



**SSAB**

**Quenched and tempered steel plate exported from the USA**

**Response to applicant’s claims of injury and causation presented at importer verification**

6 October 2021

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<b>A</b>	<b>Purpose</b>	<b>1</b>
<b>B</b>	<b>Views already expressed</b>	<b>2</b>
<b>C</b>	<b>Key players</b>	<b>2</b>
<b>D</b>	<b>How the market for the goods operates</b>	<b>4</b>
<b>E</b>	<b>Recent market developments</b>	<b>5</b>
<b>F</b>	<b>Significance of price/how prices are set</b>	<b>5</b>
<b>G</b>	<b>How prices are set in the market, including any evidence you have of counter offers</b>	<b>6</b>
<b>H</b>	<b>Whether factors other than dumping may contribute to claimed injury</b>	<b>6</b>
<b>I</b>	<b>In closing</b>	<b>7</b>

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**A Purpose**

On 16 September 2021, the Anti-Dumping Commission conducted an importer verification with respect to the importer questionnaire response and financial records of SSAB Swedish Steel Pty Ltd (“SSAB AU”). For that purpose, SSAB AU was provided with a Verification Conference Agenda. The agenda included an invitation for SSAB AU to comment on the applicant’s claims of injury and causation, in the following terms:

*We will also seek your views on the applicant’s claims of injury and causation as a result of dumped imports. To facilitate this discussion, the verification team seeks your understanding and any supporting evidence of:*

- *how the market for the goods operates in Australia*
- *key players*
- *recent market developments*

- *significance of price*
- *how prices are set in the market, including any evidence you have of counter offers*
- *whether other factors, other than dumping may contribute to injury claimed by the applicant*
- *any other relevant information on how the goods are sold and used.*

*I note that you have already expressed some views by the means of submissions to the public record. You will not have to re-submit those views and information, however you are welcome to provide additional information and source data that may underpin your argument.*

The following is an edited transcript of the comments provided on these topics on that occasion by Matthew Spiteri (Area Sales Manager, SSAB AU) and Daniel Moulis (Partner Director, Moulis Legal, representing SSAB AU and the SSAB group generally), as requested by the Commission for public record purposes.

## **B Views already expressed**

The views we have already expressed on the public record are foundational.

In providing comments on the specific dot points you have asked us to address we will also highlight the main points we have already made.

## **C Key players**

SSAB is one key player.

The other key player is what we might call a horizontal group of companies, being BlueScope, Bisalloy and Southern Steel, as we will explain further.

SSAB is the premium provider. At all relevant times SSAB is and has been the price leader.

SSAB steel plate is forged in an integrated and continuous steel making process, from go to whoa.

The materials are subject to strict, proprietary process controls, with no separation of steel making from quenching and tempering.

The surface of SSAB material is incredibly flat, which massively differentiates the quality of the product, especially in the transport sector. It is harder, more flexible, and has better weldability than other steel plate in the market.

The proof of this quality difference is in the reputation of the products and the massive brand awareness of SSAB. And you don't have to believe us, you can believe the market.

SSAB is an importer of *only* SSAB steel plate from *only* SSAB locations. SSAB's sales focus is on end users.

Turning now to Bisalloy.

Bisalloy is a processor of greenfeed, meaning that it buys cut-to-size steel substrate, which it then runs through a quenching and tempering line. No one company has the end-to-end responsibility for the final Q&T steel plate product.

Bisalloy is an importer too. In the past it has imported its greenfeed, although our expectation is that most or all of that material at present is supplied by BlueScope.

Getting back to Q&T steel plate, Bisalloy sells imports of the finished product in the Australian market. We do not know how they get here. It could be that they are arranged for Bisalloy through an Australia-based trader as the importer, the motivations for which might be for Bisalloy not to be perceived as an importer itself. This would only be a matter known to Bisalloy.

Bisalloy's sales of imports are from China. It seems likely that they come from companies such as "Leong Jin" and "Xincheng Special Steel". Supply by the former was openly announced to the ASX as follows:

*24 January 2020*

***ASX/MEDIA RELEASE***

***Bisalloy formalises range extension via exclusive supply agreement with Leong Jin***

*Bisalloy Steel Pty Ltd has announced the signing of a supply agreement with Leong Jin (Changzhou) Special Steel Co. Ltd through which a broader range of premium wear and structural Q&T steel products will be supplied exclusively to the Australian market to service growing customer demands and enter new market segments.*

We have provided the Commission with direct evidence of sales of XJC product by Bisalloy.

It is notable that Bisalloy has ardently denied importing Q&T steel plate from its own Chinese joint venture, when we never said it was doing so.

But we should point out that this denial contradicts the application, where it states:

*Bisalloy has a 42 per cent equity stake in a Cooperative Joint Venture (CJV) in the People's Republic of China – Bisalloy Shangang (Shandong) Steel Plate Co., Ltd for the manufacture and distribution of Bisplate Quenched and Tempered Steel Plate under license in the People's Republic of China. Bisalloy therefore imports some limited grades of Quenched and Tempered ("Q&T") Steel Plate.*

Bisalloy says nothing about sales of other China imports in its application, such as Q&T steel plate from Leong Jin or XJC.

We referred to a horizontal group of companies, *including* Bisalloy, as being a key player. The reason for this is because **[CONFIDENTIAL TEXT DELETED – market information source]** Southern Steel were often able to offer a decreased price level. This was said to be because of rebates being offered to Bisalloy by BlueScope, as an offset of its greenfeed prices to Bisalloy.

If true, this could be a sales incentive intended to drive Bisalloy's volumes and therefore also BlueScope's sales volumes. Whether such a practice is evidenced in Bisalloy's financial records, or in the records of any relevant third party, and how it is accounted for, should be matters for inquiry by the Commission.

Again, if there is such an incentive, **[CONFIDENTIAL TEXT DELETED – market-sensitive opinion]** BlueScope would just charge less for greenfeed supplied to Bisalloy in the first place, and leave it at that.

Regarding Southern Steel group, this is a very large Australian distributor that is strongly aligned with Bisalloy. We have described the linkages in shareholding, directors, and family members between the two. We believe this could be evidence of a common business undertaking.

It is believed that Southern Steel is also a key player in terms of its own direct imports, **[CONFIDENTIAL TEXT DELETED – market-sensitive opinion]**.

The consideration report shows the significance of "other imports" in the Australian market. These are imports for which SSAB is not responsible.

## **D How the market for the goods operates**

First of all, we re-emphasise that SSAB AU has a predominantly end-user customer base. Bisalloy is rarely seen or mentioned across 90% of SSAB's customers.

SSAB's end-user customers are extremely loyal to the SSAB brand.

When any customer is advised a price by SSAB AU, they will likely want a lower price in *absolute* terms. This is the nature of things, However SSAB's customers do not expect a lower price in *comparative* terms. And as Matt has said they are more often price "accepters" than "negotiators".

They are not going to get a price from SSAB that is lower than the price they might be offered by Bisalloy, Southern Steel or BlueScope Distribution.

They know they won't get a low price, and don't expect a lower price, because they want SSAB product. They realise it is the premium product in the market, with better inherent characteristics and better acceptance by their own customers.

Further, SSAB AU has lifted its prices over the past three years to incredibly higher levels than before.

This is to strictly clear unsuppressed selling price levels. This extends all the way back to the US port, where a check system operates so that SSAB Alabama pricing to SSAB AU at FOB clears the non-injurious price level.

For its part, Bisalloy's behaviour is confusing and unclear. Its financial performance is better than ever. From this we take it that it has experienced better revenues because of price increases in the market.

It complains of not being able to increase volumes when its capacity utilization increased in 2020 over 2019 by 14%.

Also, it is plainly involved in the sale and distribution of imports from China, being sales it could have had for itself, even if it claims not to be an importer itself.

Note that in the 2013 hot rolled steel plate from China report, Customs and Border Protection said:

*Bisalloy prefers to use trading houses as part of its importing arrangements, even from its joint venture partner, Shandong Iron and Steel. Bisalloy stated that the trading houses:*

- *provide trading terms;*
- *handle all logistics;*
- *may arrange delivery to the Unanderra site;*
- *arrange any returns of goods of unacceptable quality.*

*Trading houses used by Bisalloy include GS Global, Tokyo Boeki and ThyssenKrupp Mannex.*

## **E Recent market developments**

In this regard we see steel demand at levels not seen since 2008 and predicted to remain.

More Australian companies are focusing on the environment by the use of high quality steel products. By this we mean lighter, but stronger steels.

Also the importance of green marketing, with SSAB announcing the world's first fossil free premium grade steel production.

Manufacturers are aligning themselves with the quality of SSAB steel to ensure reliability in the field.

Manufacturers are also looking at manufacturing efficiencies, which SSAB plate assists with, for example workshop benefits through superior flatness and welding benefits.

## **F Significance of price/how prices are set**

We can only refer back to our previous comments. SSAB not only "meets" the unsuppressed selling price level, it exceeds that level. We believe that has been evidenced in our submissions as well.

The quality demanded by our customers, because that's what their customers require, sustains the demand for SSAB steel at the higher price levels at which we sell.

And as we have also said, we do not see price offer competition from Bisalloy in many of our accounts at all. The kind of end user customer that buys SSAB product is for the most part only interested in SSAB product and is accordingly not part of the sales focus of Bisalloy.

Astronomical prices could see our customers looking to the importation of fabricated parts but the strength of the market tells us that we are not at that point.

In Bisalloy’s case, we think they are in an area of the market where their own sales or patronage of Chinese imports have created their own competition.

It is almost as though the sale of cheaper Chinese steel plate has been a brake on their ability to get higher prices for their own processed product. Customers may question why there is different stock with different prices from the one supplier, and maybe also what stock they are getting.

**G How prices are set in the market, including any evidence you have of counter offers**

As we have said, we seek the best prices possible, for the value we deliver. Very few of our end-user customers see Bisalloy as an alternative.

Of course our customers may get offers from many other suppliers, and sometimes we hear about them. Some customers seek prices from both Bisalloy and SSAB.

Price offers by other suppliers are routinely lower than our prices. SSAB readily finds that customers will still buy higher-priced SSAB product because they recognise SSAB’s value proposition. This is to maintain the quality and longer life in their products which their customers demand.

Also with regard to price setting the Commission should consider whether rebates are given on Bisalloy’s material costs, especially if they are related to Bisalloy’s sales effort. Do they exist, what is their purpose, and how they are accounted for?

**H Whether factors other than dumping may contribute to claimed injury**

We would like to highlight that the largest import increase between 2019 and 2020 was the imports classed as “other” which increased by 6,300MT or 54.9%.

We would also like to stress that we see no evidence of injury. We see evidence of massive profitability on Bisalloy’s part, extremely high executive director remuneration, and a continued objection towards SSAB having any market presence here whatsoever.

It is salutary to note that Bisalloy’s latest financial results show the following trends and outcomes:

In thousands of dollars, half year ending:	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21
<b>Sale of steel plates, Australia</b>	40,173	29,110	49,365	37,389	39,081	43,418

In the first half of the investigation period, Bisalloy generated \$37 million from sales of steel plates in the Australian market.

In the second half its performance was 4.5% better than in the first half. Thus, its claims of greater injury in the second half of the period of investigation are without merit.

In relation to the alleged threat of what might happen in the future, the Commission already has evidence of our higher than USP sales price level in the investigation period.

And in the first half of 2021, the period in which it claims the sky would be falling, Bisalloy's sales revenue of steel plate in Australia increased a further 11% on the six months prior.

Also, noting that Q&T steel plate is Bisalloy's main business, we make these observations:

- Bisalloy's margin per tonne of product sold was well up on FY20 as has occurred across the Australian steel industry.<sup>1</sup>
- Bisalloy's profitability is forecast to improve in FY22.<sup>2</sup>
- Covid-19 has not had a material impact on FY21 demand in Australia or China.<sup>3</sup>
- Bisalloy's operating earnings before interest tax depreciation amortisation is up 25.4%.<sup>4</sup>
- Bisalloy's profit before tax +39.2%<sup>5</sup>

Actually these are Bisalloy's own observations, precisely as advised by Bisalloy to the ASX.

## I In closing

The sales volume of SSAB AU did not go up in 2020.

The US exports are by way of import substitution within SSAB AU's own business. All our stock is sold at the same premium prices, it doesn't matter where it comes from.

Looking at the import stats quoted by Bisalloy in the application, we see the imports classed as "other" increasing by 6,300MT over 2019 levels. That's a 55% increase.

You have to assume those imports are directly competitive with Bisalloy. Also, there are suggestions that Bisalloy has something to do with their importation, which makes things even more curious.

**Daniel Moulis**  
Partner Director

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<sup>1</sup> Bisalloy Steel Group Limited, 26 August 2021, *ASX / MEDIA RELEASE*, page 1.

<sup>2</sup> Bisalloy Steel Group Limited, *2021 Financial Report*, page 8.

<sup>3</sup> Bisalloy Steel Group Limited, *2021 Financial Report*, page 7.

<sup>4</sup> Bisalloy Steel Group Limited, 26 August 2021, *ASX / MEDIA RELEASE*, page 1.

<sup>5</sup> Bisalloy Steel Group Limited, *Appendix 4E – Preliminary Report for the Year ended 30 June 2021*, page 1.