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Director
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Public File

Dear Director

Investigation No. 632 – Iron ore Railway Wheels – Submission by Baowu Group Masteel Rail Transit Materials Technology Company Limited

I. Summary

Commonwealth Steel Company Pty Ltd ("Comsteel") refers to the submission by Baowu Group Masteel Rail Transit Materials Technology Company Limited ("MTM" or "Masteel") in response to the recently published Statement of Essential Facts No. 632 ("SEF 632") in respect of iron ore railway wheels exported to Australia from The People's Republic of China ("China").

Comsteel rejects Masteel's suggestions that the findings (i.e. dumping margin calculations) do not support the continuation of the anti-dumping measures. Further, the Minister for Industry ("the Minister") will consider the recommendations of the Commissioner and decide whether to accept the Commissioner's recommendation(s).

II. Masteel normal value

The Masteel submission outlines the findings of the WTO Dispute Settlement Report DS603. It is asserted by Masteel that the inconsistencies referenced in DS603 "have been replicated in this continuation inquiry" specifically in relation to the determination and calculation of the Masteel dumping margin.

Comsteel disagrees with Masteel's claims.

Contrary to Masteel's assertion that the Anti-Dumping Commission ("the Commission") "*is confusing whether steel billet prices in China reflected competitive market conditions*", the Commission has correctly taken account of whether Masteel's steel billet purchase price does in fact "*reasonably reflect the costs associated with the production and sale of the product under consideration*". Comsteel considers the Commission has, in its SEF 632 assessment, addressed the inconsistency identified in DS603 and correctly addressed whether the Masteel steel billet costs reasonably reflect the costs associated with the production and sale of steel billet costs when contrasted with an external benchmark.

Masteel has also criticised the Commission on the selection of Türkiye as an appropriate benchmark for steel billet. Masteel states:

"*Specifically, no consideration was given by the Commission why an entity in China such as Masteel would purchase steel billet at that adjusted Türkiye steel billet price as opposed to purchasing steel billet from another overseas supplier at a different price on different terms negotiated at arms length*."

Masteel's criticism of the Commission's selected Türkiye steel billet benchmark is detailed at Appendix B "Constructed Normal Values – China" where the Commission examined the cost of production of the railway wheels in China. The Commission established that "*MTM's (i.e. Masteel's) records do not reasonably reflect the costs associated with the production and sale of the goods in China*" and, more specifically, the costs associated with the production and sale of the steel billet.

The Commission examined a broad range of benchmarks for a steel billet price that most closely represented a steel billet price in China. Türkiye was selected as an appropriate steel billet benchmark (available data sources identified at Appendix B4.4 of SEF 632) including[1]:

- *Türkiye is among the top 10 countries in terms of steelmaking capacity and an assessment of Türkiye's steel industry indicates that there have been multiple recent upgrades to its steel making facilities;*
- *Türkiye's degree of development in relation to GDP per capita, literacy rates, the World Bank human capital index and the United Nations human development index are similar to China;*
- *Analysis indicates that labour costs in Türkiye for the manufacturing sector are lower than those in China;*
- *Analysis of the market for Türkiye indicates that steel producers are privately owned and the market is subject to normal factors of competition.*

The Commission established that the Türkiye domestic prices "*provide a suitable benchmark that is indicative of the cost of production in China unaffected by the distortions identified in the Chinese steel market*" which were due to government influence on prevailing prices in the sector (influence State-Owned Enterprises "SOEs" that dominate in the sector).

Further, the Commission selected the Türkiye steel billet benchmark as a *quasi* non-government influenced price for a similar market (in terms of economic indicators) which was then adjusted to reflect the MTM (i.e. Masteel) cost of steel billet in China.

The Commission has, correctly, reflected the specific attributes of a Chinese domestic steel billet price in the selected benchmark Türkiye steel billet price by adjusting for certain raw material component of the steel billet costs so that "*the steel billet costs in MTM's records….reflect an 'arms length purchase price of the **relevant grade** of steel billet in China*[2]" (emphasis added).

The Commission utilised Masteel's conversion costs and remaining production costs in transforming the steel billet into railway wheels to determine a cost of production in China.

It is therefore incorrect for Masteel to assert that the Commission has not constructed normal value for Masteel that reflects the cost of production of the subject railway wheels in China.

Masteel is also opposed to the Commission's selection of an appropriate level of profit to include in the Masteel constructed normal value. Masteel rejects the Commission's selection of a level of profit from the sale of the same general category of goods on the Chinese domestic market. The Commission rejected the level of profit on domestic sales of like goods as the customer was an affiliated customer as the sales were not in the ordinary course of trade and it was apparent that the selling prices were influenced by the relationship. The volume of

[1] Section B4.4, SEF 632, P.104.
[2] Section B3.2, SEF 632, P.101.

sales selected in the same general category of goods it is contended by Masteel was low and not reflective of profit achieved in domestic sales in a broader category of goods. The Commission selected the profit on the domestic sales of the same category of goods based upon the next closest diameter of wheel size. This information was validated with verification in MTM (i.e. Masteel's) records.

The level of profit applied by the Commission is consistent with the regulation 45(3)(a) and reflects the profit in a similar category of goods sold on the domestic market by MTM in China.

III. Masteel's domestic sales

Masteel asserts that its domestic sales are at arms-length and should be considered as the basis for normal value.

The Commission has evidenced that the sell price between MTM (Masteel) and its domestic customer for the like goods are not in the ordinary course of trade and that the relationship between the parties appears to influence the price.

The Commission is correct to not determine normal values under section 269TAC(1) based upon MTM (Masteel's) domestic sales.

IV. Masteel's steel billet purchase price

Masteel has completely redacted its claims under Section 3 of it submission. The non-confidential summary states "*Confidential information concerning MTM's purchase of steel billets from MIS redacted*" provides an insufficient disclosure of information for Masteel's claims to be considered.

The Commission is urged to disregard Masteel's claims about its steel billet purchases from MIS.

Masteel has made additional representations (Sections V and VI) concerning the Commission's selection of the steel billet benchmark that Comsteel has addressed.

V. Continuation of measures

It is contended by Masteel that the goods exported by it are not at dumped prices. It is further argued that as the exports are not at dumped prices there is an absence of injury to the Australian industry and that the measures are no longer required.

Masteel also queries the Commission's role as an "*objective investigating authority*".

Contrary to Masteel's view that its exports of railway wheels were not at dumped prices, the Commission's thorough assessment has confirmed that Masteel continues to export railway wheels to Australia at dumped prices. The level of dumping is significant and continues to cause injury that is material to the Australian industry.

The Commission has confirmed that Masteel export sales to Australia account for 70 per cent of the iron ore railway wheel market in Australia. The level of dumping and the significance of the market share held by Masteel are indicative that if the dumping continues, the Australian industry will be squeezed out of the local market.

Comsteel reiterates earlier representations that the anti-dumping measures are warranted (and should not be allowed to expire) to ensure to permit fair competition in the Australian market for railway wheels so that there is not a recurrence of material injury from dumping.

Comsteel notes Masteel's representations about the continuation of the anti-dumping measures not being in the national interest. As indicated, the Minister will decide on whether to accept the recommendations of the Commissioner once in receipt of the final report.

VI. Conclusions

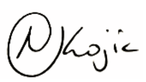
Comsteel does not consider that the Commission has erred in its assessment of normal values for Masteel based upon a constructed cost methodology (in accordance with Section 269TAC()2)(c)). Similarly, the Commission has prudently assessed a benchmark for steel billet based upon domestic prices in Türkiye. The Commission has determined normal values for Masteel in SEF 632 that addresses the inconsistencies identified in WTO Report DS603.

The Commission has correctly concluded that exports of railway wheels to Australia by Masteel have been at dumped prices and that should the measures be allowed to expire it is likely that the Australian industry would experience a recurrence of material injury that the measures are intended to prevent.

Comsteel supports the Commissioner's proposed recommendation to the Minister that hey take steps to ensure that measures on exports of railway wheels to Australia from China do not expire on 16 July 2024.

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

Yours sincerely,



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