



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

CONTINUATION INQUIRY 506

**INQUIRY INTO THE CONTINUATION OF ANTI-DUMPING
MEASURES APPLYING TO QUENCHED AND TEMPERED
STEEL PLATE**

EXPORTED FROM FINLAND, JAPAN AND SWEDEN

VISIT REPORT - AUSTRALIAN INDUSTRY

BISALLOY STEELS PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED HEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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ABBREVIATIONS

the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
ABF	Australian Border Force
Bisalloy	Bisalloy Steels Pty Ltd
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
the goods	quenched and tempered steel plate
IDD	interim dumping duty
injury analysis period	from 1 January 2014
inquiry period	1 January 2018 to 31 December 2018
MCC	Model Control Code
NIP	non-injurious price
Q&T steel plate	quenched and tempered steel plate
USP	unsuppressed selling price

1 BACKGROUND

On 23 November 2018 the Commissioner of the Anti-Dumping Commission (the Commissioner) published Anti-Dumping Notice (ADN) 2018/172 on the website of the Anti-Dumping Commission (the Commission). That notice, in accordance with subsection 269ZHB(1) of the *Customs Act 1901* (the Act),¹ invited certain persons to apply to the Commissioner for a continuation of anti-dumping measures applying to quenched and tempered steel plate (the goods) exported to Australia from Finland, Japan and Sweden.

On 22 January 2019, Bisalloy Steels Pty Ltd (Bisalloy), an Australian producer of the goods, lodged an application for the continuation of the measures, which was within the applicable legislative timeframes.²

Following consideration of the application, a continuation inquiry was initiated and a public notice³ was published on 11 February 2019 in respect of the goods exported to Australia from Finland, Japan and Sweden.

The inquiry period is 1 January 2018 to 31 December 2018 (inquiry period).

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

² In accordance with subsection 269ZHB(1)(b).

³ ADN No. 2019/22.

2 THE AUSTRALIAN INDUSTRY AND LIKE GOODS

2.1 The goods

The goods the subject of the anti-dumping measures (the goods) are:

Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered (“Q&T”) steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).

Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.

The goods are generally, but not exclusively, classified to subheadings 7225.40.00 (statistical codes 21, 22, 23 and 24) and 7225.99.00 (statistical code 39) in Schedule 3 of the *Customs Tariff Act 1995*.

2.2 The Australian industry

Bisalloy is the sole manufacturer of the goods in Australia.

During the visit, Bisalloy provided the verification team with a tour of the manufacturing facility at Unanderra, New South Wales. Details of the production process are contained in the verification work program at **Confidential Attachment 1**.

2.3 Model matching criteria

For the purpose of model matching, Bisalloy had suggested the following Model Control Codes (MCCs), which are outlined in ADN No. 2019/22:

- grade (i.e. structural, wear or armour);
- tensile strength (for structural grade only);
- Brinell hardness (for wear or armour grade);
- thickness;
- width; and
- length.

The verification team considered the following MCCs, which were deemed to be mandatory in ADN No. 2019/22, as the appropriate categories for the purposes of model matching during this verification visit:

- grade (i.e. structural, wear or armour);
- tensile strength (for structural grade only); and/or
- Brinell hardness (for wear or armour grade).

2.4 Preliminary assessment

The verification team is satisfied that there are like goods wholly manufactured in Australia by Bisalloy, and that there is therefore an Australian industry producing like goods.

3 VERIFICATION OF SALES

3.1 Verification of sales data to financial statements

The verification team verified the completeness and relevance of Bisalloy's sales listing by reconciling it to management reports and audited financial statements in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team identified issues with the verification of the sales listing to management reports and audited financial statements. These issues are described below and were resolved during the verification.

3.1.1 Items in sales listing that were not like goods sold in Australia

The verification team identified that the sales listing included goods which did not fit within the goods description and so were not 'like goods'. Additionally, Bisalloy identified sales in the sales listing which were export sales of like goods, not domestic sales.

The verification team was able to identify and remove sales items which were not sales of like goods within Australia. The verification team was able to verify the updated sales listing to management reports.

3.1.2 Rebate value

Bisalloy's originally submitted appendices contained an overstated amount of domestic discounts/rebates. This amount contained domestic discounts/rebates and commissions paid on export sales.

Bisalloy provided updated sales data during the verification, separating export commissions from domestic rebates and applying them to the correct sales market.

3.2 Verification of sales data to source documents

The verification team verified the accuracy of Bisalloy's sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team found the below issues when verifying the sales listing to source documents. The verification team is satisfied that these issues were resolved during verification.

3.2.1 Sales items other than like goods

Prior to verification, the verification team requested that Bisalloy provide source documentation for selected domestic sales of like goods.

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During verification, it was identified that one of the selected sales was an export sale, not a domestic sale, and two other sales were domestic sales in relation to products outside the goods description.

These three sales were not considered by the verification team in reaching its conclusion on verifying sales data to source documents.

3.2.2 Rebates not included in sales listing

Bisalloy stated that it gave rebates on some sales items, however its domestic sales listing did not identify any rebates.

Bisalloy was able to provide an updated sales listing with all rebates included on a transactional basis and provided evidence for these. The verification team is satisfied that the rebates recorded are complete, relevant and accurate.

3.2.3 Payment terms

Bisalloy's source documentation did not include reference to payment terms for certain sales items. Instead, the source documentation for these sales items referred to standard terms and conditions that are sent to customers upon receiving an invoice.

Bisalloy was able to provide the verification team with the standard terms and conditions, which included reference to payment terms.

3.3 Related party customers

The verification team made further enquiries regarding certain Bisalloy customers who appear to be related to Bisalloy's parent company, Bisalloy Steel Group Pty Ltd.

The verification team has compared sales to these customers with sales to other customers and is satisfied that these sales are arm's length transactions.

The verification team did not identify any sales of like goods made by Bisalloy to any other related parties.

Further details of this are contained in the verification work program at **Confidential Attachment 1**.

3.4 Imports by applicant

Bisalloy stated that it has imported raw materials and finished product from other countries, including one country currently subject to measures (Sweden).

The Commission examined the Australian Border Force (ABF) import database and confirmed that products matching the goods description were imported by Bisalloy during the inquiry period.

3.5 Export sales

Bisalloy advised that it made export sales of like goods during the inquiry period.

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The verification team was able to reconcile the quarterly export sales values and quantities listed in the appendices submitted with the application.

3.6 Sales – conclusion

The verification team considers that Bisalloy's sales listing is a reasonably complete, relevant and accurate reflection of the sales of the goods during the inquiry period .

Accordingly, the verification team considers Bisalloy's sales data to be suitable for analysing the financial and economic performance of its operations during the inquiry period.

4 VERIFICATION OF COST TO MAKE AND SELL

4.1 Verification of costs to financial statements

The verification team verified the completeness and relevance of Bisalloy's cost data by reconciling it to management reports and audited financial statements in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team identified issues with the reported production quantities and the classification of certain selling expenses for export sales, as outlined below.

4.1.1 Production quantities

The verification team has identified that production quantities were incorrectly recorded for one quarter of the inquiry period. The production quantity has been revised to reflect the findings at the verification visit and the verification process is contained in the verification work program at **Confidential Attachment 1**.

4.1.2 Selling expenses

The verification team identified that certain selling expenses for export sales did not include commissions paid on export sales. Bisalloy originally included these commissions as rebates/discounts on domestic sales. The selling expenses have been revised to include commissions paid on export sales and the verification process is contained in the verification work program at **Confidential Attachment 1**.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Bisalloy's cost data by reconciling it to source documents in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the costs data to source documents.

4.3 Related party suppliers

The verification team did not identify any suppliers that are related to Bisalloy.

4.4 Costs to make and sell – conclusion

The verification team considers that Bisalloy's cost to make and sell (CTMS) data in the revised *Appendix A6* is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell the goods during the inquiry period.

The verification team compared the verified costs for the inquiry period with the costs provided in the *Appendix A6* on a quarterly basis and is satisfied these costs are suitable

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for analysing the economic performance of Bisalloy's Q&T steel plate operations during the period from 1 January 2014 to 31 December 2018 (injury analysis period).

5 ECONOMIC CONDITION OF BISALLOY

5.1 Commencement of measures and inquiry period

On 5 November 2014, anti-dumping measures in the form of interim dumping duties (IDD) were imposed on Q&T steel plate exported from Finland, Japan and Sweden.

The verification team has examined the Australian market and the economic condition of Bisalloy during the injury analysis period.

5.2 Approach to analysis

The analysis detailed in this chapter is based on verified financial information submitted by Bisalloy. The verification team has also relied on importation data obtained from the ABF database.

The verification team's preliminary assessment of the Australian market and the economic condition of the Australian industry is outlined in **Confidential Appendix 2**.

5.3 General market conditions

The Australian market for Q&T steel plate is supplied by Bisalloy, goods subject to measures from the subject countries and other countries.

The main markets for the goods are distributors and end users who further process the goods into other products.

5.4 Volume trend

The following analysis is based on data provided by Bisalloy as well as data obtained from the ABF database.

5.4.1 Sales volume

Figure 1 illustrates Bisalloy's sales volumes for Q&T steel plate in the Australian market during the injury analysis period. Bisalloy claims that the increases in sales volumes are in line with an increase in the market generally due primarily to an improving outlook for Australian mining companies.

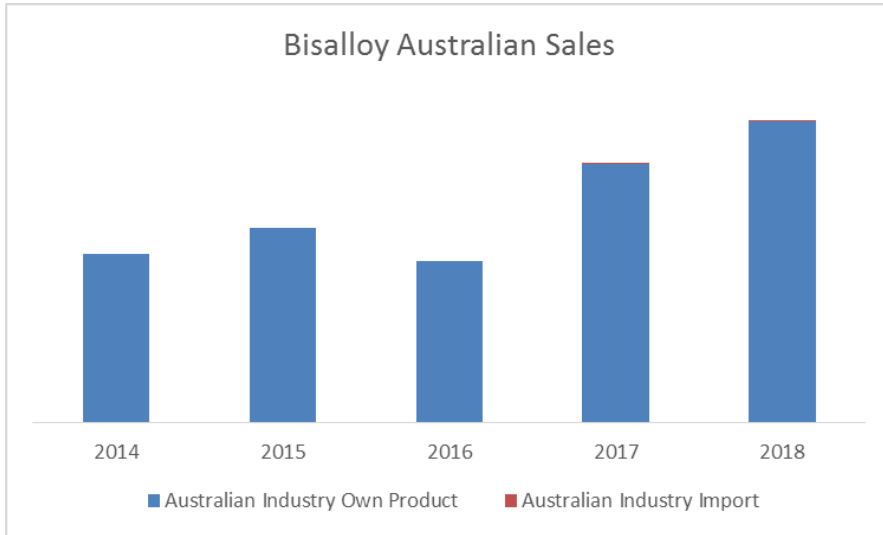


Figure 1 – Bisalloy’s domestic sales volume of Q&T steel plate

5.4.2 Market share

Figure 2 illustrates shares held in the Australian market:

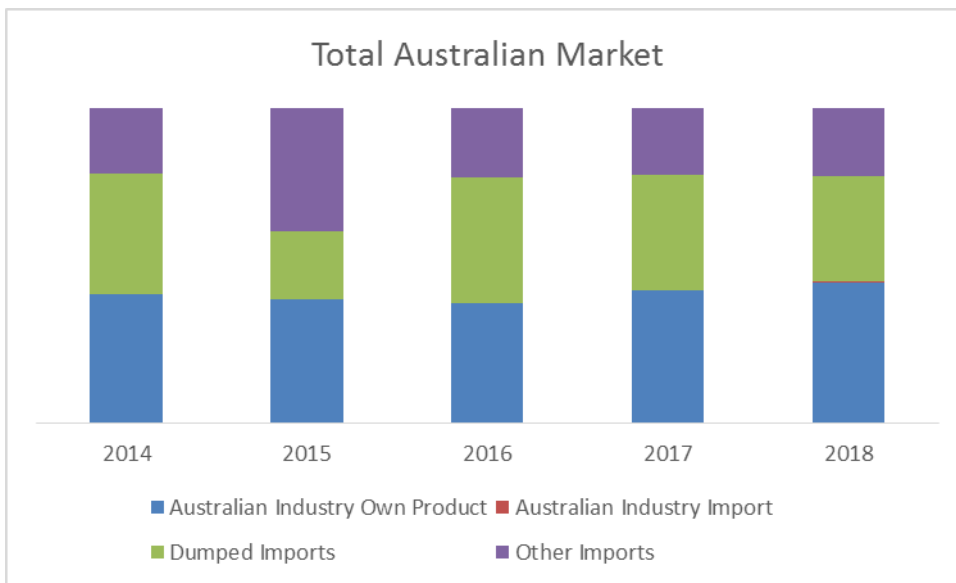


Figure 2 – Australian market share

5.5 Price effects

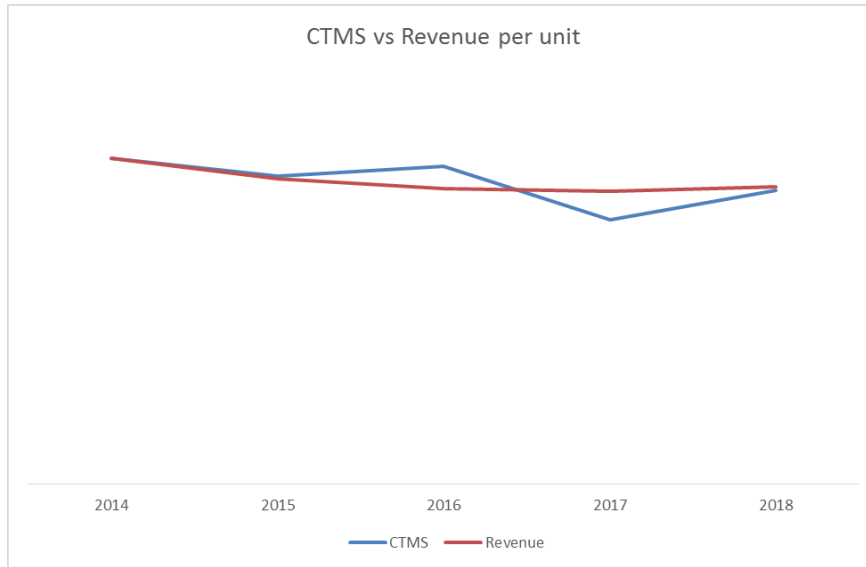


Figure 3 – Bisalloy’s unit net revenue and cost

As can be observed above in Figure 3, Bisalloy’s CTMS has fluctuated throughout the injury analysis period. Average unit revenue has remained stable since 2016 notwithstanding a significant increase in demand. In addition the visit team understands that Bisalloy’s product mix has changed over time with the proportion of sales of armour, structural and wear products changing throughout the injury period. As a result of which reference to an average revenue and CTMS may mask product specific injury, in particular in wear and structural categories, given the higher cost and revenue associated with armour grade Q&T steel plate.

Bisalloy advised that revenue has increased significantly in the 2018 calendar year.

5.6 Profit and profitability

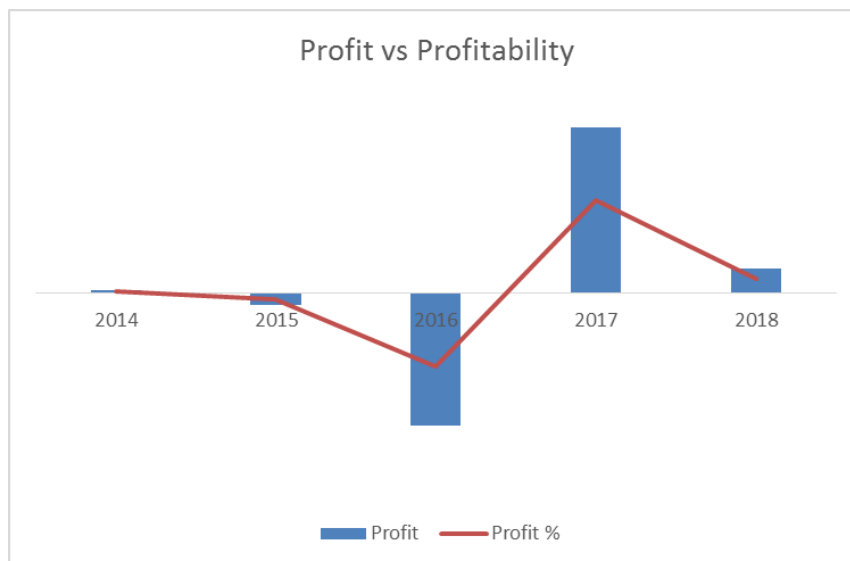


Figure 4 – Bisalloy’s profit and profitability

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As can be seen above, Bisalloy improved its profitability on Q&T steel plate in the 2017 calendar year. Bisalloy remained profitable during the inquiry period despite a significant drop in profit in 2018. Bisalloy observed that profit is lower than would be expected for a niche, specialised product such as the goods.

Bisalloy's product mix has changed over time. The verification team considers that the average profit shown above may mask changes in profit for specific categories of the goods, in particular in wear and structural categories.

5.7 Other economic factors

Bisalloy provided information in respect of other economic factors during the injury analysis period (**Confidential Appendix 1**).

Below is a summary of other economic factors for the goods:

- Bisalloy have increased their capacity utilisation from the 2017 calendar year; and
- Inventory turnover has increased from the 2017 calendar year.

The verification team observe that the above improvements have been as a result of an improved overall market for the goods which has ultimately led to increased sales by Bisalloy.

5.8 Factors other than dumping

Bisalloy stated that the increasing cost of energy was impacting its costs of producing the goods. There verification team noted that energy utilised during the quenching and tempering process is one of Bisalloy's most significant costs. Further information regarding this is contained in the verification work program at **Confidential Attachment 1**.

5.9 Conclusion

The verification team is of the view that despite a significant recent increase in demand, profit has slumped in the inquiry period and per unit revenues have remained flat.

6 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES

Subsection 269ZHF(2)) provides that the Commissioner must not recommend that the relevant Minister take steps to secure the continuation of the anti-dumping measures unless the Commissioner is satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of:

- the dumping; and
- the material injury that the anti-dumping measure is intended to prevent.

Bisalloy claims that should the measures expire this would lead to a continuation, or a recurrence, of dumping and that would cause material injury to the company. Bisalloy outlined a number of factors and provided evidence to support its claims.

6.1 Continuation or recurrence of dumping

Bisalloy observed that there were no material changes in the industry since the original investigation to indicate that dumping would cease or not recur if the measures were allowed to expire.

Evidence of pricing offers for the goods exported from Sweden was provided to the verification team and Bisalloy are of the view that the main exporter of the goods from Sweden has not ceased dumping into the Australian market.

The verification team observed from ABF data that exports of the goods from Japan decreased significantly since the imposition of the original measures. Bisalloy are of the view that this has occurred due to manufacturers in Japan focussing on supplying steel for the upcoming Summer Olympic Games in 2020 in Tokyo. As construction is near completion, Bisalloy claims that exporters of the goods in Japan will again have capacity to supply the Australian market, and this is likely to occur at dumped prices.

Bisalloy advised that since the original investigation, SSAB had purchased the manufacturing facility in Finland. Exports from Finland had almost ceased, and in the absence of anti-dumping measures, Bisalloy believe that there will be a resumption of supply from Finland at dumped prices.

6.2 Continuation or recurrence of material injury

Bisalloy advised that it continued to receive correspondence from its customers with competitive pricing offers for the goods from the countries subject to the measures. As a result, Bisalloy is forced to lower its prices in order to remain competitive in the market.

Bisalloy claims that, in the absence of the anti-dumping measures, it would suffer from increased undercutting from the goods exported from Finland, Japan and Sweden and a decrease in the price of the goods, adversely affecting Bisalloy's revenue and profit.

7 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an inquiry. The Commission generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

As part of the inquiry, the Commission will establish the USP. The USP is generally established by using the following hierarchy:

- Market approach: industry selling price at a time when the Australian market was unaffected by dumping;
- Construction approach: the Australian industry's CTMS, plus a reasonable rate of profit; or
- Selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates the NIP by deducting costs incurred in getting the goods to the Free on Board (FOB) point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

Bisalloy observed that it had not agreed with the Commission's calculation of the NIP for Swedish and Finnish exporters in the original investigation and that, in any event, the data used then was now not current.

The verification team invited Bisalloy to make a submission on its view of the most appropriate method to calculate the USP.

8 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Revised Appendices
Confidential Appendix 2	Market analysis