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10 November 2023

Director
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Anti-Dumping Commission
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Dear Sir/Madam

**Investigation No. 632 – Continuation of measures investigation – Railway Wheels from P R China and France – Submission by Rio Tinto**

## I. Executive Summary

Rio Tinto Limited ("RTL") asserts that there "is no dumping and/or harm to Australian industry" in respect of iron ore railway wheels exported to Australia from the People's Republic of China ("China") and France. Commonwealth Steel Pty Ltd ("Comsteel") completely rejects RTL's assertions as not being supported by the available evidence.

Comsteel is the sole Australian manufacturer of iron ore railway wheels ("the goods") the subject of anti-dumping notices applied by the then Minister on 3 July 2019. Comsteel manufactures the goods to customer specifications and has supplied to each of the four iron ore customers during and/or prior to the imposition of the measures.

The measures applied by the then Minister had the desired impact of limiting further material injury to the Australian industry. Should the measures be allowed to expire, it is likely and indeed highly probable that, the Australian industry would lose the current volumes that it supplies to the Australian iron ore industry, resulting in the cessation of production of the goods in Australia. The measures are therefore critical to the continued manufacture of iron ore railway wheels in Australia by Comsteel.

Comsteel further rejects RTL's contentions that:

- there is an absence of evidence in support of a causal link between the dumping and injury to the Australian industry;
- normal values established in Investigation No. 466 were not consistent with Australia's WTO Anti-Dumping Agreement obligations;
- factors other than dumping have been the cause of price reductions for the goods;
- recent trends in steel pricing confirms that although dumping was evident in the original investigation, this is no longer the case;

- the imported railway wheels and the locally produced railway wheels are not "directly substitutable goods, given concerns for safety, quality and lifespan of the two different products".

RTL's claims concerning dumping, material injury and causal link, and the determination of normal values, were matters the subject of Investigation No. 466. These determinations remain applicable more than four years following the original determination.

RTL's further three claims are viewpoints that Comsteel anticipates a customer benefiting from cheaper imported goods would cite. This, however, does not mean that those viewpoints are correct or accurate.

Comsteel notes that RTL contends (as argued in Investigation No. 466) that "performance considerations" is a factor that influences the pricing differences between imported and locally supplied railway wheels. Comsteel agrees with RTL that safety for employees is an important obligation for an employer. Over the ensuing four plus years following the imposition of measures, Comsteel has sought to work with RTL to address perceived safety concerns. RTL's participation in discussions to address concerns have been limited. Comsteel would have anticipated that a higher degree of urgency would have been apparent in order to address issues/concerns with railway wheel safety. Comsteel continues to supply railway wheels to iron ore customers and does not consider that the claimed failure of the wheels can be directly attributed to Comsteel's manufacturing process.

## II. Report No. 466

Section II of the RTL submission seeks to re-visit matters considered in the original investigation No. 466 ("Invest 466"). It is evident that RTL does not agree with the findings in Report No. 466 as they relate to dumping, material injury and causal link. It is further apparent that the RTL submission is seeking the Anti-Dumping Commission ("the Commission") to revisit matters relevant in Investigation No. 466.

The current investigation is concerned about whether the Australian industry would, in the event the measures are allowed to expire, likely experience a recurrence of material injury from exports at dumped prices from China and France that the anti-dumping measures are intended to prevent. The matters that were pertinent in Invest 466 are ancillary to the objective of the current continuation of measures investigation.

Comsteel is therefore focusing on the relevant matters upon which the Commission must address in its final report and recommendations to the Minister.

## III. Particular market situation

It is noted that RTL's submission does not reject the "particular market situation" findings in Report No. normal values for Chinese exporters as being inconsistent with the WTO Agreement. RTL argues that the Commission "did not calculate the costs on the basis of records kept by the exporters". Whilst the Commission did utilize the raw material steel costs sourced from the French producer Valdunes, the Commission did use the remaining Chinese exporter costs in the constructed normal value determination.

The substituted raw material steel costs were included to address the distortions from the GOC's influence on the Chinese steel industry. As indicated, this influence continues in 2023.

RTL references Masteel's "preferential position" in the Chinese domestic steel market with a parent company that is a State466 for railway wheels sold in China. RTL does however seek to challenge the

Commission's determination of -Owned Enterprise ("SOE"). The Commission was satisfied that "*government influence by GOC in the steel and steel input markets in China is such that the costs incurred by Masteel in the production of railway wheels are not determined in a competitive market*" and further "*the records of Masteel reflect the government influence by the GOC which distorts the costs in the steel and steel input markets in China*[1]".

The continued influence of the GOC in the Chinese steel input and steel markets has aided Chinese suppliers of steel products. The GOC influence results in pricing for Chinese-supplied steel prices being significantly cheaper than steel produced in countries where there is an absence of government influence.

The March 2023 meeting of the OECD Steel Committee raised concerns about the growing divide between increasing steel production capacity and actual production utilization rates. The Committee noted[2] that global crude steelmaking capacity rose to 2,663.4 mmt in 2002, with significant capacity expansions particularly in Southeast Asia and the Middle East contributing to the growing gap between capacity and production that reached 632.0 mmt in 2022 from 516.9 mmt in 2021. The Committee highlighted further continued concerns about Chinese steelmaking capacity, accounting for 47% of world's capacity in 2022.

The increased supply to global markets by Chinese exporters was recently identified in the 23 October 2023 TEX Report[3]:

> *China's Trade and Production of Steel for September 2023. Exports are on a sharp increase while imports are trending down. The Tex Report has compiled data on China's steel production and trade (imports/exports) for September 2023 based on official statistics published in succession.*
>
> *According to steel trade data provided by China's General Administration of Customs, the country exported 8.063 million tons (Mt) of steel in September. As a result, the cumulative total for Jan-Sep soared to 66.82 Mt, up by 16.11 Mt (32%) year-on-year (y/y). With this, the year-to-date total is already closing in on the annual total for calendar year 2022 (67.32 Mt).*
>
> *The exports are expected to further increase amid sluggish domestic demand, and at the current pace the CY2023 total is likely to reach 90 Mt. On the other hand, the import volume for September stood at 640 thousand tons (Kt), and the cumulative total for Jan-Sep at 5.698 Mt, with a 2.64 Mt (32%) decline. The annual imports have been trending down after hitting a recent peak of 20.23 Mt in CY2020, and at the current pace the CY2023 total is likely to sink below 8 Mt. Meanwhile, China's crude steel production stood at 82.11 Mt in September, down by 5.0% month-on-month. The cumulative total for Jan-Sep was 795.07 Mt, up by 1.7% y/y. The Chinese government has imposed an upper limit on 2023 steel production as at the 2022 level (1,013.00 Mt), and, if steelmakers adhere to this and cut their production during the fourth quarter (Oct-Dec), the production volume will likely slow down*.

The increase in Chinese steel exports by 32 per cent in a year-on-year comparison accompanies by "sluggish domestic demand" highlight the likelihood of further increases in Chinese exports as utilization rates slide.

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[1] Report No. 466, Paragraph 6.5.1, P.24.

[2] – https://www.oecd.org/industry/ind/93-oecd-steel-chair-statement.htm#:~:text=At%20its%2093rd%20session,markets%2C%20and%20increased%20market%20uncertainty

[3] TEX Report, 23 October 2023.

In Brazil, Arcelor Mittal has indicated that its will only produce approximately 1.3 million tonnes of steel compared to its forecast 1.5-1.6 million tonnes due to increasing import volumes[4]. Gerdau Acominas AS has laid off 600 workers, has plants that are idle and the industry is seeking an increase in the temporary import tariff. Of the 460,000 tonnes imported into Brazil in August 2023, 302,000 tonnes (or 61.3 %) originated from China.

Comsteel is also aware that the American Iron and Steel Institute ("AISI") has made recent representations[5] to the Office of the US Trade Representative concerning the GOC's continued failure to report to the WTO on subsidies provided by the GOC to various Chinese industries, as is required by China's Accession protocol and membership obligations of the WTO. In particular, Comsteel notes the AISI's concern:

> "*Although China pledged as part of its WTO accession that it would not "influence" commercial decisions of its state-owned enterprises (SOEs), the Chinese government continues to exert significant controls over the operations and management of SOEs both in China and as SOEs expand beyond Chinese borders*."

The GOC distortions in the steel and steel input industries in China afford the Chinese producers a commercial advantage viz-a-viz producers in other countries. As China is a substantial importer of the key raw materials used in steel making – iron ore and coal – it cannot be viewed as a "comparative advantage" for steel production in China. Rather, it is GOC influence that creates artificially low steel input and steel prices.

As confirmed in Report No. 466 a particular market situation applies in respect of steel products manufactured in China. There is no available evidence that indicates the GOC has reformed its policies to cease support to the Chinese domestic steel industry since the measures were imposed in July 2019.

## IV. Competitive market costs

RTL has provided its viewpoint in respect of a rejection of the Commission's finding that the costs of production in China do not represent "competitive market" costs.

Comsteel respectfully disagrees with RTL's interpretation that the claimed "economies of scale, technical progress and superior equipment" are "more compelling arguments" for China's claimed competitive advantage in steel production. Comsteel disagrees. The benefits afforded by the GOC to lower steel production costs that are not available to producers in other jurisdictions represents a far more compelling explanation as to the low prices on offer for Chinese exported goods.

RTL has not provided any information that would warrant a change in the Commission's assessment that Masteel's accounting records in respect of the production of steel billet used to produce railway wheels costs do not reasonably reflect competitive market costs.

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4 CRU, 29 September 2023.

5 American Iron and Steel Institute submission to Office of the U.S. Trade Representative, 20 September 2023.

## V. Chinese steel pricing

RTL references the Steel price Index as "*reflecting the average of the transaction prices of all major steel products in the Chinese market"*. The Steel Price Index "*provides a benchmark against which buyers and sellers can negotiate contract prices*".

RTL also references the China Iron and Steel Association ("CISA") which has its own steel price index.

The concern that Comsteel – along with steel producers in other countries – has with the Chinese internal prices is that they are "distorted" as established in Report No. 466 (and numerous other Trade Measures Investigations from Investigation No. 177[6] onwards). Each of the exported steel products (including hollow structural sections, galvanized steel, aluminium zinc coated steel, quenched and tempered steel plate, etc) have resulted in particular market situation determinations due to the GOC influence in the steel industry. References to internal steel prices within China therefore do not represent competitive market prices. In the absence of the GOC distortions, Chinese steel prices would not be artificially low.

Comsteel disagrees with RTL and considers a benchmark as selected by the Commission in Report no. 466 demonstrates the influence of GOC distortions on steel input prices in the manufacture of railway wheels. Comsteel does not consider a change to the methodology followed by the Commission in Report No. 466 in the selection of the benchmark is required.

## VI. Quality

Comsteel has reviewed RTL's comments concerning quality concerns about Comsteel's locally produced railway wheels. It is noted that RTL has not introduced any new information concerning its viewpoint on wheel fatigue and relies principally on the Marais Consulting Engineers and ALS Industrial Reports considered in the original investigation.

Comsteel has sought to engage with RTL to address its apparent concerns. There has been no advancement on this issue in the period since the Minister's decision. Comsteel maintains its position as detailed in submissions dated 10 July 2018 and 24 September 2018 in Invest 466.

Safety is a primary concern for Comsteel and it works with each customer to ensure that its goods are produced within specification. Comsteel does not consider that its railway wheels are considered inferior to imported railway wheels. The key differential is that of price. Comsteel addressed this matter in Invest 466 and does not consider that the evidence supports RTL's claims. It should be noted that the manufacture of the like goods is to the approved customer specification.

## VII. Material injury

Comsteel reiterates its position that it considers the anti-dumping measures on iron ore railway wheels exported from China and France have had some effect in enabling Comsteel to retain a base volume of wheels for supply to the iron ore industry. The measures did not result in a recovery of the lost sales volumes at RTL and BHP, nor did it result in a recovery of margin to pre-dumping levels.

The measures were effective in minimizing further losses of sales volume.

[6] Report No. 177 – Hollow Structural Sections exported from China, Korea, Malaysia and Taiwan.

It is Comsteel's view that should the measures expire, it is likely that the production of iron ore railway wheels (and other railway wheels) will no longer be viable in Australia. The anti-dumping measures are essential to ensure that imported railway wheels from China and France are not at dumped prices and, that the GOC distortions that are reflected in Chinese export prices, do not result in a recurrence of material injury to the Australian industry.

## VIII. Conclusion

RTL's submission has focused on challenging the findings in Report No. 466. This inquiry is concerned with the expiry of the measures and whether in the absence of the measures on railway wheels exported from China and France, the Australian industry would experience a recurrence of injury that the measures are intended to prevent.

The RTL submission does not provide any new information to demonstrate that dumping by the Chinese exporters has not occurred during the investigation period. RTL is critical of the Commission's determination of a particular market situation and the use of a benchmark in Report 466 demonstrating steel billet costs in China are not determined on a competitive basis. No new information has been furnished since the publication of Report No. 466 evidencing safety concerns with Comsteel's railway wheels are a priority for RTL. Comsteel remains committed to high quality standards for its locally produced goods.

Comsteel unequivocally rejects RTL's statements that Comsteel benefits from being the sole Australian manufacturer and that it is a beneficiary of "preferential treatment" because it purchases used wheels from RTL. The practice of Comsteel purchasing the end-of-life wheels from customers has been in operation since 2015.

Comsteel submits that the available information confirms that the GOC continues to distort steel and steel input costs in China. The GOC distortions afford Chinese exporters a commercial advantage on global markets. Information confirms that exports of Chinese steel products are on the increase, particularly as domestic demand in China wanes.

The continuation of anti-dumping measures on iron ore railway wheels exported from China and France is critical to the viability of the local industry.

Comsteel urges the Commission to recommend to the Minister that he take steps to ensure the anti-dumping measures do not expire on 16 July 2024.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4974 0414.

Yours sincerely

M. Voigt

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