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ONESTEEL AUSTRALIAN TUBE MILLS PTY LTD

APPLICATION FOR ANTI-DUMPING DUTIES

CERTAIN HOLLOW STRUCTURAL SECTIONS

exported from

the People's Republic of China, Korea, Malaysia, Taiwan and Thailand

and

APPLICATION FOR COUNTERVAILING DUTIES

CERTAIN HOLLOW STRUCTURAL SECTIONS

exported from

the People's Republic of China

August 2011

AUSTRALIAN CUSTOMS SERVICE

Application for Dumping and Countervailing Duties

DECLARATION

I request in accordance with Section 269TB of the Customs Act 1901 that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice for HSS exported from Korea, Malaysia, Taiwan and Thailand

☐ a countervailing duty notice, or

☐ a dumping and a countervailing duty notice for HSS exported from China

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature:...

Name: Stephen Porter

Position: General Manager, Sales

Company: OneSteel Manufacturing Pty Ltd

ABN: 42 004 651 325

Date: / /

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PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ (02) 6275-6066 Fax (02) 6275-6990

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

This application for measures is made on behalf of the largest Australian manufacturer of carbon steel welded pipe and tube (also known as hollow steel sections, or HSS), OneSteel Australian Tube Mills Pty Ltd (hereafter referred to as "OneSteel ATM").

Contact details of appropriate personnel representing OneSteel ATM are as follows:

Contact Name:	Stephen Porter
Company and position:	Onesteel Manufacturing Pty Ltd
Address:	668 Lorimer Street, Port Melbourne, Victoria, .3207
Telephone:	(03) 8360 2519
Facsimile:	(03) 8671 4451
E-mail address:	porters@onesteel.com
ABN:	42 004 651 325

Alternative contact:

Contact Name:	Josh Harslett
Company and position:	OneSteel Manufacturing Pty Ltd,
Address:	668 Lorimer Street, Port Melbourne, Victoria, 3207.
Telephone:	0407 008 341
Facsimile:	(03) 8671 4451
E-mail address:	harslettj@onesteel.com

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

The applicants have engaged the following consultant to assist with this application:

Name:	Mr John O'Connor
Representative's business name:	John O'Connor & Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo Qld 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	39 098 650 241

A-2 Company information.

1. **State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.**

This application involves hollow structural sections (i.e. HSS) also known as 'pipe & tube' exported from the People's Republic of China ("China"), the Republic of Korea ("Korea"), Malaysia, Taiwan and Thailand. The name of the applicant company requesting the imposition of anti-dumping measures (on all exports from the five nominated countries) and countervailing measures on HSS exported from China, is as follows:

- OneSteel Australian Tube Mills Pty Ltd (ABN 21 123 666 679) – a wholly owned subsidiary of OneSteel Limited

OneSteel Australian Tube Mills Pty Ltd (hereafter referred to as ("OneSteel ATM") uses the business name "Australian Tube Mills" (or "ATM") for the business involved in the manufacture and sale of carbon steel welded pipe and tube.

OneSteel ATM is a business unit that brought together the OneSteel Group's and Smorgon Steel Group's pipe and tube businesses. On 2 March 2007, the two separate pipe and tube businesses operated by OneSteel Trading Pty Ltd and Smorgon Steel Group were combined to form a joint venture company, Australian Tube Mills Pty Ltd. From 20 August 2007, the joint venture company became a wholly owned subsidiary of OneSteel Limited following the merger of the OneSteel Group and the Smorgon Steel Group.

2. **Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.**

An internal organisation chart for OneSteel ATM is enclosed as a confidential attachment. Please refer to OneSteel ATM Attachment A-2.2.

3. **List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.**

OneSteel Limited is a publicly listed company.

Major shareholders within OneSteel Limited are disclosed in the company's annual report.

4. **If your company is a subsidiary of another company list the major shareholders of that company.**

As indicated above, OneSteel ATM is a wholly-owned subsidiary of OneSteel Limited, which is listed on the Australian Stock Exchange.

5. **If your parent company is a subsidiary of another company, list the major shareholders of that company.**

Please refer to Question A-2.4 above.

6. **Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).**

A diagram detailing associated companies to OneSteel ATM is included at OneSteel ATM Confidential Attachment A-2.6.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

Corporate allocations are made by OneSteel Trading to OneSteel ATM in the form of corporate charges. The allocations have been included in OneSteel ATM's Confidential Appendix A6.1 and A6.2 data.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

OneSteel ATM does not have any relationship with the exporters of the goods the subject of this application. OneSteel ATM has imported certain HSS from countries not included in this application. These volumes are disclosed at Confidential Appendix A5.

9. Provide a copy of all annual reports applicable to the data supplied in Appendix A3 (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

OneSteel Limited's annual reports for the 2008 to 2010 years are available on OneSteel's website (see www.onesteel.com). Copies of One Steel Limited's 2009 and 2010 annual reports are included at OneSteel ATM Non-Confidential Attachment A-2.9.

10. Provide details of any relevant industry association.

OneSteel ATM is a member of the Australian Industry Group ("AiGroup"), the Australian Steel Institute, and the Bureau of Steel Manufacturer's of Australia ("BOSMA").

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

The goods under consideration ("GUC")

The imported goods the subject of this application are electric resistance welded pipe and tube made of carbon steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes, commonly used in structural and mechanical applications.

The GUC are referred to as either circular hollow sections ("CHS") or rectangular or square hollow sections ("RHS" and "SHS" respectively). The Australian Customs and Border Protection Service ("Customs and Border Protection") has collectively referred to the goods as hollow structural sections ("HSS"). Internationally, the goods are generically referred to as "pipe and tube". Hereinafter, the goods will be referred to as "HSS".

Specifications

The sizes of the HSS covered by this application are as follows:

- circular products - those exceeding 21mm up to and including 165.1mm in outside diameter;
- oval products – those with a perimeter up to an including 1277.3mm; and
- rectangular and square products - those up to an including 1277.3mm in perimeter.

CHS with other than plain ends (e.g. threaded, swaged and shouldered) is also included in the GUC. HSS may also be referred to as extra-light, light, medium, heavy or extra heavy according to its wall thickness.

HSS is generally produced to either the British Standard BS 1387 or the Australian Standard AS 1163 or international equivalent standards (including ASTM/JIS and KS). HSS can also be categorised according to minimum yield strength. The most common classifications are 250 and 350 mega Pascals ("MPa").

Finishes

All HSS regardless of finish (e.g. non-galvanised, in-line galvanised, hot-dipped galvanised) is included in the application. Non-galvanised HSS is typically of painted, black, lacquered or oil finished coatings.

Excluded goods

The following categories are excluded from the GUC[1]:

- Conveyor tube (made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing [not exceeding 0.1mm on outer surface and 0.25mm on inner surface], and out of round standards [i.e. ovality] which do not exceed 0.6mm in order to maintain vibration-free rotation and minimum wind noise during operation);
- Precision RHS with a nominal thickness of less than 1.6mm (is not used in structural applications); and
- Air heater tubes to AS 2556.

[1] RHS made from cold-rolled based galvanised coil is not listed as an exclusion as RHS made from cold rolled based galvanised coil has been observed in the market.

Glossary of Terms

The following abbreviations have been used in this application:

- HSS – Hollow Structural Sections, also known as pipe and tube;
- HRC – Hot Rolled Coil;
  HRS - Hot Rolled Strip or Narrow strip
- CRC - Cold Rolled Coil;
- Steel Billet – can be used as semi finished feed for narrow strip production in China;
- Steel slab – used as semi finished feed for hot rolled coil production.

2. What is the tariff classification and statistical code of the imported goods.

The goods under consideration are classified within tariff sub-headings 7306.30.00 (statistical codes 31, 32, 33, 34, 35, 36 and 37), 7306.61.00 (statistical codes 21, 22 and 23) and 7306.69.00 (statistical codes 26, 27 and 28).

Imports of the goods the subject of this application attract the following rates of duty:

- China – 4 per cent;
- Korea – 5 per cent;
- Malaysia – zero per cent;
- Taiwan – 5 per cent; and
- Thailand – zero per cent.

Effective 1 January 2010, goods exported from Malaysia qualify for zero duty under the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area ("AANZFTA"). Goods imported from Thailand are the subject of a Free Trade Agreement between Australia and Thailand and a free rate of duty also applies. Imports from Korea and Taiwan attract a 5 per cent rate of duty under the Developing Countries "DCT" arrangements. Imports from China qualify under the Developing Countries "DCS" preferential provisions.

Please refer to Non-Confidential Attachment A-3.1 for a copy of the Customs Tariff Schedule 3 extract.

It is noted that published Australian Bureau of Statistics ("ABS") import clearance data does not disclose "country of import" details due to current suppression orders at the request of importers. The applicants have obtained details of export data for each of the nominated countries (and remaining volumes exported to Australia) from alternative sources. Please refer to Section B-1.2 below for details on source data.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

HSS is manufactured in Australia by OneSteel Australian Tube Mills ("OneSteel ATM"), Orrcon Operations Pty Ltd ("Orrcon"), and Independent Tube Mills Pty Ltd ("ITM"). The local companies manufacture equivalent goods to the imported HSS.

OneSteel ATM manufactures HSS in painted, black, in-line galvanised and hot-dipped galvanised finishes. Orrcon manufactures HSS with painted, black and in-line galvanised finishes. Orrcon does not manufacture pipe & tube in hot-dipped galvanised finish.

It is understood that Independent Tube Mills manufactures black and painted HSS.

OneSteel ATM manufactures its range of HSS at its manufacturing sites at Acacia Ridge, Queensland, at Newcastle, NSW and Somerton in Victoria. OneSteel ATM also manufactures large diameter pipe (that competes at the large-end of the diameter range specified at A-3.1 above, at its Port Kembla facility.

Customs and Border Protection has previously determined (in Trade Measures Reports No. 116, 144, 144A and 153) that the Australian industry manufactures 'like goods' to the imported goods the subject of this application. The Australian industry continues to manufacture 'like goods' to imported HSS from China, Korea, Malaysia, Taiwan and Thailand.

Copies of OneSteel ATM product brochures are included at Non-Confidential Attachment A-3.3.1.

4. **Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.**

OneSteel ATM considers HSS manufactured in Australia possesses essential characteristics similar to the imported HSS. This matter has previously been considered in earlier Trade Measures Reports[2]. In particular, the matter was referred to in Trade Measures Report No. 116 (an earlier investigation involving the five countries the subject of this current application). Customs and Border Protection's comments in that earlier report were reinforced in a recent review investigation involving HSS exported from China (i.e Trade Measures Report No. 153).

In that report, Customs and Border Protection reiterated that whilst it considered that '*there are certain differences in the physical characteristics of the imported and the locally manufactured product*' it was satisfied that the HSS produced by the Australian industry had physical characteristics closely resembling imported HSS. Customs and Border Protection further considered that that the imported and locally produced HSS have similar manufacturing processes, and distribution and marketing channels. It also determined that domestically produced HSS was commercially and functionally substitutable and competes directly with imported HSS.

OneSteel ATM is of the view that HSS manufactured in Australia possesses similar physical characteristics to imported HSS from each of the five nominated countries (i.e. China, Korea, Malaysia, Taiwan and Thailand). OneSteel ATM also considers that locally produced HSS and the subject imports have similar manufacturing processes, and marketing and distribution channels. The Australian industry's HSS "is commercially and functionally substitutable and competes directly with imported HSS from the five nominated countries.

It is therefore apparent that the imported HSS from China, Korea, Malaysia, Taiwan and Thailand possess certain essential characteristics to HSS manufactured by the Australian industry.

5. **What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.**

The ANZSIC code applicable to HSS is category 2713 for Steel Pipe and Tube manufacturing.

6. **Provide a summary and a diagram of your production process.**

The HSS manufacturing process involves raw material feed steel hot rolled coil or strip, (hereinafter referred to as "HRC") or pre galvanised HRC or pre galvanised CRC (hereinafter referred to as pre galvanised HRC/CRC), that is slit then re-rolled into smaller coils ready for use in the pipe and tube mills. The slit coil is unrolled and fed into the mills via an accumulator or similar mechanism, which allows a continuous flow of slit coil into the production process.

[2] Trade Measures Reports No. 116, 144, 144A, and 153.

The slit coil is then "cold formed" through a series of rollers and continuously welded via the 'electric resistance welding' process into a hollow round tubular shape. The round tubular shapes are further formed through rollers into round, square, rectangular and other shapes.

The HSS is then surface-finished by applying various protective coatings such as paint, varnish, oil or galvanising (in-line or hot dipped). The HSS is finally cut to length, bundled and placed in racks ready for storage or despatch to customers.

Please refer to OneSteel ATM Confidential Attachment A-3.6 for a HSS production process schematic.

7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

OneSteel purchases the majority of its raw material hot rolled coil from the Australian supplier, BlueScope Steel Limited. OneSteel ATM has also purchased imported HRC, however, it predominantly sources HRC locally.

8. If your product is a processed agricultural good, you may need to complete Part C.3 (close processed agricultural goods).

HSS is not a close processed agricultural product.

9. Supply a list of the names and contact details of all other Australian producers of the product.

As indicated above, Orrcon Limited and Independent Tube Mills Pty are also local manufacturers of HSS. Contact details are as follows:

1. Orrcon Limited
   121 Evans Road
   Salisbury Queensland 4107

   Tel: (07) 3274 0668

2. Independent Tube Mills Pty Ltd
   2-4 Independent Way
   Ravenhall Victoria 3023

   Tel: (03) 8361 8366

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

Locally produced and imported HSS is used in a variety of applications across a range of sectors of the Australian economy including (but not exclusive to):

- automotive;
- engineering construction;
- manufacturing;
- mining, oil and gas;
- residential and non-residential construction;
- temporary fencing;
- transport;
- furniture and play equipment; and
- rural applications.

End-use applications for which HSS may be used include (but not exclusive to):

- scaffolding and fencing (fixed and temporary);
- trailer frames (boat and box);
- mining equipment;
- sign posts;
- playground equipment and shade provision in parks and public spaces;
- architectural finishes in large open span structures (airports, shopping centres, etc);
- major structural engineering applications;
- gates – domestic, industrial, commercial and rural;
- vehicle chassis (bus, truck, etc);
- light manufactured goods;
- gantries that support railway electrification cables;
- domestic, rural, commercial and industrial structures;
- sporting stadiums;
- light fabrication and maintenance work;
- truss systems for roofing within variable structure types;
- agricultural equipment such as spray systems, hay feeders, cattle crushers, cattle yards, etc.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

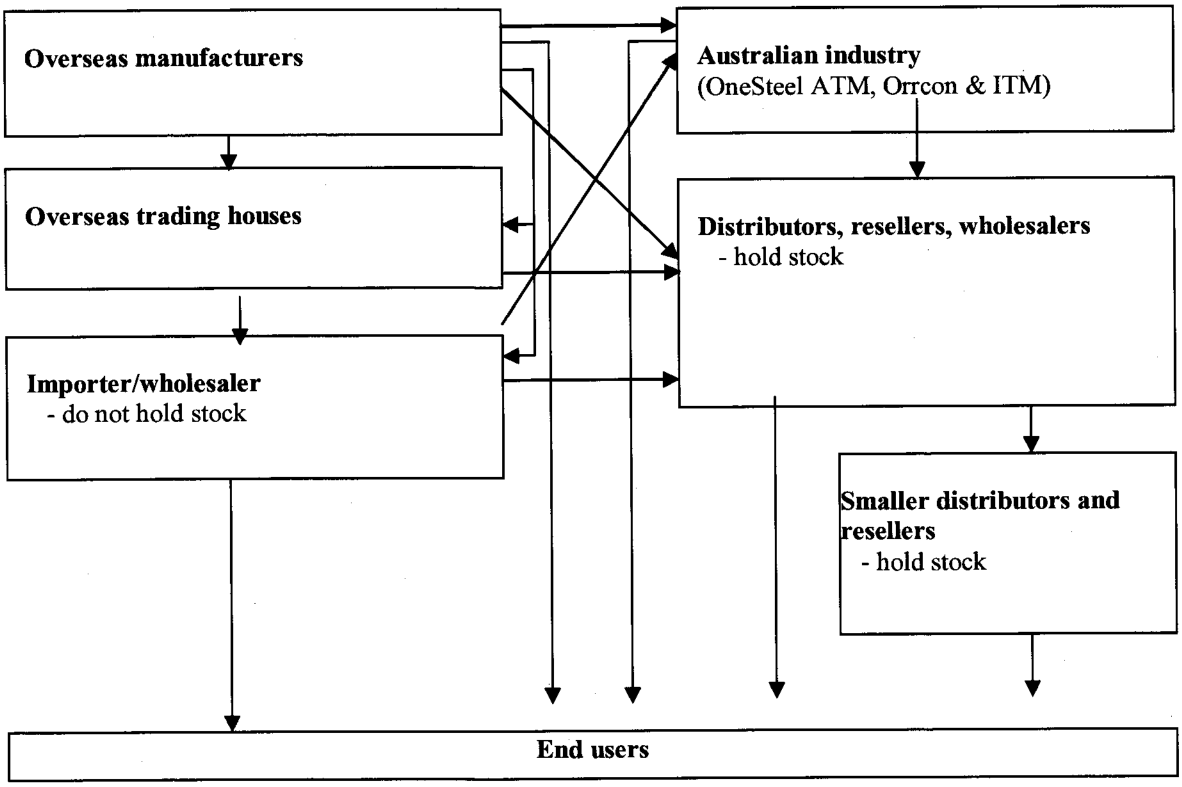
Sources of product demand

The Australian HSS market is supplied from local production and imports. Local production is sourced from OneSteel ATM, Orrcon and ITM. Imports are sourced from a range of countries, including China, Korea, Malaysia, Taiwan and Thailand as major sources of supply.

Demand for HSS is from a range of sectors of the Australian economy (see Section A-4.1 above). Product demand was influenced by the general economic downturn over the last quarter of 2008 and the first half of 2009. Following this period, demand improved with imports growing at a much faster rate than Australian industry sales.

Marketing and distribution

The Australian HSS market comprises local manufacturers, overseas suppliers, importers, wholesalers, distributors, resellers, and end-users. The following Table depicts the supply arrangements on the Australian market:



The above diagram is that which is included in Trade Measures Report No. 116 at P. 18.

Rationalisation of Australian industry

On 7 March 2007, the OneSteel Group and the Smorgon Steel Group established a joint venture company, Australian Tube Mills Pty Ltd and merged each of their pipe and tube manufacturing assets into that single entity. This resulted in the rationalisation of the Australian industry in 2008 from three individual manufacturing entities to two entities (the other being Orrcon) – ITM was not in existence at that time.

On 20 August 2007, the 50 per cent proportion of OneSteel ATM (or Australian Tube Mills Pty Ltd as it was then known) owned by Smorgon Steel was acquired by the OneSteel Group as a result of the OneSteel-Smorgon Steel merger. OneSteel ATM then became a wholly owned subsidiary of OneSteel Limited.

A requirement of the OneSteel-Smorgon Steel merger involved the sale of the previous Smorgon Steel Distribution business. This business was purchased by BlueScope Steel. In the 2006 inquiry into HSS, Customs and Border Protection commented that the majority of sales by OneSteel and Smorgon (prior to the creation of OneSteel ATM) were made via their respective internal distribution businesses. After the creation of OneSteel ATM on 2 March 2007 and prior to the OneSteel-Smorgon Steel merger on 20 August 2007 this situation largely continued, although the sales were all made by OneSteel ATM (or "Australian Tube Mills Pty Ltd" as it was then known). However, after the OneSteel-Smorgon Steel merger on 20 August 2007 one of the main previous distribution channels for OneSteel ATM is now owned by BlueScope. As such sales by OneSteel ATM no longer reflect the situation as reported by Customs and Border Protection in Trade Measures Report No. 116.

Since the merger of the OneSteel Group and the Smorgon Steel Group in August 2007 and the consequent divestment of Smorgon Steel Distribution to BlueScope, a far greater proportion of all domestic sales of HSS by the Australian industry are to non-related parties of Australian industry than prior to that merger.

In 2010, ITM commenced commercial local production in Victoria.

Typical customers/users/consumers/of pipe & tube

Typical end-users of HSS are reflected in the various end-use segments identified in Section A-4.1 above.

The presence of market segmentation, such as geographic or product segmentation

The goods under consideration are supplied to a range of market sectors as identified in Section A-4.1 above.

In terms of geographic segmentation the applicants sell and distribute across Australia. Similarly, imported HSS is sold and distributed across Australia.

The Australian market for HSS is diverse (as indicated by the broad range of market sectors to which the goods are supplied). Expansion of the total market over recent years, along with an increase in the number of market participants indicates that product availability and pricing in the HSS market is generally transparent, irrespective of market segment.

Causes of demand variability

Trade Measures Report No. 116 quoted interested parties in a previous investigation as attributing growth in the Australian HSS market to "an increase in the level of economic activity in Australia, particularly in the mining sector, and a change in architectural trends over time."[3] Growth in the pool and temporary fencing market were also identified as reasons for an increase in the overall size of the Australian market.

Alongside the identified reasons attributed to growth in the Australian market, there are factors which may be regarded as 'seasonal' which impact the market. These include:

- The construction cycle. There is widespread opinion in the industry that the months of December and January each year effectively aggregate to one normal month of sales given that the traditional construction industry holiday period falls at this time;
- A take up of sales to the rural sector in May and June each year. This is believed to be driven by the desire of the farming community to resolve any outstanding "repairs and maintenance" issues prior to the end of the financial year;
- An industry behaviour driven by attainment of balance sheet targets for half-year and full-year financial ratios. This invariably sees distributors, resellers and wholesalers attempt to leverage down stock-holdings for the 31st December and 30th June each year. This normally has the corresponding impact of a "restocking" program in January/February and July each year; and
- Quarterly pricing of the key feedstock for pipe and tube – Hot Rolled Coil (HRC). Many suppliers of HRC invariably negotiate new pricing for commencement 1st July, 1st October, 1st January and 1st April each year. Pending global trends and individual opinion, distributors and resellers may consciously attempt to stock-up, or de-stock, ahead of their

[3] Trade Measures Report No. 116, P. 17.

belief of price rises or falls in the price of HSS products.

The way in which the imported and Australian product compete

As indicated above, HSS is used in various end-use applications. Typical applications include vehicles, bridges, OEM equipment manufacture, buildings (residential, commercial, industrial), public works, etc. Alternate applications may include handyman work, some repair work where owner takes risk of structural integrity of the repair, some fencing, etc.

In terms of competition between imported and domestic product, it is the responsibility of the manufacturer to assure the purchaser (i.e. distributor, reseller, end-user) that the product meets the standard that was specified at time of order. Domestic manufacturers therefore supply product to the relevant Australian standard and where required, have quality assurance systems in place to warrant that the product can be traced to appropriately specified, and assured, feedstock.

Some sources of imported HSS products cannot demonstrate the same level of traceability to appropriate standards of feedstock and counter this with lower sell prices to distributors and resellers. Distributors and resellers in turn use the purchase price of this imported HSS product to motivate the domestic producers to sell at a lower cost. In addition, some of these imported products are sold into the end-use market place and the domestic manufacturers are forced to either reduce selling price to maintain market volumes via other distribution channels or forego the volume as the target selling price marginalises the overall business attractiveness.

Any other factors influencing the market

Australian producers of HSS products have genuinely been acknowledged as highly innovative and highly competitive. This is evidenced by the introduction of an in-line painted product and the introduction of dual-graded pipe and tube which allows distributors to stock *one* product which meets the requirements of 350 and 450 grade steel. Genuine competitive forces amongst the domestic manufacturers has prompted a continuous cycle of innovation and cost-competitiveness to maintain and/or grow market share.

The growth in imported market share has predominantly been driven by price – a price that the Australian industry considers in the majority of instances to be below that of the price sold and/or below the cost of raw materials plus value-add margin in the country of origin.

The manufacture of HSS products is a comparatively simple process in terms of economics:
- All manufacturers (domestic and international) must use appropriate feedstock (hot rolled coil) which is effectively a world traded commodity (i.e. prices are set internationally);
- The feedstock must be slit into appropriate widths to align with the target finished product;
- If the target finished product is to be "pre-gal" then the coil must be galvanised prior to manufacture, or alternatively purchase galvanised coil;
- The "widths" of coil (referred to as "mults" – multiples of the wider master coil) are then cold-formed into the finished product and then painted or lightly oiled, left bare, or in-line galvanised or off-lined galvanised.

On the basis of this cost structure and sell price (as validated elsewhere in this submission) the applicant contends that the imported product forces Australian industry to either:

- Compete directly at a price point for many HSS products in many markets that results in significant reduction of margins to (a) unacceptable ROI levels, or (b) sell prices less than fully-absorbed cost-to-make-and-sell – either outcome will eventually and inevitably require cessation of supply to the target market on sound commercial principles are applied; or
- Choose not to pursue the low margin HSS business and forego volume as a consequence. The resultant lower volume across Australian manufacturers' fixed cost base results in the unit costs of remaining production to increase – thereby impacting viability of the wider product range.

It is OneSteel ATM's submission that current HSS imports from China, Korea, Malaysia, Taiwan and Thailand are being dumped (Chinese production is also subsidised) and that the dumping (and subsidisation) has caused, and continues to cause, material injury to the Australian HSS industry.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

There are very few products available that can be described as "fit-for-purpose" substitutes for HSS products. HSS tends to compete with other general metallic and timber construction materials, however, any substitution appears to be marginal.

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

Confidential Appendix A1 has been completed for OneSteel ATM for the twelve months to 30 June 2011. Please refer to Confidential Appendix A1.

5. Complete appendix A2 (Australian market).

Confidential Appendix A2 has been completed by OneSteel ATM.

Please refer to Confidential Appendix A2.

6. Use the data from appendix A2 (Australian market) to complete this table:

Sales quantities for OneSteel ATM have been obtained from Confidential Appendix A6.1. Data presented is from the 2005/06 to the 2010/11 financial year periods. Sales volumes and values for Orrcon and Independent Tube Mills have been estimated over the nominated periods. HSS import data over this period is not readily available from the Australian Bureau of Statistics ("ABS") due to suppression restrictions sought by importers. ABS import data detailing import quantities and values by country is not available from ABS.

Information pertaining to imports of the goods under consideration has been sourced from xxxxxxxxx, a company that provides analysis of import and export data for trade internationally. There exists a slight 'timing' difference between published information and that data which is otherwise available from ABS (in the absence of suppression restrictions).

The timing difference, however, is not anticipated to materially alter the data relied upon for presentation in this application.

The information is incomplete for HSS exports from Malaysia. OneSteel ATM has identified that HSS exported from Malaysia appears to be classified (incorrectly) to sub-heading 7306.61.00 statistical code 90 and 7306.69.00 statistical code 30. The import volumes from Malaysia in 2010 classified to these categories have been included as the import volumes from Malaysia in 2010. On the basis of the apparent misclassifications for Malaysian HSS imports, it is likely that the identified import volumes included in this application for 2009 are understated.

*Indexed table of sales quantities**

Period	(a) Your Sales	(b) Other Aust^n Sales	(c) Total Aust^n Sales (a+b)	(d) Dumped Imports	(e) Other Imports	(f) Total Imports (d+e)	(g) Total Market (c+f)
2005/06	100	100	100	100	100	100	100
2006/07	94.35	108.32	96.90	141.11	62.65	137.95	109.35
2007/08	92.51	153.08	103.58	148.32	407.34	158.75	120.31
2008/09	55.18	145.09	71.67	157.4	467.66	169.89	101.46

2009/10	75.64	133.39	86.19	147.95	359.21	156.45	107.50
2010/11	70.82	117.61	79.37	121.23	515.49	137.10	96.88

Notes:

1. 'Your sales' means sales by OneSteel ATM only and includes OneSteel ATM's imports.
2. Estimated sales by Orrcon and Independent Tube Mills included as "Other Australian Sales" based upon market intelligence concerning demand by customers, knowledge capacity and import supply.
3. 'Total Austn Sales' includes sales by OneSteel ATM and estimated sales for Orrcon and Independent Tube Mills.
4. OneSteel ATM does not import from the countries nominated in this application.
5. 'Dumped Imports' sourced from Xxxxxxx export data and are subject to minor timing differences in reporting. Malaysian imports sourced from ABS data. Malaysia data not available for Apr to June 2011 quarter and has been pro-rated for full FY. Thai data for 11 months to May 2011, and has also been pro-rated for full FY.
6. Please refer to Industry Confidential Attachment 2 for source data.
7. "Other Imports" values reflect a very low base in 2005/06.

Sales of OneSteel ATM's local production have declined since 2008 (the last period of investigation analysed by Customs and Border Protection). The 2008/09 year was impacted by the global financial crisis ("GFC") and is considered to be non-representative of normal market conditions.

The Australian HSS market (i.e Australian industry sales plus import volumes) in 2010/11 is at similar volumes to the market in 2005/06. In 2010/11 the Australian industry's sales volumes are at approximately 80 per cent of the levels of 2005/06, whereas dumped imports in 2009/10 were at levels of almost 50 per cent above 2005/06 volumes, and in 2010/11 are 23 per cent above 2005/06 levels.

It is OneSteel ATM's view that the Australian industry continues to experience loss of sales volumes and market share in 2010/11 from dumped imports. This is evidenced by OneSteel ATM's assessment that the Australian industry's market share has declined from an estimated xxxx in 2005/06 to approximately xxxxx in 2010/11.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

Confidential Appendix A3 has been completed by OneSteel ATM.

Indexed data from Confidential Appendix A3 for the Like Goods (quantity and value) has been included below.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

OneSteel ATM has completed the tables below from data included in its Confidential Appendix A3.

*Indexed table of Applicant's sales quantities**

Quantity	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Like goods						
Australian market	100	95.4	92.6	53.0	72.9	67.4
Export market	100	95.8	87.0	66.7	38.4	36.4
Total	100	95.4	91.9	54.6	68.9	63.8

Notes:

1. Refer to Confidential Appendix A3 for data.

*Indexed table of Applicant's sales values**

Values	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Like goods						
Australian market	100	94.6	88.0	67.0	73.7	62.1
Export market	100	104.0	105.3	98.6	56.6	35.7
Total	100	95.5	89.6	70.0	72.1	59.6

Notes:

1. Refer to Confidential Appendix A3 for data.

Confidential Appendix A3 data highlights that the company's sales volumes and revenues have deteriorated substantially since 2005/06. The impact of the global financial crisis is evident in the 2008/09 data, however, OneSteel ATM's volumes and revenues have declined in 2010/11 to be at levels below OneSteel ATM's domestic sales volumes of 2008/09.

3. **Complete appendix A5 (sales of other production) if you have made any:**

   - **internal transfers; or**
   - **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

   Confidential Appendix A5 has been completed by OneSteel ATM.

4. **Complete appendix A4 (domestic sales).**

   OneSteel ATM has completed Confidential Appendix A4 for the twelve months to 30 June 2011. Please refer to confidential sales data provided on CD-Rom for OneSteel ATM.

5. **If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.**

   OneSteel ATM makes sales of HSS through its related distribution businesses – OneSteel Steel & Tube, Metaland and Midalia Steel. These sales are readily identifiable in Confidential Appendix A4.

6. **Attach a copy of distributor or agency agreements/contracts.**

   Information provided

7. **Provide copies of any price lists.**

   A copy of OneSteel ATM's price list is included at Confidential Attachment A-5.7.

8. **If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.**

   - **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**
   - **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported appendix A4 (domestic sales) as a discount or rebate.**

   Information provided

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

OneSteel ATM has included two complete sets of commercial documentation for two customers in each of the four quarters to 30 June 2011. Please refer to Confidential Attachment A-5.9 for OneSteel ATM commercial documentation.

A-6 General accounting/administration information.

1. Specify your accounting period.

OneSteel ATM's financial year is 1 July to 30 June.

2. Provide details of the address(es) where your financial records are held.

The financial records for OneSteel ATM are located at the premises nominated at Section A-1 above.

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- **chart of accounts;**
- **audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);**
- **internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.**

These documents should relate to:

1. **the division or section/s of your business responsible for the production and sale of the goods covered by the application, and**
2. **the company overall.**

The Chart of Accounts for OneSteel ATM have been included on disk with this application.

Annual Reports for OneSteel Limited are also included in disk.

Internal management reports for OneSteel ATM have been included at Confidential Attachment A-6.3.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

The accounts of OneSteel Ltd (the parent company of OneSteel ATM) are audited annually. This question is therefore not applicable.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

The accounting practices of OneSteel ATM are maintained in accordance with Australia's generally accepted accounting practices.

6. Describe your accounting methodology, where applicable, for:

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Income from the sale of goods is recognised when the consolidated entity has passed control of the goods to the buyer.

- **provisions for bad or doubtful debts;**

  Trade debtors are reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  Cost is comprised of materials, labour and an appropriate proportion of fixed and variable overheads, on an absorption cost basis.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  Costing methodology is by production/sales tonnes.

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);**

  Raw materials, stores, work in progress and manufactured stocks are valued at the lower of cost and net realisable value. The methods used to assign costs to inventories are actual invoiced cost or standard costs.

- **valuation methods for scrap, by-products, or joint products;**

  Lower of cost and net realisable value.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**

  Lower of cost and net realisable value.

- **valuation and revaluation of fixed assets;**

  Subsequent to initial recognition, assets are valued at fair value. Revaluations are made with sufficient regularity to ensure carrying amounts do not differ dramatically from fair value.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Buildings 10-40 years
  Plant and equipment 3-20 years
  Equipment under finance lease 3-5 years

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Foreign exchange gains and losses are brought to account using the rate of exchange applicable at the date of the transaction.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Provisions for restructuring represents best estimate of the costs directly and necessarily incurred for the restructuring and not associated with ongoing activities.

7. **If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.**

Accounting methods have not altered over the periods for which financial data has been prepared for this application, unless required to by the relevant accounting standard.

A-7 Cost information

1. **Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.**

OneSteel ATM has completed Confidential Attachment A-6.1 and A-6.2 for domestic and export sales, respectively.

All OneSteel ATM indices data for Section A-8 below has been sourced from Confidential Appendix A6.1 and A6.2 schedules.

A-8 Injury

1. **Estimate the date when the material injury from dumped imports commenced.**

Background

In 2006 the Australian HSS industry (then comprising OneSteel Trading Pty Ltd, Orrcon Operations Pty Ltd, and Smorgon Steel Tube Mills Pty Ltd) made application for anti-dumping measures in respect of HSS exported from China, Korea, Malaysia, Taiwan and Thailand.

In 2007, the Minister imposed anti-dumping measures against certain exports of HSS from China. A number of Chinese exporters were excluded from the coverage of the measures on the basis that Customs and Border Protection determined negative or negligible margins of dumping. HSS exports from Korea, Malaysia, Taiwan and Thailand were similarly determined as either having not been made at dumped prices, or the volumes of exports at dumped prices were negligible.

Trade Measures Report No.116 details Customs and Border Protection's findings for HSS exported from China, Korea, Malaysia, Taiwan and Thailand.

In December 2008, Customs and Border Protection commenced a dumping investigation into HSS exported from China (those exporters that previously were determined as not having exported to Australia at dumped prices) and Malaysia (all exporters). A countervailing inquiry was also commenced in relation to all HSS exports from China. These new inquiries followed an application made by OneSteel ATM and Orrcon Operations Pty Ltd.

In June 2009, Customs and Border Protection terminated inquiries in respect of HSS exports from Malaysia. Customs and Border Protection's inquiries established that exports of HSS from Malaysia were at dumping margins determined as "negligible". On the basis that a significant proportion of the Malaysian HSS export prices were lower than HSS exports from China, Customs and Border Protection similarly terminated inquiries into the alleged dumping and subsidisation of HSS exports from China. The Australian industry did not agree with Customs and Border Protection's assessment. The industry long considered that HSS exports from Malaysia were receiving beneficial rebates that enabled Malaysian export prices to undercut the

Australian industry's selling prices. The industry also argued that it was the subject of a threat of material injury, as Malaysian HSS export volumes accounted for a significant proportion of the growth in total HSS imports into Australia in 2008. Even though the Australian industry had suffered lost sales volumes and market share in 2008 and imports had reached record levels, Customs and Border Protection did not consider that a future threat of material injury was evident.

Customs and Border Protection's findings were published in Termination Report No. 144.

OneSteel ATM and Orrcon sought a review of the termination decisions to the Trade Measures Review Officer ("TMRO"). The TMRO overturned the termination decisions and in September 2009 Customs and Border Protection re-commenced inquiries into the dumping of HSS from China and Malaysia, and the subsidisation of HSS exports from China.

In July 2010, Customs and Border Protection published Statement of Essential Facts No. 144A. Whereas Customs and Border Protection had altered its view on the dumping of HSS from Malaysia (determined at approximately 15 per cent on Malaysian HSS exports to Australia during 2008), Customs and Border Protection did not change its view that the Australian industry had not suffered material injury from the dumping and subsidisation.

In September 2010 Customs and Border Protection formally terminated inquiries into HSS exported from China and Malaysia (refer Termination Report 144A).

A review of anti-dumping measures against Chinese HSS exporters was also commenced in December 2008. Following two investigations and consideration of a Federal Court decision of August 2010, Customs and Border Protection recommended to the Minister that there no longer existed grounds to continue the anti-dumping measures.

The measures applicable to certain Chinese HSS exporters were revoked in March 2011.

Following the Global Financial Crisis ("GFC") there has been a surge in HSS imports from China, Korea, Malaysia, Taiwan and Thailand. By contrast, the Australian industry's sales are almost 20 per cent below 2005/06 levels (with the dumped imports in 2009/10 approximately 50 per cent above 2005/06 levels). Dumped imports in 2010/11 are more than 20 per cent above 2005/06 levels and it is therefore evident that the dumped imports have displaced sales of locally manufactured HSS.

OneSteel ATM's sales volumes of all grades (i.e. black, painted, In-Line Galvanised and Hot-Dipped Galvanised pipe) have all deteriorated since 2005/06. In 2010/11, xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx (Comment on OneSteel ATM sales by product group).

OneSteel ATM considers that it has experienced material injury for the purpose of this application from the dumped exports of HSS to Australia from China, Korea, Malaysia, Taiwan and Thailand in 2009/10 following the GFC as imports increased in volume and market share at an accelerated rate when contrasted with OneSteel ATM sales. OneSteel ATM do not agree that material injury from dumping and subsidization was not experienced in 2008, however, it recognises the findings of Report No.144A that indicated the profit performance of the Australian industry in the first three quarters of 2008 was consistent with the level of profit achieved by the industry in 2005. This application demonstrates a dramatic deterioration of profit following the 2007/8 financial year.

2. **Using the data from <u>appendix A6</u> (cost to make and sell), complete the following tables for each model and grade of your production.**

Index of production variations (metric tonnes)

Period	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Index	100	97.2	91.3	54.0	74.4	68.7

Notes:

1. Production rates based upon OneSteel Appendix A6.1 data, and includes production for export.
2. 2010/11 year has been pro-rated for full 12 months.

The impact of increasing imports from 2005/06 is evidenced in OneSteel ATM's overall production rates for HSS. Prior to the merging of the Smorgon and OneSteel HSS operations, the growing rate of import penetration negatively impacted local production. The intended benefits that were to be derived from streamlining local HSS production have not materialised, with steep falls in production occurring subsequent to 2007/08. In contrast to the recovery of import volumes to exceed the levels of prior to the GFC, OneSteel ATM's production rates in 2009/10 (following the GFC) were 24 per cent below the production rate of 2007/08.

Index of cost variations (based on A$ per metric tonne)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	97.48	107.50	142.12	106.58	113.14

Notes:

1. Cost variations represent unit CTM&S based upon Industry Appendix A6.1 data supplied by OneSteel ATM.

The cost to manufacture HSS is driven primarily by prevailing prices for the principal raw material HRC. OneSteel ATM's CTM&S HSS on a per metric tonne basis increased significantly in 2008/09 as global HRC prices increased. In 2009/10 following the impact of the GFC, raw material HRC prices declined. In 2010/11, OneSteel ATM's CTM&S on a per metric tonne basis has increased with the impact of higher costs on declining rates of production that has meant total costs are allocated across significantly reduced output (per unit costs are therefore higher).

Index of price variations (based on A$ per metric tonne)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	100.39	95.09	126.37	101.05	92.16

Notes:

1. Price variations based upon unit selling prices from Industry Appendix A6.1 data supplied by OneSteel ATM.

OneSteel ATM's unit selling prices for HSS have fluctuated in a narrower band from 2005/06 than the company's unit CTM&S. Unit selling prices have declined since 2008/09, and have declined significantly in 2010/11. OneSteel ATM considers that the price depression experienced in 2010/11 has been impacted by imports of dumped and subsidised HSS from China, and dumped imported HSS from Korea, Malaysia, Taiwan and Thailand.

The declines in selling prices evident in 2010/11 are accompanied by reduced sales volumes and declining market shares experienced by OneSteel ATM.

Index of profit variations (based on A$ per metric tonne)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	140.38	-75.35	-89.95	25.07	-196.05

Notes:

1. Profit variations based upon unit profit sourced from Industry Appendix A6.1 data supplied by OneSteel ATM.

Injurious HSS imports have increased market share by undercutting OneSteel ATM's selling prices, impacting profit, and as a result OneSteel ATM has been unable to raise prices to recover its increased CTM&S in 2010/11.

OneSteel ATM's unit profit in 2007/08 was negatively impacted by the costs associated with the rationalisation of the Australian industry players. Underlying profit (once the rationalisation costs are removed) was positive, albeit well below the levels of 2005/06. In 2008/09, OneSteel ATM's performance for the first three quarters was consistent with the levels of 2005 (refer Report No. 144A), however, the reduced demand coinciding with the GFC in late 2008 reduced 2008/09 profits as demand declined (to levels lower than that achieved by the industry in 2005).

Index of Profitability variations (based on unit profit as a % of unit selling price)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	139.83	-79.24	-71.18	24.81	-212.74

Notes:

1. Profitability variations based upon % of selling price sourced from Industry Appendix A6.1 data supplied by OneSteel ATM.

OneSteel ATM's return on sales (i.e. profitability) reflects the decline in profit in 2010/11. The level of return in 2010/11 highlights that the HSS business is currently unattractive for re-investment purposes.

2. **Complete appendix A7 (other economic factors).**

OneSteel ATM has completed the following additional economic indicators to highlight material injury experienced in 2010/11. It is noted that in addition to the reduced profits and profitability experienced in 2010/11, injury is also evident in return on investment and the reduced attractiveness to re-invest.

Index of Revenue variations ($)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	94.6	88.0	67.0	73.7	62.1

Notes:

1. Revenues sourced from OneSteel ATM's Appendix A6.1 data.

OneSteel ATM's domestic revenue in 2010/11 has fallen to the lowest level in the six-years of data highlighted. OneSteel ATM's HSS revenue has declined as market share has declined since 2005/06 as dumped imports have increased. Price depression evident in 2010/11 has also resulted in reduced revenues on sales – resulting in the erosion of OneSteel ATM's margin.

Index of Employment numbers (number)

Period	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Index	100	88.5	79.2	52.0	42.4	41.1

Notes:

1. OneSteel ATM employee data sourced from Applicant Appendix A7 data.

The Australian industry highlighted in its 2008 application that its workforce had declined by approximately 17 per cent since 2004/05. The industry has continued to reduce employee numbers as its sales volumes and market share have fallen. In 2010/11 further reductions in OneSteel ATM's employment numbers are evident.

Index of Capacity Utilsation (metric tonnes per annum)

Period	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Index	100	98.8	88.2	55.8	70.5	47.9

Notes:

1. OneSteel ATM capacity and utilisation data sourced from OneSteel ATM Appendix A7.

OneSteel ATM's capacity utilisation rates have declined since 2005/06, as domestic sales volumes and market share have been eroded. The underlying trend across the six-year period identified is a continuous decline in capacity utilisation, with available capacity stable since 2005/06.

Index of Return On Investment (return on assets employed)

Period	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Index	100	100	-35.7	35.7	3.6	-57.1

Notes:

1. OneSteel ATM ROI data sourced from OneSteel ATM Appendix A7.

OneSteel ATM's return on investment since 2006/07 has also declined consistent with deteriorations in profits and profitability. This is further depicted in the graph below for ROI from early 2008. It should be noted that OneSteel ATM's ROI in 2010/11 is below that of the 2008/09 year that included the GFC.

In addition to the above factors, OneSteel ATM can also demonstrate injury through a number of other economic indicators. These include:

- Reduced attractiveness to reinvest;
- Reduced utilization rates;
- Reductions in forward orders by customers;
- Inability to maintain inventories in a declining market;
- Reduced cash flows (refer monthly management report extracts at OneSteel ATM Confidential Attachment A-6.3).

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

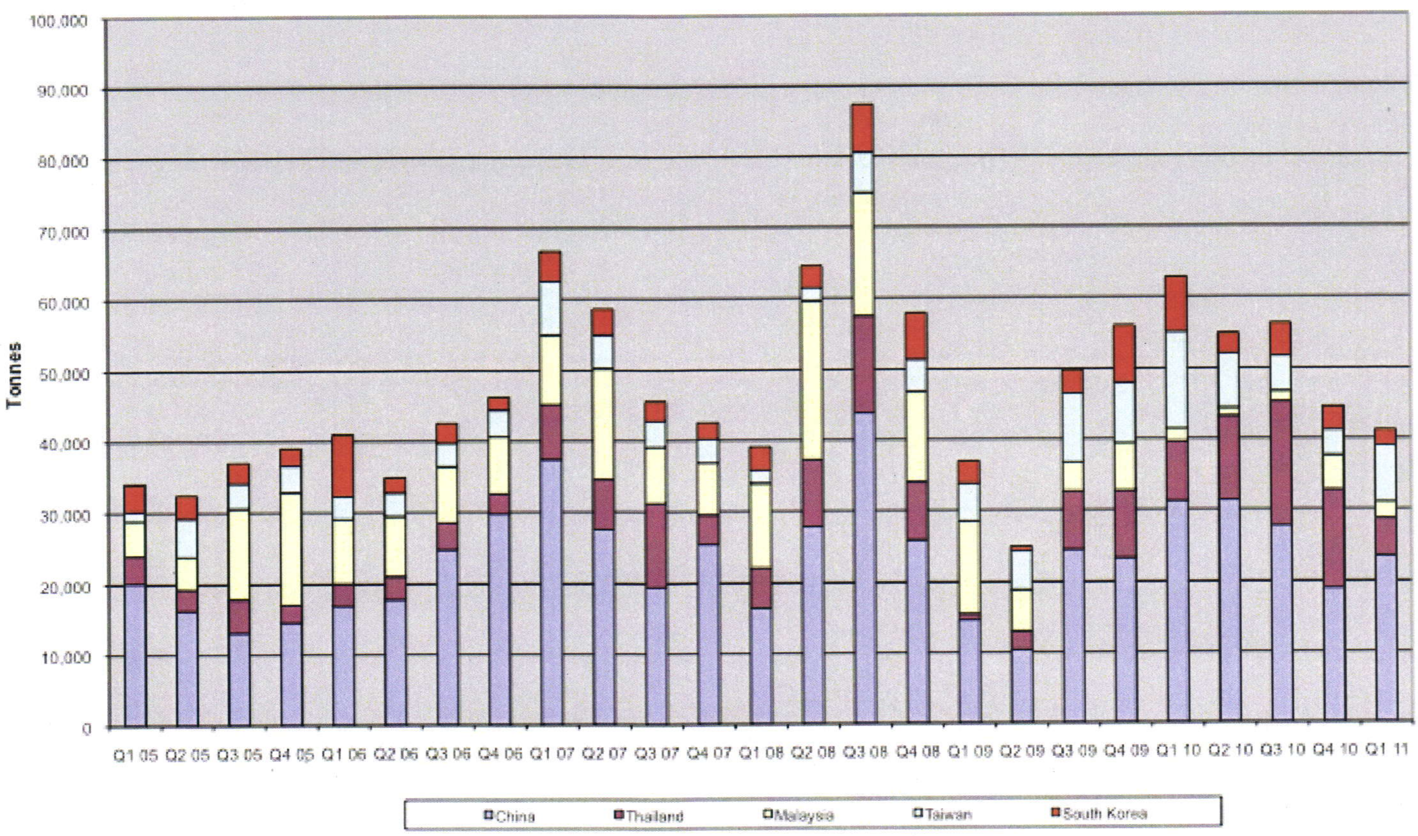
1. **Identify from the data at <u>appendix A2</u> (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.**

In 2006, the Australian HSS industry made an application for anti-dumping measures against exports of HSS from China, Korea, Malaysia, Taiwan and Thailand. The application was based upon data for the 2005 calendar year. Following investigation, Customs and Border Protection recommended that measures only apply to certain HSS exports from China (with six Chinese exporters being exempted and all other exporting countries – Korea, Malaysia, Taiwan and Thailand – all exempted). In 2005, the allegedly dumped imports accounted for 25 per cent of the Australian HSS market.

Throughout 2010 and into 2011, HSS exports to Australia from the same five countries have increased in aggregate by 60 per cent (over 2005/06) and accounted for xx per cent of the Australian HSS market (compared to xx per cent of the Australian HSS market in 2005).

The following graph depicting imports from the countries nominated in this application demonstrates the growth in imports following the 2006 investigation period.

Quarterly HSS Import Volumes



Note:
1. Source: xxxxxxxxx (data incomplete for Q2, 2011).

It is OneSteel ATM's estimate that its sales account for approximately xxxx per cent of Australian industry sales of locally-produced HSS. Since 2005/06, OneSteel ATM's sales (Smorgon Steel's sales have been aggregated with OneSteel ATM's sales for the purposes of consistency since 2005/06) have been trending downward. Meanwhile, HSS imports, particularly from the five nominated countries, have continued to increase.

It is estimated that since the 2005 investigation, the Australian industry's market share has declined by approximately xxxx per cent (refer Confidential Appendix A2 – Australian market). OneSteel ATM's sales volumes in 2010/11 are at only xxxx per cent of the 2005/06. As a consequence, OneSteel ATM's production rates have diminished and unit fixed costs and overheads have increased. OneSteel ATM has strenuously worked to reduce overheads, including reducing employee numbers, however, the inability to raise prices to recover increasing costs has been thwarted by declining import prices from dumped HSS.

Exports of HSS from China, Korea, Malaysia, Taiwan and Thailand have increased by 50 per cent since 2005/06 and account for between xxxxxx per cent of sales on the Australian HSS market. With such a significant market share, import prices influence Australian market prices – as evidenced by OneSteel ATM's analysis of price undercutting by imports (see below). As a direct result, in 2010/11 the Australian industry has experienced material injury through lost sales volumes and further reductions in market share with the consequential impact of greater CTM&S costs on a per metric tonne basis.

2. Use the data at <u>appendix A2</u> (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at <u>appendix A6.1</u> (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

Since the anti-dumping inquiry of 2006, and in response to growing import volumes of HSS, OneSteel ATM was involved in a major rationalisation of the Australian HSS industry. By mid 2008, the previous Smorgon Steel Tube Mills and OneSteel Trading HSS businesses were merged and OneSteel ATM was formed, with the key intention of streamlining manufacturing at – their HSS production sites. Over this period, exports of HSS from China, Korea, Malaysia, Taiwan and Thailand re-emerged to hold significant shares of the Australian market (most notably in 2007/08 and 2008/09), resulting in reductions in sales volumes and market share for OneSteel ATM.

The rationalisation of the local manufacturing operations has failed to deliver the improved efficiencies anticipated due to increased competition from dumped imports. The Australian industry initially operated at barely sustainable utilisation rates in 2008, prior to the GFC. However, since mid-2009, Australian industry's utilisation rate has deteriorated further to levels well below those experienced during the GFC. OneSteel ATM's sales volumes in 2010/11 are approximately xx per cent below the combined Smorgon Steel/OneSteel trading volumes of 2005/06.

Imports from China, Korea, Malaysia, Taiwan and Thailand are approximately 25 per cent above 2005/06 levels and have been as high as approximately 50 per cent above 2005/06 levels. It is OneSteel ATM's view that the substantial increase in import volumes has been due to the dumping of HSS by exporters in the nominated countries.

The decline in OneSteel ATM's sales volumes and market share since 2005 has impacted profits and profitability substantially (particularly because of the high fixed costs of the industry). Since 2005/06 there has been a deteriorating trend of the company's profit and profitability matching reducing sales volumes and market share. Whilst the increased demand experienced in 2008 of a growing economy resulted in improved returns in the first three quarters of 2008, this small window was swiftly reversed by the onset of the GFC that caused a substantial reduction in demand and a reduction in industry profitability (culminating in an overall decrease in OneSteel ATM's performance in 2008). Coinciding with the onset of the GFC was a record level of HSS imports, accounting for almost xxxxxx of total HSS sales in Australia. Demand improved in the second half of 2009, with a return to longer-term market demand conditions by 2010. During the recovery phase following the GFC, HSS import volumes were again on the increase, achieving sales volumes that could have been supplied with locally-produced HSS. Price undercutting by imports from the five countries (that accounted for more than 90 per cent of total imports in 2010) was aggressive, again resulting in loss of sales volumes and margin.

In 2010/11, OneSteel ATM's margin has been eroded as it has not been able to reduce costs or to increase prices to adequately offset the impact of increasing overheads through lower plant utilisation rates. Import volumes from China, Korea, Malaysia, Taiwan and Thailand, in aggregate continued – displacing sales volumes of locally produced HSS through aggressive price undercutting.

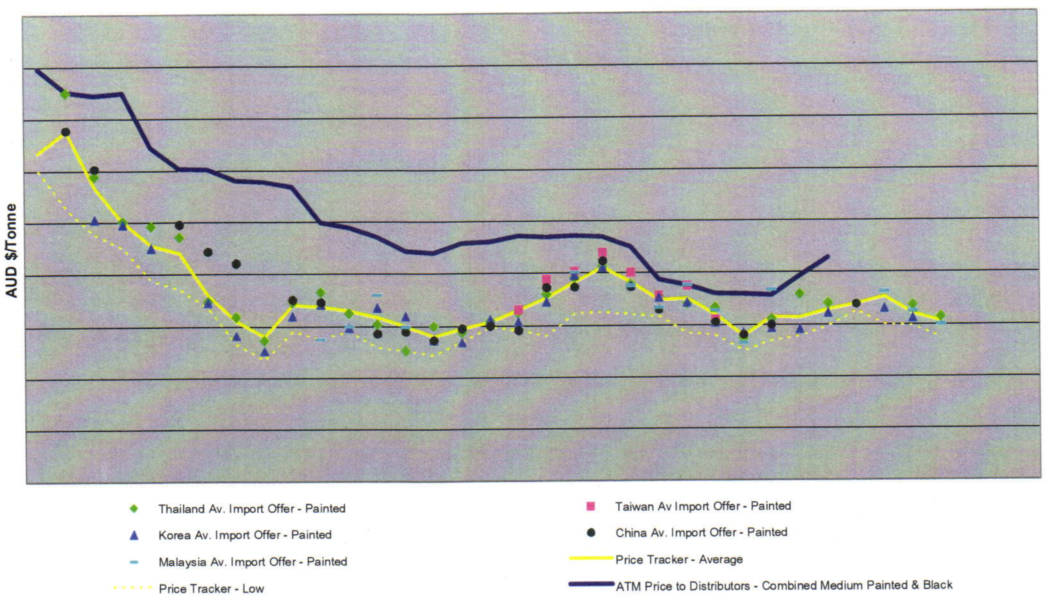
OneSteel ATM has monitored the level of price undercutting from imports through its competitive offers database. OneSteel maintains competitor intelligence of pricing offers for imports that it can readily contrast with its own selling prices. Competitor pricing information has been recorded from early 2009 for a number of HSS product categories and sizes including:

- HDG Prime CHS;
- 40NB x 3.2 HDG CHS;
- 32NB x 3.2 HDG CHS;
- 32NB Med HDG CHS;
- Prime black CHS;
- Prime 40NB Medium Black CHS;
- Medium painted and black;
- 150 x 150 x 6 Blueplus RHS;
- 50 x 50 x 3 painted Oztube;
- SupaGal and Duragal RHS;
- 75 x 75 x 4 SupaGal RHS;
- 100 x 100 x 9 oiled RHS;
- 115 x 42 x 2 Gal cattle rail.

The painted and black HSS information indicates that OneSteel ATM's average selling prices to distributors have been undercut by margins as high as $xxx per metric tonne. In response, OneSteel ATM has been forced to reduce prices to maintain volumes. The reductions in selling prices have generated a slight improvement in volumes in late 2010.

Please refer to the following graphic depiction for medium painted and black RHS versus import offers of price undercutting below OneSteel ATM's average selling price to Distributors since 2009.

Figure A-9.2 (i) – Price Undercutting example of OneSteel ATM medium painted and black RHS pipe by imports



For HDG CHS, OneSteel ATM's selling prices have been consistently undercut during 2009 and 2010 (with import prices up to 25 to 30 per cent below Australian industry selling prices, resulting in reduced sales volumes (reduced from approx.xxxx tonnes in 2007 to less than xxxxx tonnes in 2011) and a consequential impact on industry profits and profitability. Please refer to the graph below demonstrating price undercutting evident in the HDG CHS market.

Figure A-9.2 (ii) – Price undercutting of OneSteel ATM medium CHS pipe by imports

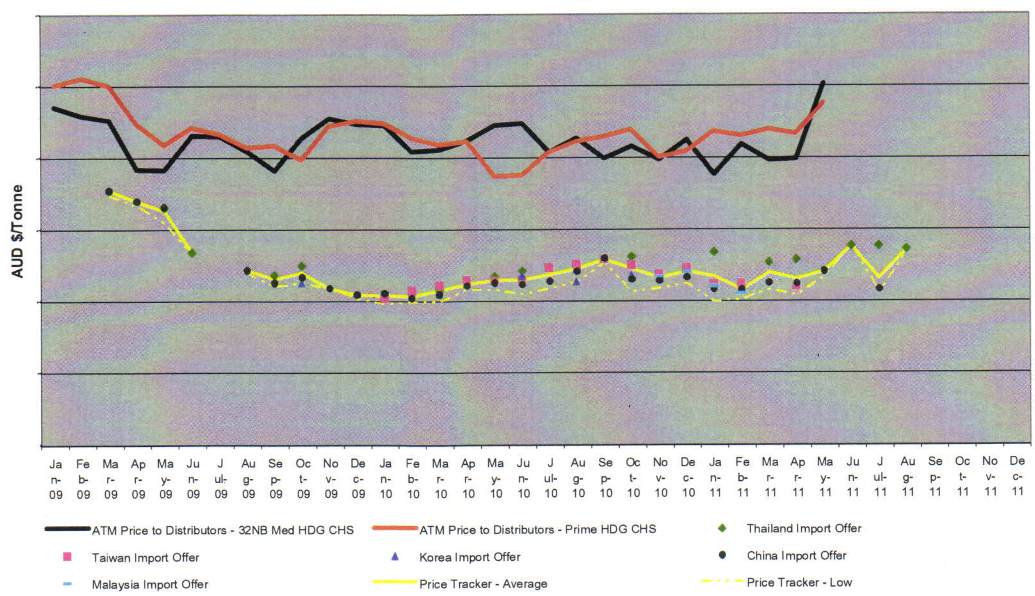
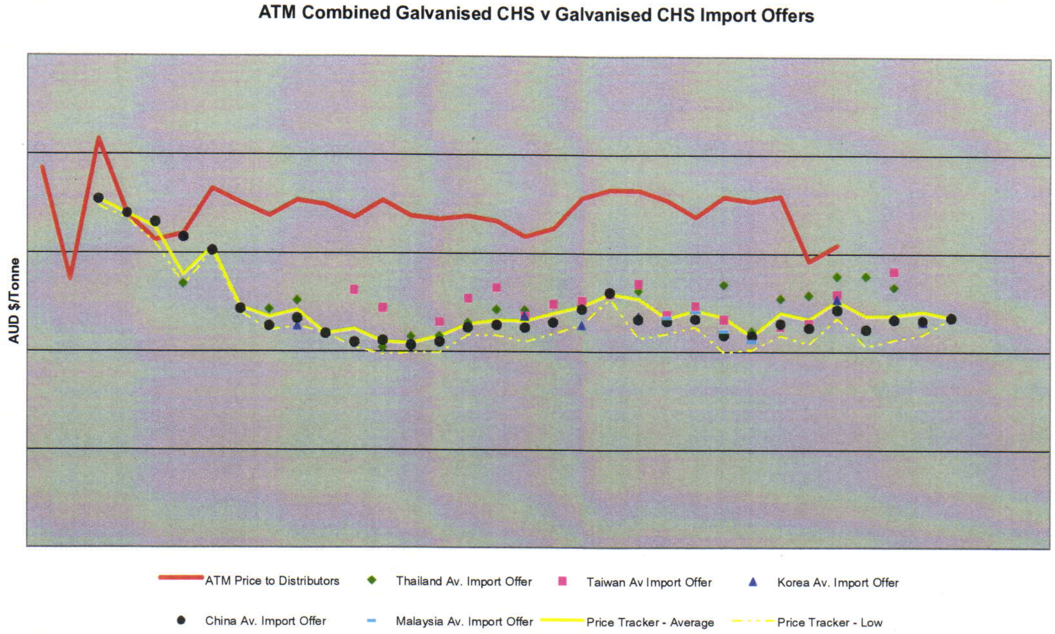


Figure A-9.2 (iii) – Price Undercutting of OneSteel ATM Galvanised CHS by imports



Please refer to Confidential Attachment A-9.2 for additional graphs by product range highlighting price undercutting of OneSteel ATM prices by imports from the nominated countries.

OneSteel ATM has experienced price depression, price suppression and price undercutting in 2010/11 as it seeks to hold sales volumes and market share against declining import prices. Prices in 2010/11 are approximately 9 per cent below 2009/10 levels, whereas the average CTM&S HSS has increased by in excess of 20 per cent (due in part to lower production rates).

3. **Compare the data at appendix A2 (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at appendix A6.1 (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).**

The Australian economy experienced a surge in growth in the 2007/08 year, immediately prior to the global financial crisis. Despite the strong growth, sales volumes by Smorgon Steel Tube Mills and OneSteel Trading remained at similar levels to 2006/07. The buoyant growth continued into 2008/09 with record HSS import volumes in the second half of 2008. With the onset of the GFC, there was a sharp downturn in demand and imported HSS was held in stock well into 2009. OneSteel ATM's sales stalled; total OneSteel ATM sales for 2008/09 were 45 per cent down on 2005/06 levels. Imported HSS from the five nominated countries were at record levels in this year with much at below cost levels, peaking at almost 240,000 tonnes – an almost 6 per cent increase on the previous year.

As the Australian economy recovered from the effects of the economic slowdown, imports from China, Korea, Malaysia, Taiwan and Thailand resumed at levels reminiscent of the pre-GFC period. Imported HSS from the nominated countries were at the same levels of 2006/07 and had secured almost xx per cent of all sales on the Australian market. By contrast, OneSteel ATM's sales in 2009/10 as a percentage of the total HSS market declined by x percent from 2007/08.

The level of HSS imports in 2010/11 from China, Korea, Malaysia, Taiwan and Thailand, while not as high in real terms in 2010/11, has maintained a significant share of the Australian market – over xx percent. Declining prices that commenced in 2008/09 continued throughout 2009/10 and into 2010/11, preventing OneSteel ATM (and presumably other Australian industry members) from raising prices to recover increased costs associated with local production of HSS.

OneSteel ATM's margin has been "squeezed" from both the increasing costs and declining selling price perspective. The decline in production and sales volumes since 2005/06 has necessarily meant that there are fewer sales tonnes over which to allocate fixed and overhead expenses. At the same time, increasing import volumes (or the maintenance of import volumes at record levels) from the countries nominated in this application have been at prices that have undercut OneSteel ATM's selling prices. The price undercutting experienced has resulted in OneSteel ATM responding with reduced prices to hold sales volumes where it can. OneSteel ATM has therefore experienced a reduction in its margin in 2010/11.

Further reductions of selling prices for dumped imports in 2010/11 has seen OneSteel ATM's profit and profitability decline substantially – due to increases in costs brought about by reduced utilisation rates and further reductions in selling prices.

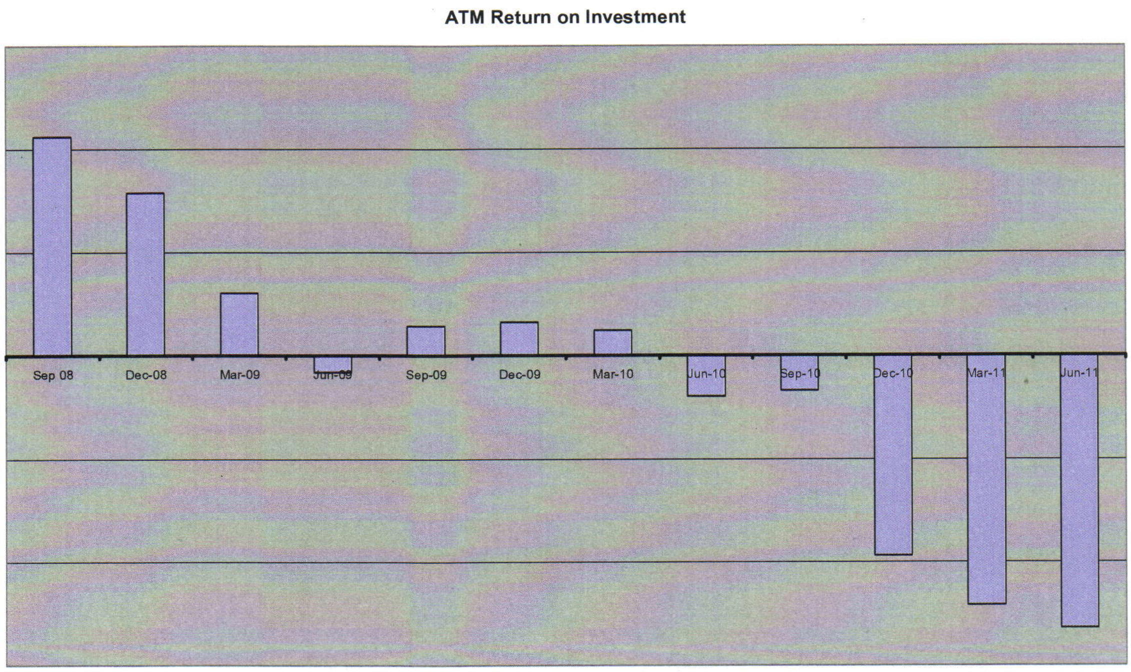
4. **The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at <u>appendix A7</u> (other economic factors). If factors other than those listed at <u>appendix A7</u> (other economic factors) are relevant, include discussion of those in response to this question.**

Injury to OneSteel ATM in 2010/11 has not been limited to the primary economic indicators of volume, price and profit. There are flow-on impacts from the industry's reduced sales volume and market share, and declining selling prices. In particular, OneSteel ATM is able to demonstrate injury in each of the following economic indicators is evident:

- *reduced return on investment*

OneSteel ATM's return on HSS manufacturing assets in 2010/11 has been negative. In the absence of dumped imports, it is considered likely that the Australian industry's ROI would have been positive (as volumes and prices unaffected from dumping and subsidisation would have materialised). OneSteel ATM has included ROI information data at Figure A-9.4(i) depicting declining ROI on a quarterly basis from mid-2008.

Figure A-9.4 (i) – OneSteel ATM Return on Investment



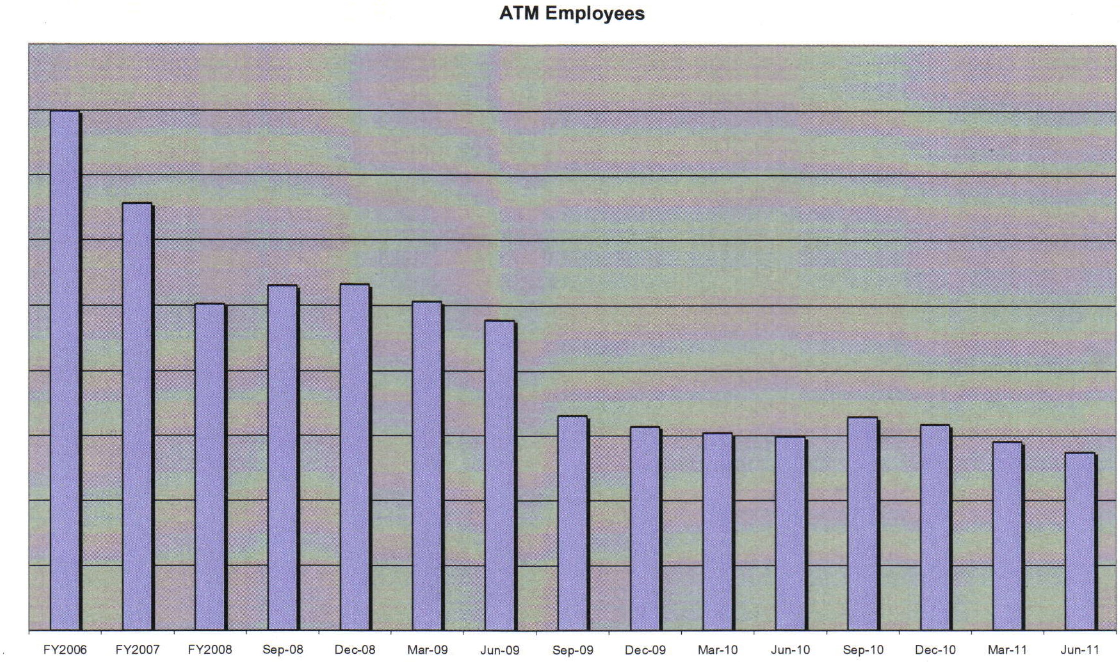
- *inability to attract investment and re-invest in current production assets*

Reinvestment in OneSteel ATM's current assets has been postponed, as alternative investment considerations outside the HSS range of product currently represent a better return on capital invested for the OneSteel Group.

- *reduced employment numbers*

OneSteel ATM has continued to reduce the number of employees involved in the production of like goods. In 2010/11, employee numbers have been further reduced from 2008/09 levels. Please refer to Figure A-9.4 (ii) for graphic representation of declining employee numbers (in particular from 2008/09 to 2010/11).

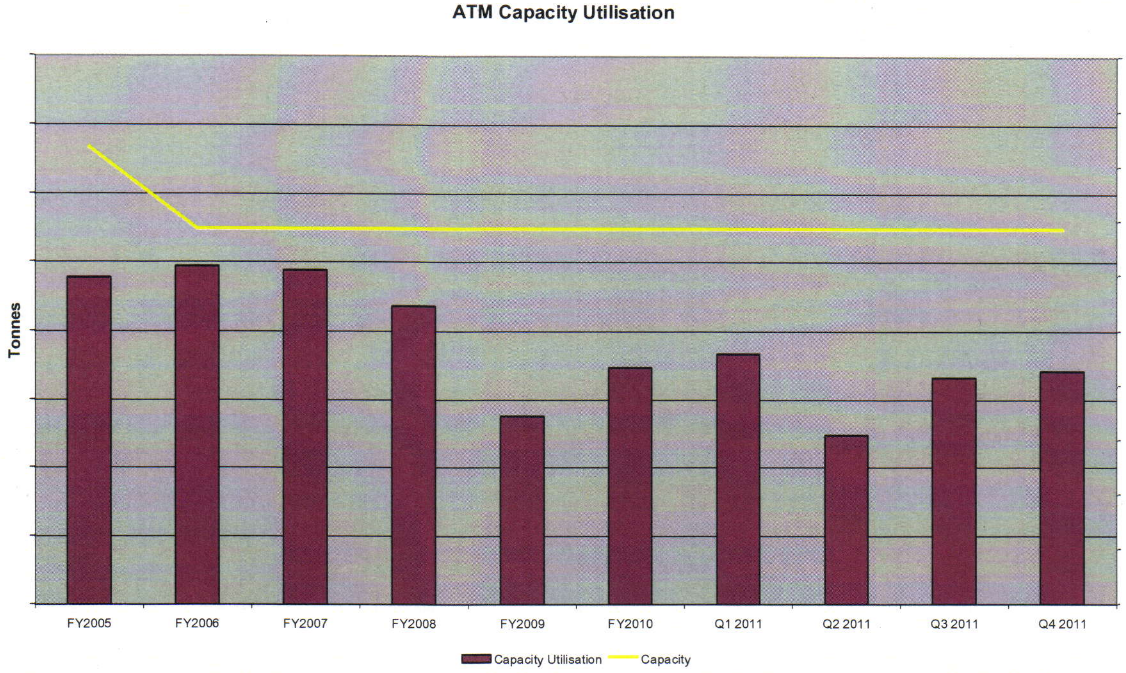
Figure A-9.4 (ii) – OneSteel ATM Employee numbers



- *reduced HSS utilization rates*

As indicated above, OneSteel ATM's utilization rates have declined with 2010/11 operating rates significantly reduced from 2006/07 and earlier periods. Please refer to Figure A-9.4(iii) for graphic representation of declining plant utilisation rates.

Figure A-8.2.2 – OneSteel ATM Capacity v capacity utilisation



- *reductions in forward orders by customers*

The decline in OneSteel ATM's sales volumes is materially attributable to the increasing import volumes. In parallel, HSS selling prices have also deteriorated. Cheaper imports provide uncertainty surrounding local supply (at a premium to dumped imports) and influence future purchasing intentions. As a consequence, the level of forward orders is also impacted by the increased availability of dumped imports, jeopardizing forward sales orders.

- *inability to maintain inventory levels in a declining market*

OneSteel ATM's ability to maintain adequate inventory levels for ready supply to customers is uncertain in a declining market share position as the cost of holding the inventory increases-something which in turn adversely affects the attractiveness of Australian industry's domestic supply offer. OneSteel ATM therefore is cautious about holding increased inventory levels for supply as capital is at risk.

- *reduced industry cash flow*

A consequence of reduced HSS revenues for OneSteel ATM is a reduction in cash flow. Please refer to Confidential Attachment A-9.4.

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

The impact in the growth of dumped imports since 2005/06 has resulted in substantial deteriorations in the key economic indicators for OneSteel ATM. The following impacts are observable between 2005/06 and 2010/11:

- OneSteel ATM sales volumes of locally produced HSS have reduced by approximately xx per cent;
- OneSteel ATM HSS revenue has declined by almost xx per cent;
- OneSteel ATM unit cost to make and sell HSS in 2010/11 is approximately xx

per cent higher than 2005/06 (reduced volumes impacting industry costs);
- OneSteel ATM's average selling price declined by xx per cent in 2010/11; and
- OneSteel ATM profit in 2005/06 was approximately xx per cent, and in 2010/11 is negative.

The injury experienced by OneSteel ATM since 2005/06 in financial terms therefore has been material. By contrast the growth in dumped import volumes from China, Korea, Malaysia, Taiwan and Thailand continues unabated. In 2010/11, import volumes from the five countries have continued to hold significant market share, and are at 20 per cent above 2005/05 levels. As indicated above, OneSteel ATM's sales over this period have declined by xx per cent.

The impact of the increased volume of dumped imports on OneSteel ATM's local production and sales of HSS (as well as that for the whole of the Australian industry) is material as reflected in the magnitude of the declines in each of the key economic indicators identified.

6. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping.

OneSteel ATM has highlighted the impact of the GFC on the HSS market in the last quarter of 2008 and the first half of 2009. HSS imports from the five nominated countries increased in 2009/10 to levels experienced immediately prior to the GFC. OneSteel ATM's sales in 2009/10, however, were 20 per cent below the levels of 2007/08. In 2010/11, OneSteel ATM continues to experience a reduction in sales of local production.

OneSteel ATM recognises that the appreciation of the Australian dollar has improved the competitiveness of imported HSS, however, OneSteel ATM considers that in the absence of the dumping (and subsidisation) it would not have experienced the material deterioration in profit and profitability that has been evident since the GFC.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at <u>appendix A2</u> (Australian market), <u>appendix A6</u> (cost to make and sell), and <u>appendix A7</u> (other economic factors) to support your analysis.

The Australian HSS industry first sought relief from dumped imports from China, Korea, Malaysia, Taiwan and Thailand in May 2006. The subsequent investigations by Customs and Border Protection resulted in nil, or negligible, dumping findings in respect of HSS exports from Korea, Malaysia, Taiwan and Thailand. Certain Chinese exporters of HSS were found to have exported at dumped prices and dumping measures were imposed. At that time, the Australian industry's market share had declined by approximately xx percentage points and profit had also been adversely affected.

Following the 2006 investigation, import volumes from the countries the subject of the investigation rapidly increased. Exports by Chinese exporters not the subject of anti-dumping measures increased, along with exports from Malaysia. A further application (November 2008) for dumping was made in respect of Chinese (against exporters not the subject of measures) and Malaysian HSS exports. A countervailing action was also commenced against Chinese HSS exports.

The 2008 investigation was terminated primarily due to an initial finding that HSS exports from Malaysia were at dumping levels of 0.6 per cent – margins that were considered negligible. Due to the termination of the inquiry against HSS exports from Malaysia, the Chinese investigations were also terminated soon thereafter. OneSteel ATM and Orrcon sought review of the termination investigations and the Review Officer overturned the termination decisions. Following the resumption of investigations and, importantly, despite the subsequent finding of Customs and Border Protection that Alpine Pipe Manufacturing (the largest Malaysian HSS exporter) had not fully cooperated with Customs and Border Protection's inquiries and had indeed been dumping at

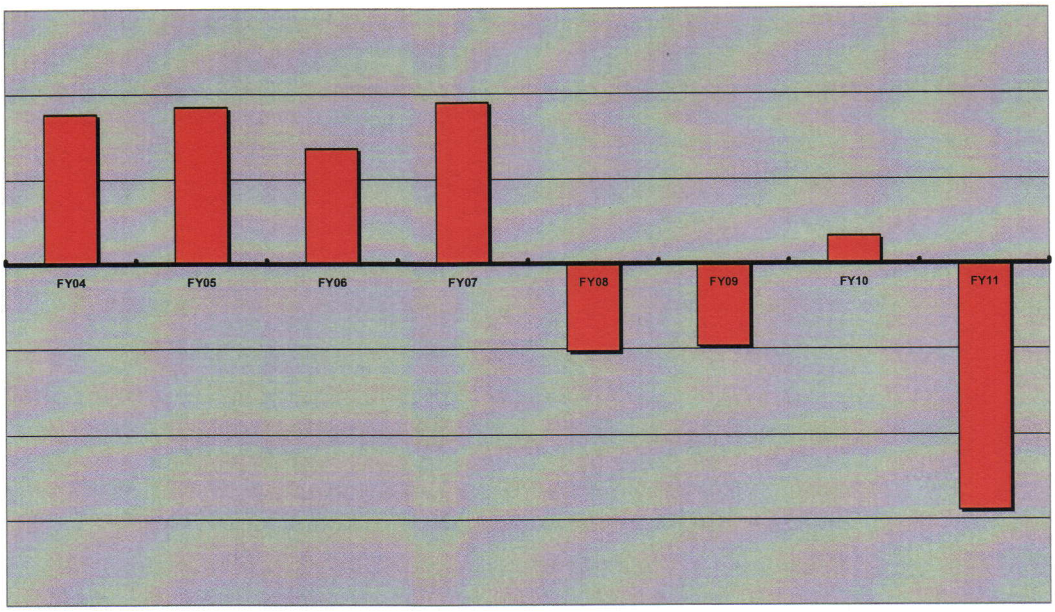
15% margins, the proceedings were again terminated due to Customs and Border Protection's viewpoint that the Australian industry had not suffered material injury from dumping.

This application by OneSteel ATM demonstrates that dumped imports have gained an increased share of the Australian market in 2009/10 and that the Australian industry's share has deteriorated significantly from 2005/06.

The rapid growth of imports from China, Korea, Malaysia, Taiwan and Thailand in 2009/10 levels when contrasted with the continuing downward decline in OneSteel ATM's sales indicates that dumped imports are continuing to erode OneSteel ATM's (and the Australian industry's) market share. This is evidenced through severe price undercutting from imported dumped HSS and the subsequent loss of sales volumes.

As a consequence of the price undercutting, lower sales volumes and lost market share, OneSteel ATM has experienced a continuing erosion of its margin between costs and selling prices. The reduced capacity utilisation rates have contributed to increased unit costs that have not been able to be recovered through increases in selling prices. Selling prices in 2010/11 have declined by a further xx per cent since 2009/10. OneSteel ATM's profit has deteriorated to a level that is substantially lower than was apparent in the GFC period and for the first time in recent history is below breakeven point (see graph below).

Figure A-9.7 – OneSteel ATM profitability



The price undercutting by imports (at Section A-9.2 above) has been aggressive. Dumping margins from each of the five countries are substantial, enabling landed prices to undercut OneSteel ATM's selling prices. In the event that dumping from the nominated countries is permitted to continue, it is anticipated that OneSteel ATM will be required to close current production facilities. The low utilization rates, combined with negative returns, limit OneSteel ATM's ability to compete with unfairly-priced imports. Due to negative returns in 2010/11, it is difficult for OneSteel ATM to currently justify any further investment in local HSS manufacture.

OneSteel ATM is concerned that 2010/11 export prices from China, Korea, Malaysia, Taiwan and Thailand do not appear to be recovering the full value-add ("VA") margin over market-priced raw material input HRC. OneSteel ATM's analysis at Confidential Attachment A-9.7 (provided in soft copy form highlights declared export prices from the nominated countries less the value added margin for conversion of HRC to HSS. The graphs detail that in many instances export prices to

Australia have failed to recover the HRC cost input plus the full VA margin (prior to any consideration about selling and general administrative expenses, and profit). This analysis validates OneSteel ATM's assessment that exports from the five exporting countries are at dumped prices.

The foregoing addresses the materiality of injury experienced by OneSteel ATM, the largest HSS producer in Australia) since 2005/06. The injury has manifested in significantly reduced plant utilisation rates thereby contributing to increased CTM&S. In parallel, pricing pressures from dumped (and subsidised) imports that account for more than one-third of all HSS sales in Australia, have caused price reductions since 2008/09. The margin erosion has contributed to a significant deterioration of OneSteel ATM's profit and profitability in 2009/10 and 2010/11.

Summary

OneSteel ATM considers it has experienced material injury from dumped exports of HSS from China, Korea, Malaysia, Taiwan and Thailand, and subsidies exports from China, in the following forms:

- lost sales volumes and reductions in market share;
- price depression and suppression;
- price undercutting;
- lost profits and profitability;
- reduced return on investment;
- reduced attractiveness to reinvest;
- reduced employment;
- reduced plant utilisation rates;
- reduced forward orders, cash flows and inventory levels.

OneSteel ATM requests that the CEO of Customs and Border Protection commence an investigation into the allegations of dumping of HSS exported from China, Korea, Malaysia, Taiwan and Thailand, and the subsidization of HSS from China, on the basis of the information contained in this application. OneSteel ATM also requests that provisional measures be applied to the dumped and injurious imports at the earliest opportunity following Day 60 of a formal investigation.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Customs Dumping Liaison Unit on:

☎ **(02) 6275-6066 Fax (02) 6275-6990**