

PUBLIC RECORD



Anti-Dumping Commission
Director Operations 3
1010 Latrobe Street
Docklands, Vic, 3008
Australia

3/10/2014

Dear Sir or Madam

Ref: Anti-Dumping Commission Preliminary Affirmative Determination #234

I am pleased to have this opportunity to present to you our submission recommending that the Australian Anti-Dumping Commission considers excluding product conforming to the Drake procurement specification, as defined in the submission, from this ADC action.

The quality of product produced by Drake is one of the key reasons we have been able to maintain a position of market leader and to continue to employ close to two hundred people at our Wacol factory despite serious overseas opposition.

Subsequently, this request is based on the our submission concluding that the difference between our current product and the product generally available from the Australian industry is such that use of the Australian product at this time would so seriously injure the Drake brand as to put in jeopardy its market leader position and a substantial number of jobs.

In addition, this submission includes technical and financial information to support that position.

Drake Trailers is an Australian manufacturer and we prominently support other Australian manufactures as can be evidenced in our presently working with Bisalloy to product a suitable product. We are asking that you continue to listen and give us a fair go and not penalise Drake Trailers or its employees for something we cannot reasonably change.

I welcome feedback and encourage a visit to our site so we can illustrate these differences firsthand.

Yours sincerely

Khali Lake
Chief Executive Officer
Drake Trailers Pty Ltd



Executive Summary

This submission is in reference to the investigation “PAD234”

It examines in detail the question of likeness in relation to currently available Australian product and overseas product current purchased by Drake Trailers.

Drake has a procurement specification (Appendix 1) which outlines its strict quality and “flatness” requirements. A review of these requirements was undertaken to consider the question of them being reasonable in ensuring a supply that is fit for purpose. This revealed that not only were the requirements well known to our past, present and prospective suppliers but that all suppliers, taking into account the end use of the product, considered them reasonable.

To answer the question of likeness we compared randomly selected Australian Industry product to that from Japan, Sweden and Finland and since it had been found to be a fair guide to the question of the product being fit for purpose, Drakes’ procurement policy was used as the baseline.

It will show that the randomly selected product from Japan, Finland and Sweden was compliant with Drake requirements for plate flatness tolerances whereas recently tested product from Bisalloy failed to meet those requirements. All materials were of a quality to meet the chemical composition requirements.

This submission considered the potential injury to Drake were it forced to use the Australian product, product that has recently been randomly tested and shown not to be fit for purpose. It is agreed that this position may change in the future as Drake is working with Bisalloy to develop an acceptable product, but that time is not yet here.

Furthermore this submission considers the potential injury to Drake were it forced to pay substantially more for the product that it currently purchases, product that is fit for purpose right now.

This submission will show that either of the above scenarios would in fact damage the Drake brand and diminish its ability to defend itself against overseas competitors resulting in a loss of sales and a reduction in its workforce.

In conclusion a remedy is put forward by way of a recommendation to exclude product conforming to the procurement specification from this ADC action until such time as the Australian industry can supply, as standard and at commercially viable pricing, product conforming to the procurement specification.

**Anti-Dumping Commission
Preliminary Affirmative Determination #234
End User Submission
Product 'Fit for Purpose' Analysis
Quench and Tempered 700 Grade Steel Plates**



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making light work of heavy loads

1 Standard Definitions

Drake Trailers: Drake:	Drake Trailers Proprietary Limited, Wacol, QLD. End User
Q&T Plate:	Quench and Tempered Steel Plate 400-700. Material
ASM:	ASM Corporation. Distributor
NSSMC:	Nippon Steel & Sumitomo Metal Corporation. Manufacturer
SSAB:	Swedish Steel. Manufacturer
Rukkii:	Finnish Steel. Manufacturer.
Bis 80:	Q&T 700Gr plate from Bisalloy. Manufacturer
Australian Industry: Bisalloy	Bisalloy Steel Group Limited
Shapecut:	QLD Profile cutting provider. Distributor and End User
BSD:	Bluescope Distribution. Distributor and End User



2 Overview

2.1 Introduction

This submission is in reference to the investigation “PAD234”

It examines in detail the question of likeness in relation to currently available Australian product and overseas product current purchased by Drake Trailers.

Drake has a procurement specification (Appendix 1) which outlines its strict quality and “flatness” requirements. A review of these requirements was undertaken to consider the question of them being reasonable in ensuring a supply that is fit for purpose. This revealed that not only were the requirements well known to our past, present and prospective suppliers but that all suppliers, taking into account the end use of the product, considered them reasonable.

2.2 Drake Requirements and Policies

As a result of Drake being a premium brand and manufacturing high quality products, customers have developed an expectation that their new asset is of excellent quality and finish.

Due to Drake’s products being long, fabricated steel assemblies it is vital for both final finish and efficiency in fabrication that the Q&T profiles are cut and supplied with minimal deviation and minimal longitudinal or transverse ripples. Both of these conditions, when not controlled, result in extended fabrication times and induced stresses in the structural assemblies.

Drake Trailer policy is to reject plates that do not meet our specific form, fit and functional requirements. Prospective vendors are informed of the policy and recognize the importance for Drake to accept product that meets this higher standard given the unique nature of requirements.

Due to Drake’s policy to place preference on local industry, the company has approached potential Australian vendors over the years that have opted to supply to the lesser Australian (AS1365) standard. As a consequence, the product obtained from Australian vendors was deemed unacceptable for Drake’s application which forced the company to establish relationships with Japanese and European suppliers to acquire the product that will meet our standard.

Consequently and despite serious reservations on the timing of this new spirit of cooperation being in the midst of their anti-dumping claims Drake Trailers has accepted a Bisalloy offer to try to develop a conforming product. Understandably addressing all the issues in this case including those pertaining to commercial responsibility this process may take some time.

2.3 Japan, Finland and Sweden, standards of delivery.

The arrangements with Japanese and European suppliers continues today and to their credit we rarely, if ever, need to reject a plate delivery.

The mills in each respective company/country are all well compliant with the applicable standards for plate tolerances, however all of these mills operate under tighter standards therefore the product quality required by Drake Trailers is satisfied by them.

In short they produce a product by default that exceeds even the strict Drake Trailer requirements.

3 Flatness Measurement Procedure

Method

Measurements were carried out as per AS1365:1996/Amdt 1:2014 s1.4¹ with a 1m straightedge giving deviation/m over two contact points. This was conducted and photographed both transversely and longitudinally on the subject products.

3.1 Material

Table of products measured randomly selected by the distributors.

Material 700Gr	Supplier
10mmPL x 2.5m 8m;	Bisalloy (at BSD)
10mmPL x 2.5m x 9m	Rukkii (at BSD)
6mm & 10mmPL 2.5m x 9m	SSAB (at Shapecut)
6mm & 10mmPL x 2.5m x 9m	NSSMC (at Shapecut)

3.2 Equipment

Table of Equipment Used

Description
1m Straight Edge
150mm Rule
Canon EOS DSLR 350D



¹ Also consistent with EN10029:2010

4 Flatness Observations

4.1 Bisalloy

The Bisalloy was observed to have deviations of $\geq 4\text{mm/m}$. Also present were 4 prominent transverse ripples (Fig 1) and one more severe longitudinal ripple (Fig 2) in the plate.



Fig 1



Fig 2

4.2 Rukkii

The Rukkii product was observed to be flat with one deviation over the entire plate length. The transverse flatness was not observable with the naked eye (Fig 3), deviations per meter were $\leq 2\text{mm/m}$ (Fig 4)



Fig 3



Fig 4

4.3 SSAB

The SSAB products were observed to be flat with no transverse ripples (Fig 5), deviations per meter were $\leq 2\text{mm/m}$. In some cases the deviation was below an observable threshold with the naked eye (Fig 6).



Fig 5



Fig 6

4.4 NSSMC

The NSSMC products were observed to be very flat with no transverse ripples (Fig 8), deviations per meter were $\leq 2\text{mm/m}$, and in some cases no deviation was observed, the rule would stand on its edge (Fig 7).



Fig 7



Fig 8

5 Findings

5.1 Australian Industry supply

The Australian industry product, Bisalloy 80 was observed to have excessive flatness deviations on both the transverse and longitudinal axes. Whilst geometrically compliant with AS1365² it differs from the product of Japan, Sweden and Finland.

The Bisalloy products were randomly selected by BSD staff in Brisbane who was also present during the testing process. At the conclusion of the tests both BSD and Drake staff agreed that the plate did not conform to the annexed procurement specification.

5.2 Japan, Sweden and Finland supply

The product supplied by Japan, Sweden and Finland are of excellent geometric quality. It was observed to have minimal flatness deviations on either the transverse and longitudinal axes.

Consistently achieving tolerances in the order of 70% below what is stipulated in the Australian standard this plate conformed to our annexed procurement specification.

The overseas products were randomly selected by Shapecut staff in Brisbane who were also present during the testing process. At the conclusion of the tests both Shapecut and Drake staff agreed that the plate conformed to the annexed procurement specification.

5.3 Processing in Australia

The hundreds of small businesses process Q&T plate in Australia consume a vast amount of raw plate and combined employ thousands of Australians.

Off shore processing in countries such as New Zealand and Indonesia directly compete with those companies and are already advantaged by typically lower raw material and labour rates compared to Australia.

It is logical to accept that a significant synthetically forced cost impost in raw material costs in only Australia would further widen the cost gap and add to the attractiveness of Australian businesses changing to overseas sources for plate processing putting Australian processing businesses and jobs at real risk. Furthermore, greater processing overseas results in an even smaller Australian market for Q&T plate.

In the ADC submission there does not appear to be an accounting in the calculations for loss of local plate sales due to overseas processing yet this is already a significant determinant and given the significance of the proposed tariff it is likely to have and even greater impact as more processing goes off-shore.

² AS1365:1996\Amdt 1:2014

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6 Future Supply, Conclusions & Recommendation's

6.1 Future supply

Given the increasing competition of imports from Asia, United States and Europe and the high proportion of plate in the end product, Drake Trailers ability to remain a market leader and continue to manufacture in Australia is inextricably linked to its ability to secure the best possible product at competitive prices.

Current suppliers have provided written confirmation to Drake Trailers that they are able to continue to supply a product that conforms to the stated procurement criteria. They have the technical support, skill and have a proven track record of support to giving reason for confidence they can meet our future needs.

In the past this could not be said of Bisalloy, however, recently Bisalloy contacted Drake Trailers and have now expressed a desire to produce a product to meet the needs of Drake Trailers.

6.2 Conclusion

The product quality Drake Trailer's has come to rely on from the European and Japanese mills is integral to Drake Trailers continued leadership in the heavy Transport market and its ability to continue to compete against overseas imports and employ Australian labour.

The products from Japan, Sweden and Finland continually meet and exceed Drake Trailer's supply parameters now.

Recent evaluation has proven Australian Industry product does not meet Drake Trailers supply parameters although it is conceivable that this may change in future because Drake are working with Bisalloy to produce a product that is fit for our purpose and commercially responsible.

Any action that synthetically raises Australian Q&T plate prices will likely lead to:

1. A substantial increase in the cost of a Drake Trailer. Modelling shows that one trailer type may increase in price by up to \$50,000 while imports of this trailer type coming into Australia would not be affected; effectively making imports \$50,000 cheaper overnight and leading to a very real possibility of reduced sales followed by reduced local employment.
2. Local manufacturers wishing to stay competitive with overseas imports may be forced to subcontract assemblies and value-added processing such as cutting, bending and machining offshore; potentially damaging many small businesses and costing hundreds of jobs in Australia.

6.2.1 Drake Specific Recommendation

Drake Trailers material procurement specification is not only well known to our past, present and prospective suppliers but all suppliers consider them reasonable when determining the question of fit for purpose.

Drake Trailers requests that the Australian Anti-Dumping Commission considers excluding product conforming to the appended procurement specification until such time as the Australian industry can show it is generally available to the Australian market. We respectfully submit that “generally available” should mean that supply is not dependent on quantity since such actions may cause a financial impediment to supply that does not currently exist.

For example: The requirement may be for one plate; if Bisalloy required a minimum of six plates but SSAB had no minimum because it is generally available to the market an unacceptable financial impediment would exist only for the reason it was not a normal or generally available product from Bisalloy.

6.2.2 General Recommendation

Bisalloy rightfully should be protected against these activities yet Australian manufacturers must buy raw materials at prices that are competitive with our neighbours in order to survive. If Australian manufacturing does not survive no one will be there to buy the protected product anyway.

Additionally, history has shown that any increase to raw materials costs that only applies to Australia buyers could have a lasting and detrimental impact on the hundreds of small processing and engineering companies and in turn thousands more processing jobs around Australia.

In light of these equally important yet competing interests and before any final decision is made Drake Trailers respectfully recommends that the Anti-Dumping Commission or other body be empowered to complete an industry wide study showing the real impact of a forced significant increase in the cost of raw materials applicable only to Australian manufacturers on Australian manufacturing as a whole and not just one small segment.



6.3 Refer Appendix A attached

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