



**AUSTRALIAN
STEEL
ASSOCIATION**

STEEL NEWS

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HEADLINES



Opinion Piece - Do Lemmings close their eyes as they jump off cliffs?

Case 1 - Quenched & Tempered Plate.

Case 2 - Hot Rolled Structural (HRS)

Case 3 - A4 Paper



Other:

Anti-Dumping & Countervailing Initiations by WTO Reporting Member



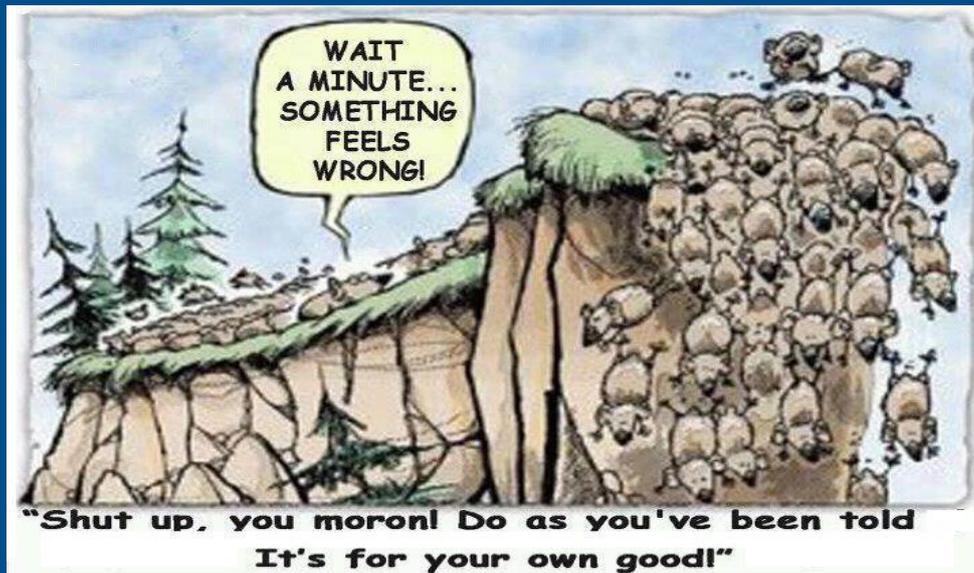
Standards



Events

Opinion Piece

Do Lemmings close their eyes as they jump off cliffs?



As the Industry Minister considers a raft of amendments to Australia's anti-dumping laws it is worth reflecting on the impacts of inflated input costs on Australian industry.

Case 1 – Quenched & Tempered Plate.

Quenched & Tempered (Q&T) Plate is a heat treated and cooled steel plate that is stronger and harder than ordinary carbon steel.

Q&T Plate is used for the manufacture and repair of machinery, in truck trailer manufacture and for structures where greater abrasion resistance or higher yield strength are required.

In this instance an anti- dumping application was raised against Finland, Sweden & Japan.

This is noteworthy because of the high pricing intrinsic in the value proposition from these countries due to their superior quality as acknowledged in numerous responses from Australian manufacturers.

China, which may have been a more obvious candidate for inclusion, was notably excluded from the anti-dumping application.

Whether the applicants' supply from their joint venture partner impacted this decision is unclear.

The result of the case is that Australian industry is now subject to input taxes, (their words), that range from 9.6% to 26.1%.

In the quest for a level playing field 9.6% let alone a 26.1% increase in your primary input is difficult to digest if not catastrophic.

As far as the consequences for the future of manufacturing it is perhaps overly simple to consider the Australian jobs at risk:

Applicant

60 employees

Affected Australian Industry:

i.e: Australian Manufacturers predominantly using Quenched & Tempered Plate

<u>Australian Manufacturer</u>	<u>Number of Employees</u>
Aries Rail	25
Bulk Transport Equipment	70
South East Queensland Tilt Tray	25
TEI Services	15
Tuff Trailers	50
Alliance Laser	28
Bruce Rock Engineering	160
Adelaide Profiling Services	150
Metso Australia	> 60
Australian Steel	35
ATA Steel	31
G&G Mining Fabrication	>70
Hercules Engineering	100
Total Steel	150
Goldmont Engineering	60
Shephard Transport Equipment	40
Toomey Earthmovers	10
Kennedy Trailers	65
Total `Australian jobs' at risk	1044

These are only the employees from Australian manufacturers who have responded on this case. The real number is greater.

Additionally, 3 employees at SSAB Australia recently lost their jobs last week as a result of this case.

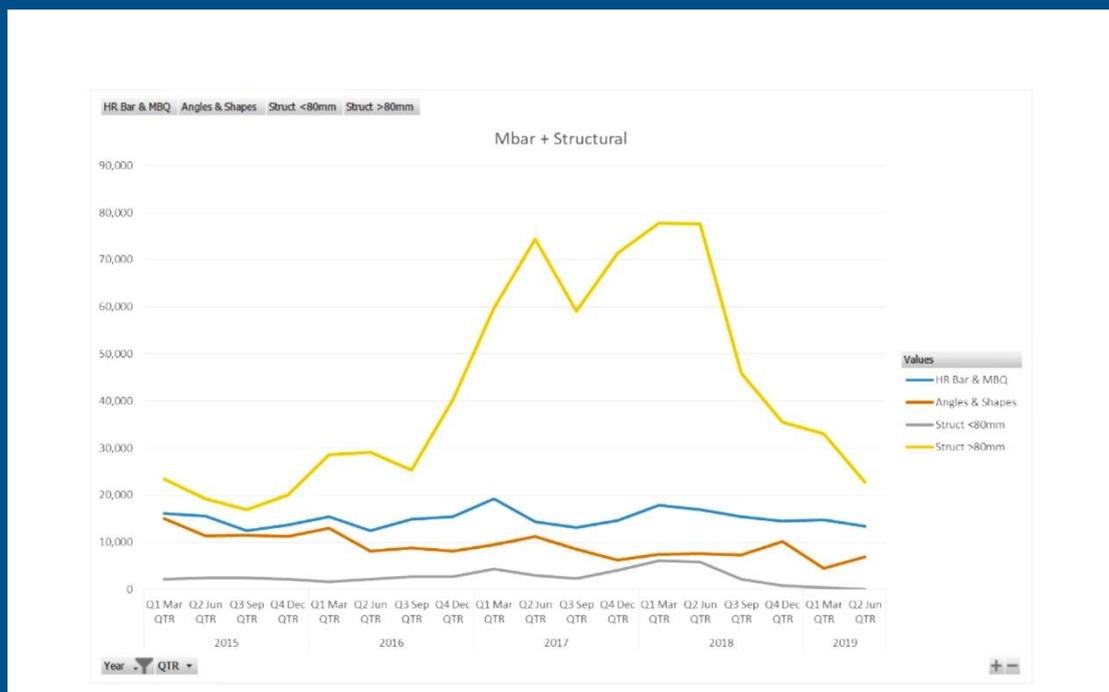
Case 2 – Hot Rolled Structural (HRS)

The recent Hot Rolled Structural Steel case findings indicated several factors of note:

- *That the Applicant is the sole domestic producer of HRS (i.e: domestic monopoly)*
- *at full capacity, the Australian industry **cannot** supply the entire Australian HRS market,*
- *The Commission acknowledges that **the Applicant had imported more than insignificant volumes of HRS over the inquiry period and in the preceding year.***
- *However, the Commission has found that **most** of the Applicant's sales of HRS during the inquiry period were of its own production.*

i.e: up to half of the Applicant's sales may have been imported!

Hot Rolled Structural Imports 2015 to 2019



Source: ABS

The extent to which the Applicant's lack of capacity and own imports contributed to the surge in structural is privy to the ADC and the Applicant.

However, what this case demonstrates is that:

- The Applicant does not have enough production capacity to meet the Australian market's requirements
i.e: Imports as the only form of competition are necessary
- As a foreign owned entity, they are (exclusively) able to import up to 50% of their requirements with impunity.
- Alternate competitors (other import suppliers) are unduly disadvantaged via these duties

Case 3 – A4 Paper

Followers of fair trade and a level playing field will note the recent WTO A4 Paper case where Australia's Anti-Dumping Commission was the respondent; the WTO ruling:

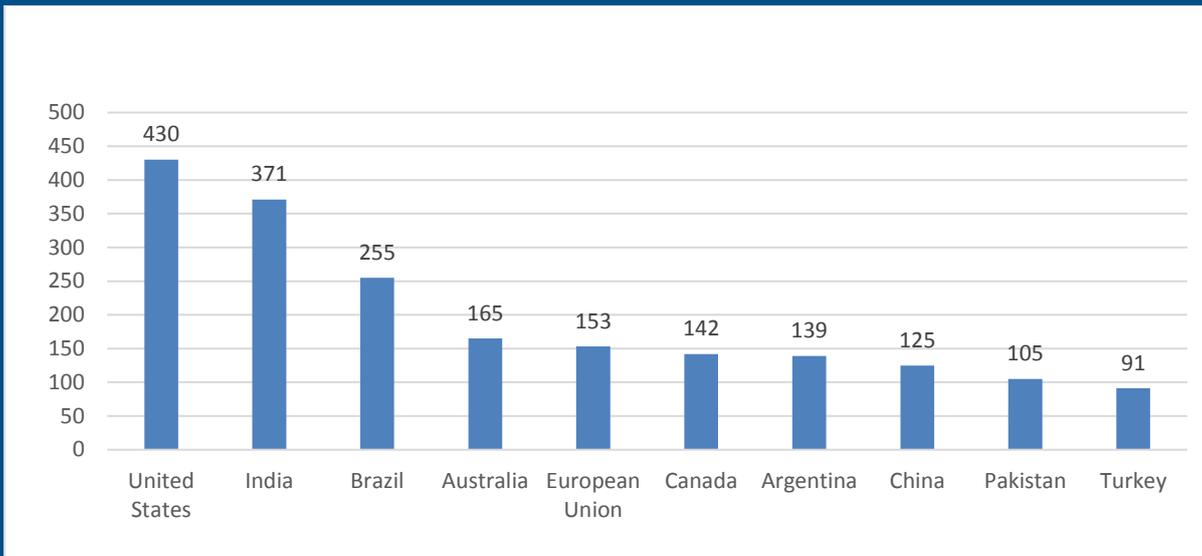
Australia's (dumping) measures were inconsistent with establishing normal value based on domestic sales in the exporter country.

This is important in a steel sense because the Australian Steel Association has long argued that dumping measures on steel are reliant on the use of artificially constructed costs.

How else can you have the highest steel prices in the world and yet perennially maintain a situation where steel, (along with aluminium), represent 88 per cent of all Australian anti-dumping applications?

Other

Anti-Dumping & Countervailing Initiations by WTO Reporting Member



Source: World Trade Organisation

Whilst Australia ranks fifth in overall usage, when one considers that steel and aluminium still constitutes 88 per cent of Australian trade measure cases, it is reasonable to assume that Australia is a clear number one in the use of trade measures for steel.

This was the findings of the independent 'Steel First' 2015 analysis that noted:

Australia was clearly the most active initiator of trade cases last year. This is somewhat ironic, considering the country's small share of global steel production.

In the case study examples and more broadly, whether trade measures are being used as a competitive tool is something for Australian industry policy makers and for Australia's competition watchdog to consider.

It is in the national interest for Australia to continue to have a globally competitive steel based manufacturing sector.

The reliance on protectionist trade measures by the domestic suppliers to Australia's steel based manufacturers is counter to this objective.

In this context the recent words of the Prime Minister seem particularly prescient:

"The message from the Morrison government to business has been blunt: don't lobby us about your own interests, just explain how you are helping the public"

Whether the impending risk to Australian manufacturing is addressed by Australia's policy makers and those arguing for a better way forward is yet to be seen.

As we get social as the end of year festive season approaches, these structural issues with Australia's manufacturing sector remain and are unlikely to be solved at an end of year knees up.

The question for many Australian steel based businesses perhaps is whether the market is tough or is it their position in the market that's tough?

Standards

The new AS4671 Reinforcing Standard is due to be published on December 19th.

Events

The recent ASA Melbourne Cup Calcutta was again a successful industry day enjoyed by all with near record attendance and a record pool.

