “Market Index” reports the following with respect to the “substantial shareholders” of Bisalloy:¹

A substantial shareholder is a person or entity that owns 5% or more of the voting shares in a company. Shares can be held through multiple entities, so the Substantial Shareholders list differs from the Top 20 Shareholders list.

Shareholding changes less than 1% do not require notification to the market. When all “Last Notice” dates are identical, it suggests that no (or minimal) change has occurred since the most recent Annual Report.

Name	Last Notice	Total Shares	Shares Held (%)
<i>Anchorage (BSG) Pty Limited and its associates</i>	<i>30/06/2020</i>	<i>7,646,022</i>	<i>16.83</i>

¹ <https://www.marketindex.com.au/asx/bis>

<i>J P Morgan Nominees Australia Limited</i>	<i>30/06/2020</i>	<i>5,617,814</i>	<i>12.37</i>
<i>Balron Nominees Pty Ltd</i>	<i>30/06/2020</i>	<i>7,789,421</i>	<i>17.09</i>
<i>Turnbull and Partners Pty Limited</i>	<i>11/06/2021</i>	<i>2,954,558</i>	<i>6.43</i>
<i>Greig and Harrison Pty Ltd</i>	<i>26/08/2020</i>	<i>4,272,000</i>	<i>9.41</i>
<i>Southern Steel Investments Pty Limited</i>	<i>27/08/2020</i>	<i>8,664,611</i>	<i>19.10</i>

We refer to the identification of “Balron Nominees” and “Southern Steel Investments” as substantial shareholders of Bisalloy. We further understand:

- that Balron Nominees is 100% owned by David Balkin;²
- that David Balkin is the Non-Executive Chairman of Bisalloy;³
- that the directors of Balron Nominees are David Balkin and Peter Smaller;⁴
- that Peter Smaller and two other members of the Smaller family are the directors of Southern Steel Group Pty Ltd (“Southern Steel Group”) and Southern Steel Investments Pty Ltd (“Southern Steel Investments”);⁵ and
- that Smaller Holdings Pty Ltd is a shareholder in Bisalloy.⁶

Southern Steel’s shareholding structure also demonstrates the interconnectedness of Bisalloy and Southern Steel, as we now outline:

- over 50% of Southern Steel Group shares are owned by Mirond Holdings Pty Ltd (“Mirond”);⁷
- Mirond has 50% ownership of Southern Steel Investments, which is the biggest individual shareholder in Bisalloy;⁸
- in addition to Southern Steel Group and Southern Steel Investments, Mirond also has Peter Smaller and other Smaller family members listed as directors.⁹

It is apparent that there are deep connections between Bisalloy and Southern Steel.

² See Attachment A, Balron Nominees Pty Ltd ASIC extract, page 4.

³ <https://www.bisalloy.com.au/investor-centre/board-of-directors/>

⁴ See Attachment A, Balron Nominees Pty Ltd ASIC extract, page 3.

⁵ See Attachment B, Southern Steel Group Pty Ltd ASIC extract, pages 1 and 2; and Attachment C, Southern Steel Investments Pty Ltd ASIC extract, pages 1 and 2.

⁶ See 31 August 2020 Change in Substantial Holding, Schedule; and Bisalloy 2020 Annual Report, page 82.

⁷ See Attachment B, Southern Steel Group Pty Ltd ASIC extract, pages 2 and 3.

⁸ See Attachment C, Southern Steel Investments Pty Ltd ASIC extract, page 2.

⁹ See Attachment D, Mirond Holdings Pty Ltd ASIC extract, pages 1 and 2.

Further, statements on Southern Steel’s website evidence a business model based on the value that can be extracted from “partnerships” and information-sharing with its suppliers and customers. The following extracts from that website are apposite:

Like the quality steel we sell, we consider ourselves a well-engineered company. And, as a knowledge-based business we’re very well informed when it comes to understanding market developments, our suppliers and our customers.¹⁰ [underlining supplied]

As the third largest steel supply group in Australia, we have strong partnerships with all major steel producers in Australia.¹¹ [underlining supplied]

Southern Steel considers its vertical business relationships to be “partnerships”, and states that it is “very well-informed” when it comes to understanding market developments and its suppliers. We expect that the Commission will find that Southern Steel’s most significant business relationship, or one of its most significant business relationships, is with Bisalloy, and that Southern Steel’s major supplier of the goods under consideration, about which it is “very well-informed”, is also Bisalloy.

In the context of these corporate relationships, and the other information we have referred to that suggests a common endeavour in the Australian steel market between Southern Steel as a distributor of Q&T steel plate and Bisalloy as a major producer and supplier of Q&T steel plate, we raise the following matters for investigation:

- (a) whether transactions between Bisalloy and Southern Steel take place on an arm’s length basis and, if not, what are the implications of that behaviour;
- (b) whether Southern Steel sells finished Q&T steel plate manufactured by Bisalloy Shangang (Shandong) Steel Plate Co., Ltd (“Bisalloy Shandong”) in the Australian market;
- (c) whether the steel referred to in (b) is imported by Southern Steel or by a trader or traders who on-sell to Southern Steel;
- (d) whether Bisalloy has a role in any transactions referred to in (b) and (c), and its potential knowledge of and acquiescence to those transactions;
- (e) the degree to which Southern Steel imports itself and/or sells finished Q&T steel plate in the Australian market that has been imported from foreign companies other than Bisalloy Shandong, whether from China or from other countries; and
- (f) the credibility of information contained in Confidential Attachments A-9.2.1 to A-9.2.9 of Bisalloy’s application, in so far as that information is said to have been provided to Bisalloy by companies in the Southern Steel group.

¹⁰ <https://www.southernsteelgroup.com.au/index.html>

¹¹ <https://www.southernsteelgroup.com.au/vision.html>

Separately, we draw the Commission's attention to the list of goods and prices set out in Attachment E.¹² SSAB AU is advised that the price list relates to sales offers made by Bisalloy for finished Q&T steel plate from China in the Australian market in 2020. We request the Commission to verify the suggestion made to SSAB AU that this price list relates to products sold by Bisalloy, and that they were imported from China.

The following bar chart shows a comparison of the prices in Attachment E; SSAB's actual FIS ex GST prices for the products of the same specification; and the 2020 USP (the calculation of which has been explained in our previous correspondence).

[CONFIDENTIAL CHART DELETED]

The point of drawing these matters to the attention of the Commission is to ensure that the Commission

- is best placed to assess the credibility of the claims made against SSAB in Bisalloy's application;
- is in a position to make a proper assessment of the financial condition and market power of Bisalloy in "partnership" with Southern Steel; and
- is able to gain a proper understanding of matters that would be relevant to a consideration of the competitive factors at play in the Australian market;
- is aware of the likelihood that Bisalloy is selling imports in the Australian markets at prices that undercut SSAB AU's prices and that are at times well below Bisalloy's own USP;
- may ask Bisalloy, and Southern Steel, about the importation and sale of Q&T steel plate from countries not subject to investigation by them, or by third parties who supply to them;
- can assess what these practices say about Bisalloy's claim that it has not increased its market share, which we assume to be a claim that relates only to sales of its own production, and not also to sales of its imports and imports sold by Southern Steel.

Yours sincerely



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Partner Director

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¹² See Attachment E – List of prices said to be for Bisalloy sales of Chinese Q&T steel plate. **[CONFIDENTIAL ATTACHMENT]**