



Australian Government
**Australian Customs and
Border Protection Service**

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF
HOT ROLLED PLATE STEEL**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA (CHINA), THE REPUBLIC OF INDONESIA
(INDONESIA), JAPAN, THE REPUBLIC OF KOREA
(KOREA) AND TAIWAN**

AND

**ALLEGED SUBSIDISATION OF HOT ROLLED PLATE
STEEL EXPORTED FROM CHINA**

END USER VISIT REPORT

BISALLOY STEEL GROUP LIMITED

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION

April 2013

1 TABLE OF CONTENTS

1	TABLE OF CONTENTS	2
2	BACKGROUND	3
2.1	Background to the investigation	3
2.2	Purpose of meeting	4
2.3	Meeting	4
3	THE GOODS	7
3.1	Description	7
3.2	Tariff classification	7
4	COMPANY DETAILS	9
4.1	Company background	9
4.2	Production process	9
4.3	The Australian market for Q & T products.....	10
4.4	Chinese joint venture	10
4.5	Bisalloy's purchases of Q & T Green Feed.....	11
4.6	Alleged injury to BlueScope	14
4.7	Alleged dumping.....	15
4.8	Non-injurious price	15
4.9	Request for separate investigations into alloy and non-alloy plate steel.....	15
5	LIST OF ATTACHMENTS AND APPENDICES.....	16

2 BACKGROUND

2.1 Background to the investigation

On 21 December 2012, BlueScope Steel Limited (the applicant) on behalf of the Australian industry manufacturing hot rolled plate steel (plate steel), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of plate steel exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), Japan, the Republic of Korea (Korea) and Taiwan and a countervailing duty notice in respect of plate steel exported to Australia from China.

The application alleges that plate steel has been exported to Australia from China, Indonesia, Japan, Korea and Taiwan at prices lower than its normal value, that plate steel exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing plate steel.

Following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application. Public notification of initiation of the investigation was made in *The Australian* newspaper on 12 February 2013.

Australian Customs Dumping Notice (ACDN) No. 2013/18 and ACDN No. 2013/20 provide further details of this investigation and are available at www.customs.gov.au.

The investigation period is 1 January 2012 to 31 December 2012. Customs and Border Protection will examine exports to Australia of the goods during that period to determine whether dumping has occurred. Customs and Border Protection will examine details of the Australian market from 1 January 2008 for injury analysis.

Following commencement of the investigation, Bisalloy Steel Group Limited (Bisalloy) contacted Customs and Border Protection to ensure that its circumstances were taken into consideration as part of the investigation. Bisalloy is the only Australian customer for the particular type of plate steel known commonly as Quenched and Tempered (Q & T) Green Feed (discussed further in Section 3 below).

Prior to the meeting, Customs and Border Protection provided Bisalloy with a list of imports from its database where Bisalloy appeared as the importer. After Bisalloy provided information on these importations it became evident that Bisalloy did not itself import goods covered by the investigation during the investigation period. Imports listed with Bisalloy as the importer were actually

- imports of the goods from Korea purchased through a trading company;
- imports of returned exports of finished Q & T plate; and

- imports of finished Q & T plate from China.

In its response to the importer questionnaire, Bisalloy included details on XXXX shipments of Q & T Green Feed imported from Shandong Iron and Steel (formerly Jinan Iron and Steel) in China through the Australian trading house, XXXXXXXXXXXXXXXXXXXXXXXX. Bisalloy advised that these additional shipments represent all Q & T Green Feed sourced from China by Bisalloy in the investigation period.

2.2 Purpose of meeting

The purpose of this visit was to:

- ensure that Bisalloy understood the investigation process and critical dates;
- discuss and understand Bisalloy's processing operations in Australia;
- understand more about the Australian market for Q & T Green Feed and Q & T plate steel;
- understand Bisalloy's processes for sourcing Q & T Green Feed;
- discuss claims of injury to the Australian industry, particularly in respect of Q & T Green Feed plate steel, and the causal link between any injury and imports of Q & T Green Feed plate steel; and
- provide Bisalloy with an opportunity to discuss any issues it believed relevant to the investigation.

2.3 Meeting

2.3.1 Introduction

At the meeting we provided a summary of the investigation process and timeframes as follows:

- the investigation period is 1 January 2012 to 31 December 2012.
- the injury analysis period is from 1 January 2008 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (15 April 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection will not make a PAD until (and if) it becomes satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice;

- the Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 3 June 2013, or such later date as the Minister allows under s.269ZHI of the Act. The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein;
- following receipt and consideration of submissions made in response to the SEF, Customs and Border Protection will provide its final report and recommendations to the Minister. This final report is due no later than 17 July 2013, unless an extension to the SEF is approved by the Minister.
- The Minister will have 30 days from the date of receipt of the final report to make a final decision.
- Certain interested parties have the right to seek a review to the Trade Measures Review Officer in relation to the Minister's decision.

We advised Bisalloy that:

- we would prepare a 'For Official Use Only'¹ report on the verification visit;
- Bisalloy would be given an opportunity to review the visit report for accuracy; and
- a public record version of this visit report would then be prepared in consultation with Bisalloy and placed on the Public Record for the investigation.

2.3.2 Meeting details

Details of the visit were as follows:

Company:	Bisalloy Steel Group Limited
Address:	18 Resolution Drive Unanderra NSW 2526, NSW
Telephone no:	02 42720444
Visit date:	Thursday 4 April 2013
Present at the visit	
Bisalloy	Robert Terpening – Managing Director/CEO Michael Bradmore – Operations Manager Tom Matinca – Business Development and Strategy Manager
Customs and Border Protection	Mick Kenna, Manager, Operations 3 Michelle Gibson, Manager, Operations 3 Tim Flor, Supervisor, Operations 3

¹ Which replaces the previously used security classification of "Confidential".

Prior to the meeting Customs and Border Protection forwarded an agenda to Bisalloy. A copy of the visit agenda is at **confidential attachment 1**.

3 THE GOODS

3.1 Description

The goods the subject of the application (the goods) are:

Flat rolled products of:

- *iron;*
- *non-alloy steel; or*
- *non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed;*

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from the investigation are:

- *250 mega Pascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;*
- *350 MPa yield strength grades of plate steel with a thickness greater than 100mm;*
- *Q & T Green Feed grades of plate steel with a thickness greater than 105mm; and*
- *heat treated Q & T grades of plate steel.*

3.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings 7208.40.00, 7208.51.00 and 7208.52.00 the general rate of duty is 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia.

4 COMPANY DETAILS

4.1 Company background

Bisalloy Steel Group Limited (Bisalloy) is a publicly company listed on the Australian Stock Exchange. The Group comprises:

- Bisalloy Steels Pty Ltd (wholly owned);
- PT Bima Bisalloy (majority owned distributor in Indonesia);
- Bisalloy Thailand (majority owned distributor in Thailand);
- Bisalloy Jigang (Shandong) Steel Plate Co Ltd (Bisalloy Jigang) (joint venture investment in Q & T plate manufacturing in China).

Bisalloy's organisation chart is at **confidential attachment 2**.

Bisalloy purchases the intermediate material Q & T Green Feed plate steel and subjects it to a quench and tempering process to produce high-strength, wear-resistant Q & T plate steel. It is the only manufacturer of such plate in Australia. Bisalloy is the sole supplier of Armour plate steel for the manufacturer of the "Bushmaster" armoured vehicle used by Australian Defence forces.

Bisalloy's products are sold under the Registered brand name "Bisplate". Its plate processing operations in Australia take place at a site at Unanderra in New South Wales. The company currently employs around 80 staff.

Bisalloy was established in 1980, installing a plate processing line in 1984 at a cost of A\$XX million. In the last 10 years or so, Bisalloy has increased its volume of sales from around XXXXX metric tonnes (MT) per annum of Q & T plate steel to around XXXXX MT presently. Approximately XX percent of Bisalloy's production is exported, down from around XX percent a few years ago.

Bisalloy has a broad cross-section of customers, ranging from major mining companies such as Rio Tinto, FMG, BHP Billiton and Xstrata to steel distributors such as OneSteel Distribution and BlueScope Distribution.

Bisalloy has a Q & T plate steel capacity of XXXXX MT per annum and hopes to reach sales of above XXXXX MT in coming years.

A document providing an overview of Bisalloy's business is at **confidential attachment 3**. A list of Bisalloy's major shareholders is at **confidential attachment 4**. Bisalloy's annual report for 2011/12 is at **attachment 5**.

4.2 Production process

Bisalloy purchases Q & T Green Feed from BlueScope and overseas mills. All Q & T Green Feed is shot blasted to remove surface scale. The company

purchases plate between 5 to 100 millimetre (mm) in thickness. It does not differentiate between BlueScope and imported product in the production process.

The shot-blasted plate is heated in a furnace to 900 degrees Celsius which changes the grain structure of the steel. The plate is then quenched with water to lock in the altered grain structure. The plate can then be, if required, tempered in a further heating process at 220 degrees Celsius which removes the stress to make it less likely to crack when worked.

The dimensions of the plate are not altered by the Quench and Tempering process. The plate undergoes a levelling process if required and is only cut if the customer is unable to handle larger sheets.

4.3 The Australian market for Q & T products

Bisalloy provided a document showing its understanding of the Australian market for Q & T plate steel products derived from import statistics and its own sales (**confidential attachment 6**). Bisalloy estimates the Australian market for Q & T plate steel in calendar year 2012 was approximately XXXXX MT which is supplied by imports from Sweden, Japan and other countries (total of XXXXXX) and its own sales of XXXXXX. In addition, Bisalloy exported approximately 6,000 MT and XXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX MT making its total production approximately XXXXX MT.

Bisalloy explained that the market for Q & T products in Australia is highly competitive. It competes with Q & T product being imported by between nine and 12 manufacturers/distributors/traders in Australia.

Bisalloy advised that Q & T Green Feed used in its production of approximately XXXXX MT in 2012 was sourced from BlueScope (approximately XXXXX MT) and imports from Korea and China (approximately XXXXX MT).

Bisalloy stated that its Q & T plate steel business grew by XXX in financial year 2011/12 but that the market had slowed in 2012/13 due to easing mineral resource prices and demand.

4.4 Chinese joint venture

In July 2011, Bisalloy entered into a joint venture with the Chinese steel maker, Shandong Iron and Steel (formerly Jinan Iron and Steel), to manufacture Q & T plate steel.

Bisalloy explained that Shandong Iron and Steel was having difficulties operating the Q & T plant efficiently and invited Bisalloy to assist with its expertise in Green Feed chemistry and Q & T plate production built up over its 32 year history. As a result, the joint venture was formed with Bisalloy making a A\$X million investment. The joint venture's production line is approximately twice the capacity of Bisalloy's Australian operation. The joint venture agreement is for XX years.

The joint venture company, Bisalloy Jigang (Shandong) Steel Plate Co. Ltd (Bisalloy Jigang), purchases Q & T Green Feed plate steel from Shandong Iron and Steel to manufacture Q & T plate steel at a plant in Jinan owned by Shangong Iron and Steel. Both Bisalloy and Bisalloy Jigang purchase Q & T Green Feed from Shandong Iron and Steel at a price.

The joint venture’s customers for Q & T plate steel in China include equipment manufacturers such as XXXXXXXXXXXXXXXXXXXX.

Bisalloy allowed us to view the joint venture agreement that included a clause allowing the joint venture to purchase Q & T Green Feed from suppliers other than Shandong Iron and Steel if its pricing was not competitive. Bisalloy understands that Shandong Iron and Steel sells to the joint venture and itself at the same price.

4.5 Bisalloy’s purchases of Q & T Green Feed

4.5.1 General

Bisalloy stated that, unlike standard non-alloy plate steel, Q & T Green Feed plate steel is made to rigid chemical specifications. XXXXXXXXXXXXX
XX.

Bisalloy purchases Q & T Green Feed only from suppliers that it has accredited as being able to consistently supply plate that meets its quality standards. Bisalloy’s Q&T Greenfeed supplier accreditation process of generally take 2 years. Currently, Bisalloy recognises the following suppliers:

- BlueScope;
- Shandong Iron and Steel; and
- Posco of Korea.

Bisalloy provided a document showing the quantities of Q & T Green Feed it purchased from various suppliers and manufacturers from financial year 2008/09 to 2012/13. The proportions purchased (by manufacturer) in the period were:

Manufacturer	2008/09	2009/10	2010/11	2011/12	2012/13*
BlueScope	XX%	XX%	XX%	XX%	XX%
Shandong Iron and Steel	XX%	XX%	XX%	XX%	XX%
Posco	XX%	XX%	XX%	XX%	XX%
Other	XX%	XX%	XX%	XX%	XX%

Bisalloy stated that it had started exploring alternative sources of supply to BlueScope in about 2002. Significant price increases for BlueScope product in 2004 reinforced the need to examine alternatives for supply. Bisalloy held discussions with BlueScope about purchasing up to XXXXX MT of Q & T Green Feed per annum and was told by BlueScope that it did not have the capacity and Bisalloy should make other supply arrangements.

During the pre-Global Financial Crisis period of steel shortages, Bisalloy could only purchase an 'allocation' of its requirements from BlueScope. Bisalloy stated that as a result its share of the Q & T plate steel market in Australia dropped from around XX% in 2005 to approximately XX% in 2009.

Bisalloy stated that alternative sources of supply are now considered essential to ensuring the business's ongoing viability and minimising risks in the supply chain.

Bisalloy explained that it had purchased all of its Q & T Green Feed requirements from BlueScope up until 2008. Bisalloy stated that in 2008 it commenced requesting quotes from three accredited suppliers, BlueScope, Posco and Shandong Iron and Steel (then Jinan Iron and Steel). Bisalloy stated that it had taken this step in an attempt to provide more certainty over the supply of its principal raw material. Bisalloy stressed the importance of Q & T Green Feed to its business, noting that in financial year 2012, Q & T Green Feed represented over XX% of its production costs.

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.

4.5.2 Products purchased

Bisalloy advised that it purchases six grades of Q & T Green Feed (**confidential attachment 7**). It provided a document setting out the grade names and showing the sizes (thickness and width) available from each supplier. XX
XXX.

Bisalloy advised that BlueScope had developed one of its grade requirements (BIS96) and it had entered into an agreement with BlueScope not to buy the product from other sources. However, after the BlueScope price for the product increased to a point where it was out of kilter with the world market,

Bisalloy engaged overseas manufacturers to produce a grade with slightly different chemistry so as not to violate the exclusivity agreement.

All products purchased are vacuum degassed. Bisalloy stated that the BlueScope process involves vacuum degassing before the addition of calcium while in the Shandong Iron and Steel process the vacuum degassing occurs after the calcium is added. Bisalloy stated that this made no material difference to the chemistry of the outputs.

Bisalloy stated that imported plate steel could be affected by surface scale which occasionally caused problems. Bisalloy stated that the product purchased from Shandong Iron and Steel was slightly superior to BlueScope’s product due to it being more homogenous and having fewer impurities but that the difference was very marginal.

Bisalloy provided a copy of its technical agreements with BlueScope, Shandong Iron and Steel and Posco (**confidential attachment 8**).

4.5.3 Purchases in 2012

Bisalloy provided a spreadsheet showing its purchases of Q & T Green Feed in 2012 [Bisalloy_purchase data]. The data show that BlueScope plate steel accounted for approximately XXX of Bisalloy’s purchase volume (XX% at BlueScope list prices and XXX at tender parcel prices), Shandong Iron and Steel accounted for approximately XXX and Posco approximately XXX. A table of purchase volumes by supplier and grade is at **confidential appendix 1**.

Confidential appendix 2 shows the average monthly purchase price by grade and supplier. It shows that the BlueScope list price is considerably higher than the BlueScope prices for sales under tender parcel arrangements. XX
XX [comment on relative pricing].

Posco supplied only two grades of Q & T Green Feed to Bisalloy in the period XX
XX [comments re pricing].

4.5.4 Purchasing criteria

Bisalloy stated that the following are important factors in the purchasing decision for Q & T Green Feed:

- logistics;
- price;
- quality;
- credit terms;

4.7 Alleged dumping

Bisalloy provided a spread sheet comparing its estimate of the FOB prices per MT for imports from China and Korea with estimated normal values provided in BlueScope’s application for anti-dumping and countervailing measures (**confidential attachment 11**). Bisalloy estimated that the dumping margin was XXX for imports in the investigation period from China and negative XXX on imports from Korea. We explained to Bisalloy that for some of the nominated countries, including China, BlueScope’s the normal value was a hybrid for exports of alloy and non-alloy plate steel and that this may affect the comparison with an alloy plate steel export price.

Bisalloy took issue with the claim in BlueScope’s application that movements in the exchange rate had not been a major cause of injury to BlueScope’s plate steel business. Bisalloy provided a document including charts of the \$US:\$A exchange rate movements over the past 5 years and 12 months. Bisalloy stated that these exchange rate movements (10.7% over the last 12 months) would account for its estimate of the dumping margin applying to its imports from China.

4.8 Non-injurious price

We explained to Bisalloy the concepts of unsuppressed selling price and non-injurious price and how these are considered in establishing the amount of any anti-dumping or countervailing measures that might be imposed.

XX
XX
XX
XXXXXXXXXX. [comment re submission on unsuppressed selling price]

4.9 Request for separate investigations into alloy and non-alloy plate steel

On 22 March 2013, Bisalloy lodged a submission claiming that alloy and non-alloy plate steel are sufficiently distinct that they should be the subject of separate investigations. The submission has been placed on the public file.

5 LIST OF ATTACHMENTS AND APPENDICES

Confidential Appendix 1	Purchase volumes by supplier and grade
Confidential Appendix 2	Monthly purchase prices by supplier and grade
Confidential Attachment 1	Visit agenda
Confidential Attachment 2	Bisalloy organisation chart
Confidential Attachment 3	Bisalloy business overview
Confidential Attachment 4	Bisalloy major shareholders
Attachment 5	Bisalloy annual report 2011/12
Confidential Attachment 6	Bisalloy Q & T market estimates
Confidential Attachment 7	Grades purchased by Bisalloy
Confidential Attachment 8	Technical agreements with supplying mills
Confidential Attachment 9	BlueScope tender parcel bids
Confidential Attachment 10	Bisalloy supplier assessment proforma
Confidential Attachment 11	Bisalloy dumping margin estimates