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7 June 2011

Committee Secretary
Senate Standing Committee on Economics
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir

Customs Amendment (Anti-Dumping) Bill 2011
Customs Amendment (Anti-dumping Measures) Bill 2011
Matters arising from Committee hearing

I refer to the attendance of Jack Howard, Secretary-General of the ASA, and of myself at the abovementioned hearing in Canberra on Wednesday 4 May 2011.

A ASA's mandate, and its position on behalf of its members

At the hearing, the focus of much of the questioning was on the overseas corporate parentage of three ASA members. It could be suggested that the thrust of the questioning was intended to cast doubt on the ASA's mandate to defend the interests of SMEs – steel importers, distributors, fabricators – in its submission to the Committee.

If that is the case, then the ASA rejects that proposition. The ASA assures the Committee that it is fully representative of its Australian members and will continue to serve their interests in its public statements on these issues.

One of the members about whom we were questioned, Steelforce Australia Pty Limited, has no overseas backing at all. In this regard please refer to page 3 of this letter.

Another, JFE Shoji Australia Pty Limited, has the principal function of securing Australian coal and iron ore for its Japanese parent. The steel products it does import are specialty products – tinplate, silicon steel, and seamless steel conduits – that do not compete with the “flat” and “long” products of the Australian manufacturers.

The other, TATA International Australia Pty Limited, is the representative of the JV that operates Best Bar Pty Limited. Best Bar is an Australian steel reinforcement supplier. It started out as a family company in Western Australia and now employs 300 workers across Australia in the processing of steel for concrete constructions in major projects.

One of the ASA's main positions, which it advanced in its submission on behalf of the employers of a very great many Australian workers, is as follows:

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- *many steel imports are not because of choice or price but because of need due to the local producer's refusal to supply each and every purchaser on a truly competitive basis;*
- *value adding downstream users of the "goods concerned", being small to medium sized enterprises in competition with Onesteel or Bluescope on end product - as both steel producers are vertically integrated on manufacturing - do not have the resources to properly defend their viability and sustainability and are totally reliant on the overseas exporter being fully co-operative to "Customs" satisfaction; and*
- *the real threat to both the upstream local steel producers and the downstream user, fabrication sectors in Australia is the increasing importation of fabricated, coated steel components for major and other projects.*

The supply and distribution networks that service the businesses which are downstream of steel manufacturing – including fabricators, galvanisers, roll formers, miscellaneous manufacturers, erectors and refixers - simply do not have the ability to ensure a steady and cost-competitive source of supply from either of the two Australian steel producers. Not only are OneSteel and Bluescope vertically integrated, meaning that they are also the competitors of the downstream Australian steel industry, they also do not have the capacity to supply the entire needs of the Australian market. Refusal or inability to supply downstream companies is therefore commonplace.

In the steel industry, increased prices for the type of products produced by the Australian industry do not allow everyone to compete at a higher price level. This is because in many cases the end user can purchase the downstream (fabricated) product from overseas. Australia, and Australian workers, lose out.

Senator Xenophon said, during questioning of the ASA, that:

The issue is not competition. It is about the below cost issue.

The issue may well be about below cost sales, or below home market price sales. But it is also about competition. ASA said, in its submission, that it:

supports the need for an effective, legitimate Anti-Dumping System that takes into consideration the legitimate interests of all downstream sectors of the goods concerned and which is consistent with the WTO Agreement

Senator Cameron's implication that the ASA is a front for "big guy members" who are trying to bring down Australian steel manufacturing is simply not correct. If SMEs are the "little guys" that Senator Cameron referred to then, yes, it is absolutely the case that the ASA defends those "little guys".

We wish to remind the Committee that Bluescope Steel's Chairman believes 90,000 people are employed in the Australian steel sector. However the number of people directly involved with Australian steelmaking, in the ASA's estimation, is somewhere in the order of 5,000. Accordingly, any way you look at this, a huge number of Australians are not employed in direct steel manufacturing but in the downstream value adding of steel materials. They depend on a secure, reliable and competitively priced supply of intermediate steel materials. If it is not fairly available to them their jobs will disappear.



B Questions concerning ASA member Steelforce Australia

Senator Cameron asked the ASA to give more details on whether ASA member Steelforce Australia Pty Limited ("Steelforce Australia") is part of what was referred to by the Senator as *"the Steelforce international group"*. That group was described by the Senator as being one which:

- produced 1.5 million tonnes of steel around the world;
- had subsidiaries all over the world; and
- had offices in Europe, Africa, the Middle East, Asia and South America.

Although we are personally aware that Steelforce Australia is not part of and is not related to *"the Steelforce international group"* mentioned by the Senator, we contacted Steelforce Australia for confirmation. Steelforce Australia has confirmed that it has nothing to do with this other group.

Steelforce Australia is an Australian company which is headquartered in Brisbane. It currently manufactures about 30,000 MT of steel pipe and tube products in its wholly-owned factory in Dalian, China (known as "Dalian Steelforce Hi-Tech Co., Ltd."). It then imports those products to Australia and New Zealand. In Australia it has five distribution centres: in Brisbane, Sydney, Melbourne (two) and Perth.

Steelforce Australia has no relationship to Steelforce Group N.V., of Antwerp, Belgium. A comparison of the website information of the two entities clearly bears this out:

- Steelforce Australia Pty Limited - <http://www.steelforce.com.au/>
- Steelforce Group N.V. - <http://www.steelforce.eu/>

Senator Cameron also made some specific inquiries related to labour standards and wage rates in Steelforce Australia's Chinese operation, and whether Steelforce Australia (or indeed any of ASA's members) have been involved in any dumping allegations anywhere in the world. We advised Steelforce Australia of these inquiries as well.

Steelforce Australia advises that "labour standards" within its entire operations, and within Dalian Steelforce Hi-Tech Co., Ltd, are at a high level. There is no forced, compulsory or child labour at its facility in China. Steelforce Australia's values are aimed at eliminating discrimination in the workplace. Its workers enjoy the freedom to associate and have the right to collectively bargain.

Furthermore, it advises that it is probably the only manufacturer in China that manufactures to Australian Standards. Its operations in Dalian are quality accredited under ISO 9001:2008. This quality management system is internationally recognised and independently certified. It regulates all aspects of its operations in Dalian, including the management of the work environment, the competence and education of staff and management, and employee training and education.

Amongst Steelforce Australia's values are these:



- *“Safety is a core value with our target zero harm. OHS&E processes and outcomes meet or better all legislative and legal requirements for the areas in which we operate.”*
- *“Steelforce fosters diversity and values the contribution of individuals and teams. People are treated equitably, fairly, with dignity and respect in a harassment free environment. We are all one team. We earn respect by listening before acting.”*

Given confidentiality restraints, and given also the competitive interaction between our members, Steelforce Australia was not prepared to provide ASA with financial information about its wage rates, whether actual or comparative. At the same time Steelforce Australia freely confirms that it was motivated to set up in China because it was unable to secure supply from vertically-integrated Australian manufacturers, and because Chinese production was the most attractive alternative due to its lower costs of establishment and production.

Lastly, Steelforce advises that it has not been involved in any dumping allegations apart from the one case relating to hollow structural sections here in Australia.

We thank the Committee for this further opportunity for ASA to make its views known. We trust that the information is helpful and properly responds to the Committee's inquiries.

Yours Sincerely

David Birrell
Chief Executive Officer
Australian Steel Association Inc