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5 April 2019

Mr An Chew
Case Manager
Investigations 2
Anti-Dumping Commission
Anti-Dumping Commission
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Public File

Dear Mr Chew

Investigation 506: Continuation of Anti-Dumping measures on Quenched and Tempered Steel Plate exported from Finland, Japan and Sweden

Please find attached for your consideration a briefing for the exporter verification team prepared by Bisalloy Steels Pty Ltd.

If you have any questions, please do not hesitate to contact me on (02) 4272 0403 or Bisalloy's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely



Luke Beale
Chief Financial Officer/Company Secretary

Australian Industry – ADC Exporter Briefing

Introduction

- Sweden is the largest source country of Quenched & Tempered (“Q&T”) steel plate exported to Australia during 2018;
- Supplier is SSAB, an integrated flat carbon steel, heavy plate, high strength automotive, and specialty (i.e. Q&T) producer;
- SSAB is a cooperative exporter and will be the subject of an exporter verification visit by ADC;
- SSAB claims to be the number one producer for Q&T steel plate globally¹;
- SSAB also operates through its subsidiary Ruukki of Finland;
- SSAB has an objective of achieving increased shipments of specialty steels (i.e. Q&T) with a target of 1.35 million tonnes in 2020 (compared with 1.0 million tonnes in 2016 and 1.3 million tonnes in 2018²);
- In 2018 SSAB decided it would invest SEK 1 Billion to increase annual production of Q&T steel from around 300,000 tonnes to 400,000 tonnes by 2021 – a 33 per cent increase;
- SSAB has a financial target “*to secure industry-leading profitability*” and claims to have been the third best-performing amongst its peer group in the first nine months of 2018³.

SSAB – 2018

- SSAB’s 2018 Annual Report confirms it improved its Net sales and EBITDA margin in 2018 over 2017 by approx. 13 per cent;
 - Special Steels segment represents approx. 19 per cent of total sales;
 - It is noted that SSAB Specialty Steels has “*global responsibility for Q&T marketing and sales of all SSAB’s quenched and tempered steels and hot-rolled high-strength steels with yield strengths of 700 MPa and above*”;
 - Special Steels (Q&T) and Advanced High-Strength Steels achieved SEK 18.9 billion in sales of 1.3 million tonnes in 2018; SSAB’s Special Steels employs approx. 1800 people;
 - SSAB Special Steels targets market segments that “*include manufacturers of heavy transport, construction machinery and material handling including mining and recycling*”;
 - SSAB operates “SSAB Services” – a business unit within SSAB Special Steels that “*focuses on providing products and services to machine builders and the after-market business*” that includes the mining, quarrying, recycling and construction sectors. This support is “*represented across 80 countries*” including companies with an SSAB ownership;
 - SSAB states that demand in Special Steels was stable in 2018, with “shipments” growing by 9 per cent;
 - Operating profit was SEK (1,421) million – although higher prices and volumes had a “positive impact on earnings” *this was counteracted by higher variable costs, primarily of raw materials. Fixed costs were higher and capacity utilisation was lower because of production disruptions and more extensive maintenance*⁴
- ADC to identify higher selling price and costs for normal value assessment for like goods sold and produced by SSAB in local market;

SSAB Domestic & export sales

- Section C-1 of the SSAB EQR identifies the models of Q&T steel plate exported to Australia during the 2018 investigation period;
- Section C-2 of the SSAB EQR identifies the models of Q&T steel plate sold on the domestic market by SSAB;

¹ SSAB 2018 Annual Report, P.16.

² Ibid, P.21.

³ Ibid, P.23.

⁴ Ibid, P.32

- It is noted that some export models identified by SSAB (e.g. WELDOX 700 E and 700 EM) are claimed to be "functionally equivalent" to Strenx 700 E
 - whilst this may be the case, the issue for the Commission is whether there are domestic selling prices for identical product as that exported to Australia during the investigation period;
 - for export models where SSAB claim they are "functionally equivalent" to a domestic sale must be examined with high degree of caution;
 - potential for "dumbing down" on normal values by including models that are not identical.

Like goods

- In investigation No. 234 the Commission concluded that Bisalloy manufactured "like goods" to the imported goods from Finland and Sweden;
- Bisalloy continues to compete head-to-head with SSAB on all grades of Q&T steel plate (predominantly wear & structural);
- There has been no new technological advances that affords SSAB's product a commercial advantage over Bisalloy;
- No grounds exist for adjustments that the exporter may perceive based on quality of the goods produced by it.

Yield strength v tensile strength

- Yield strength and Tensile strength together often are referred as tensile property of the steel and they have been correlated in the standards for quenched and tempered high strength steel.
- In Australian (AS3597) and European standards (EN10025-6) for quenched and tempered high strength products, both yield and tensile strength are listed in the clarification tables;
- Each grade has its own minimum yield strength and is correlated with its minimum tensile strength. For instance, a 20mm thick quenched and tempered high strength steel with 700MPa yield strength shall have a minimum tensile strength of 770 MPa (EU10025-6) or 790 MPa (AS3597);
- Globally, some manufacturers use minimum yield strength to clarify their products (e.g. SSAB), and other manufacturers use minimum tensile strength to clarify their products (e.g. the Japanese producer NSSMC (Nippon-Sumitomo's Welten780 in unit N/mm²), JFE Steel (Japan Future Enterprise's Hiten780 in unit of N/mm²) and Australian Bisalloy. (Structural 80 in unit of kg/mm²);
- Irrespective what name it has used, Strenx700, Welten780 and Bisalloy Structural 80 are the same grade products with same tensile properties (same levels of minimum yield and tensile strength) per standard EU10025-6 and AS3597. End users of such product often replace one with other for the same end-use application;
- Clarification [*name*] of wear grade is based on the typical hardness of the product. 450 wear grades such Bisalloy Wear 450 and Hardox 450 have same typical hardness. They have often been replaced with each other in the application.
- A comparison of Bisalloy grades and SSAB grades is included at Confidential Attachment 1. Minimum tensile strengths and hardness (Brinell) are shown;
- A table comparing Bisalloy grades versus SSAB grades and the applicable standards (European, US, Australian, Japanese) is included at Confidential Attachment 2.

Price relativities between grades

- It is Bisalloy's view that SSAB the major proportion of sales of Q&T steel plate by SSAB are in the [*grades*] Wear and [*category*] structural categories. There are some small sales of other grades, which Bisalloy estimates at less than xxx tonne p.a.
- Bisalloy understands that SSAB [*comment re pricing strategy*] prices based upon [*number*] basic thickness ranges:
 - (i) [*Thickness*];
 - (ii) [*Thickness*];
 - (iii) [*Thickness*].

SSAB's DDP pricing for these grades have not altered from 2017 (despite increases in iron ore and coal prices):

Mid-range	Grade	\$xxxx DDP	(equiv Bisalloy xxx);
	Grade	\$xxxx DDP	(equiv Bisalloy xxx);
	Grade	\$xxxx DDP	(equiv Bisalloy xxx);
	Grade	\$xxxx DDP	(equiv Bisalloy xxx 500).

Prices are A\$ and metric tonnes.

- There is an “alloys” surcharge between the grades of Q&T supplied by SSAB. [*Commercially sensitive pricing estimates*] – hence the approximate pricing above;
- All manufacturers of structural grades of Q&T incur testing costs to ensure product meets the required tensile strength as required by the relevant Standard. Toughness is also measured via “charpy impact”. Rubber wheel abrasion test (ASTM G65) is required for “wear” products. All testing attracts a cost to the manufacturer. These costs for relevant grades must be included in the CTMS of each SSAB grade;

Other relevant costs to be considered

- Bisalloy understands that SSAB has HR, Operations and Logistics located in Singapore, with a management fee levied on export sales of SSAB goods;
- The Commission must validate the costs of the Singapore office and the “management fee” for reconciliation;
- Management fee adjustment to be included in SSAB normal values.

SSAB Finland

- It appears that SSAB Finland is not cooperating with the Commission in this investigation;
- The Raahe, Finland facility manufactures Q&T steel plate (*size and grades*);
- Hardox is manufactured in Finland and, following a recent upgrade, has sufficient excess capacity to supply to Australia;
- Commission to identify relevant grades that are supplied from the Finnish facility to ensure correct export price determinations.