

5 January 2024

Director
Investigations 4
Anti-Dumping Commission
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Canberra ACT 2601

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Public File

Dear Sir/Madam

Investigation No. 632 - Exporter Briefing – Maanshan Iron and Steel Co., Ltd

Commonwealth Steel Company Pty Ltd (“Comsteel”) welcomes the opportunity to provide the Anti-Dumping Commission (“the Commission”) with comments concerning the cooperating Chinese exporter of iron ore railway wheels to Australia – Maanshan Iron and Steel Company Limited Wheel Company (exporter).

I. Background

Maanshan Iron and Steel Company Limited (“Masteel”) is a subsidiary company within the State-Owned China Baowu group of companies.

The exporter cooperating with the Commission in investigation No. 632 is “Baowu Group Masteel Rail Transit Materials Technology Company Limited”. It is stated that the business is owned by Maanshan Iron and Steel Company Limited.

II. High-Tech enterprise

Masteel was recognised as a high-tech enterprise on 18 October 2022¹. As a designated high-tech enterprise according to Measures for Administration of the Recognition of High-tech Enterprises and Law of the People’s Republic of China on Enterprise Income Tax, Masteel received a preferential rate of company tax of 15 per cent (compared with the general 25 per cent rate).

The benefit is available for three years duration.

It is further noted in the Maanshan Iron and Steel Company Limited 2022 Annual Report that “Baowu Group Masteel Rail Transportation Material Technology Co., Ltd²” has also been assessed as a high-tech enterprise and also attracts a preferential; income tax rate of 15 per cent.

These benefits have been afforded to Masteel companies following the Minister’s decision in 2019.

¹ Maanshan Iron & Steel Company Limited, 2002 Annual Report, P.205.

² *Ibid*, P. 204.



III. Exporter Questionnaire Response

The Masteel Rail EQR contains certain responses that require investigation by the ADC. These include:

- Section C-1 and C-2 of EQR concerning exported goods to Australia and domestic sales of like goods sold in China (respectively) have been redacted by Masteel. A “clarification” submission dated 13 December 2023 was provided detailing additional information on the claimed like goods sold domestically, with redactions on model number, steel type, inner diameter and aperture, and weight.
 - The redactions do not permit Comsteel to comment with accuracy on whether the nominated goods sales sold in China by Masteel can be considered “alike” to the exported goods;
 - The redactions prevent Comsteel from obtaining an understanding of the type of railway wheel and whether it can be considered “alike”;
 - Full disclosure of the wheel type, dimensions, and weight are critical for a like goods assessment and so that Comsteel’s interests are not prejudiced.
- Additional concerns identified within the EQR:
 - Section E-2.3 confirms that there exists a cost & price differential between packing for railway wheels sold domestically versus for export. The costs for export are considered to be significantly more expensive due to higher need for protection during transit.
 - At G-2.1 – it is referenced that the exporter’s costs are recorded as “standard costs”. Are there consequential adjustments to standard costs to reflect variances for the period(s)?
 - At G-2.5 – it is stated “*The Company’s cost accounting system does not record production costs according to product specificity level*”. This is a concern as cost allocation to product level for the railway wheels is critical to establishing actual costs of the goods exported to Australia.
 - At G-7.3 the exporter indicates that it uses only one type of steel billet in the manufacture of the exported goods. Further at G-7.5, the exporter confirms that its billet supplier “is the parent company of the Company” i.e. Maanshan Iron and Steel Company. There is an absence of discussion as to how a sale price is determined between the parent and subsidiary companies, nor what basis is a price determined.

IV. Masteel Cost to Make & Sell (Section G-3 of EQR)

The Masteel EQR has provided the Commission with production cost data on a confidential basis.

In Report 466, the Commission was satisfied that Masteel did not sell like goods to the goods the subject of the investigation notice in China. To be considered “alike” any good produced by Masteel for the domestic market must reflect similar technical specifications to the goods exported to Australia. It is not clear from Masteel’s amended C-2 response whether the identified goods can be considered “alike”.

In the absence of domestic sales of like goods, the Commission determined a constructed selling price for Masteel (under subsection 269TAC(2)(c)) being the sum of:

- the cost of production of the goods produced by Masteel;
- amounts for selling, general administrative expenses if the goods had been sold by Masteel in China; and



- an amount for profit.

The following CTMS template prepared by Comsteel is a checklist of the cost items for producing and selling the subject goods in China, (with benchmark steel price ex [Source] included) to assist Commission with verification of cost data at Masteel. All cost information is cited as to source.

Cost to Make	Jul-Sep 2022	Oct-Dec 2022	Jan- Mar 2023	Apr-Jun 2023	Source
Variable costs					See Note 1.
Rate of Exchange Billet A\$/MT					Ex RBA
Other variables					See Note 2
Fixed costs					See Note 2
Depreciation					See Note 2
Unit cost to make					
S,G&A					See Note 4
Profit					See Note 4
Constructed CTMS					

Notes:

1. Redacted [Source for benchmark billet price].
2. Redacted [Other variables, fixed costs incl depreciation ex Comsteel 2022/23 costs].
3. Redacted additional alloys – ex Comsteel 2022/23 costs;
4. S,G&A and profit calculated based upon Maanshan Iron and Steel 2016 Annual Report (as used in Invest 466).



V. EQR - Section H-6 - GOC

Masteel's response at Section H-6.1 is that the "*Government of China has not issued any relevant announcements. This question is not applicable.*"

The GOC through SASAC has been involved in the transfer of equity in Masteel's parent entity (the Baowu Steel Group). It is therefore incorrect for Masteel to claim there has been no announcements when the actions of SASAC have been disclosed in the Maanshan Iron and Steel Company Limited 2022 Annual Report.

VI. EQR – Section H-7 – Taxation

At Section H-7 of the Masteel EQR, the exporter identifies the changes in the VAT since 2018.

Section H-4 seeks to understand the rate of corporate income tax applicable to the exporter. The amount of corporate tax is redacted, however, the comment is that the rate for the past two financial years was the same.

The Maanshan Iron and Steel Company Limited 2022 Annual Report indicates that Masteel has a reduced (preferential) rate of company tax – at 15 per cent (reflecting one of the many GOC incentives available to the Chinese steel industry).

VII. Additional comments

In Report 466, the Commission determined normal values for Masteel in China on a constructed cost methodology, with an adjustment to reflect the GOC's influence on the domestic Chinese steel inputs costs as disclosed in the exporter's records.

Comsteel does not consider that the Commissioner should alter the normal value methodology for Masteel in this continuation of measures investigation.

Any questions concerning the Template for the CTMS iron ore railway wheels should be made to Comsteel.

If you have any questions concerning this submission, please do not hesitate to contact the undersigned.

Yours sincerely,

Nikola Kojic
Head of Finance - Australia