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RUUKKI

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ADDITION TO RUUKKI'S SUBMISSION IN THE INVESTIGATION INTO ALLEGED DUMPING OF QUENCHED AND TEMPERED STEEL PLATE EXPORTED TO AUSTRALIA FROM FINLAND; JAPAN AND SWEDEN

Investigating authority: The Australian Anti-Dumping Commission

Initiation: 8 January 2014

Investigation period: 1 January to 31 December 2013

Participant: Ruukki Metals Oy (Business ID 2389445-7)
Suolakivenkatu 1, 00810 Helsinki
Finland

ADDITION TO INITIAL SUBMISSION

Referring to the "Extension of time for Exporter Questionnaire Response – Ruukki Metals Oy" dated 20 February 2014 and issued by the Australian Anti-Dumping Commission ("Commission") Ruukki hereby submits an additional reply to the Consideration Report as well as to the Exporter Questionnaire related to the domestic sales information.

Ruukki's aim still is to comply with any reasonable requests and to cooperate with the Commission regarding the investigation to support the observation that the domestic sales as such are not suitable comparison point for establishing the normal value as provided in s. 269TAC(1) of the Customs Act 1901.

Sales volumes

Ruukki's global sales of the Goods were [***] ktons in 2013. As disclosed in the previous reply [***] ktons of these were sold to Finland and [***] to Australia.

Sales price - comparison between the Australian export price and the domestic price for the Goods

The weighted average of the annual domestic price for the Goods was [***] € per ton in 2013 while the weighted average of annual export price in Australia was [***] € per ton (FOB Australia). Ruukki sees that these prices are not comparable without proper adjustments which are described below in detail.

1. Level of trade and proximity of the steel mill

Ruukki's domestic sales of the Goods are performed by an integrated Steel Service Centre and stockholding network in Finland. This means that the end user is offered shorter lead times (1-2 days delivered to the end user vs. 6+8 weeks in Australia delivered to the trader) and possibility to purchase smaller lot sizes and thus optimise their working capital. Based on internal market intelligence Ruukki has estimated (on the low side) that the profit for such stockholding service is at least [***] € per tonne.

Furthermore the stockholder has to cover its costs. Ruukki estimates that the pure running costs of a stockholding location are [***] € per tonne. To offer a proper comparison point to an Australian stockholder an adjustment for the different level of working capital must be made. In Finland Ruukki's integrated stockholding units may maintain significantly lower inventories because of integrated value chain and geographical proximity of the steel mill. An Australian stockholding unit that trades material produced in Finland would have to –in order to offer same service level in terms of lead time and lot size as Ruukki in Finland – to maintain significantly higher inventories than the Ruukki stockholding units in Finland which would lead to significant cost factor and therefore increase in price. Ruukki values this effect at [***] € per tonne. Hence the level of trade adjustment contains profit ([***] € per tonne) and stockholding costs ([***] € per tonne) amounting to [***] € per tonne.

2. Ruukki specific adjustments

As a Finland based company with half a century market presence and the Finnish state as major shareholder Ruukki has a very strong reputation in the steel market in Finland. This is based on years of work. Our customers recognise and give value to Ruukki brand, premium quality, punctual delivery accuracy, flexible payment terms as well as fast and effortless claim handling. On the other hand the Australian market presence for Ruukki is relatively small both in terms of volumes and time invested which is why Ruukki does not benefit from corresponding premium in the Australian market.

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Furthermore the higher overall steel volumes traded in Finland allow for additional services that create value added also for the customers of the Goods. These include for example free Technical Customer Support that is not available in Australia. Ruukki estimates that the value of the brand and services is [***] € per ton.

3. Summary

Table 1 below summarises the aforementioned differences between Ruukki's domestic and Australian prices in terms of the level of trade and customer value. For the purposes of this submission Ruukki has adjusted the true domestic price of the Goods with these assumptions. The adjusted domestic price is [***] € per ton below the Australia export price.

The figures are best estimates due to the fact that there is no accurate and objective way of valuing such factors as market power or brand in terms of price effect. Still, this exercise shows that various factors explain the difference between domestic prices and the Australian export prices.

Item	2013	Source
Weighted average of the Ruukki domestic average price (FOB € per ton equivalent)	***	Ruukki financial reporting
Adjustments for the level of trade and Ruukki specific items Finland vs. Australia		
Ruukki specific items	***	internal estimate
Level of trade	***	market intelligence
	***	internal costs, market intelligence
Total adjustments	***	
Weighted average of the Ruukki domestic average price adjusted for differences (FOB € per ton equivalent)	***	
Weighted average of the Ruukki annual export price to Australia (FOB €/ton)	***	Ruukki financial reporting
Difference	***	

Table 1 Comparison between the Australian export price and the domestic price for the Goods

Final conclusions

Ruukki renews the conclusion that the export price and the domestic Normal Value cannot be compared as such. The above simulation, however, evidences that several factors contribute to the differences in the price level between Ruukki's domestic price of the Goods and the export price to Australia and that the so constructed normal value is in fact lower than the export price.

The dumping allegations are, therefore, unfounded.

In all other respects Ruukki refers to the initial Submission filed 14 February 2014.

Yours sincerely,



Mr. Vesa Ruukonen
Senior Legal Counsel
Ruukki Metals Oy

Appendices

1. Updated Exporter Questionnaire spreadsheet (excel file)
2. Section D (Domestic sales) of the Exporter Questionnaire