

June 18, 2026

Anti-Dumping Commission
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Public File

Dear Director,

Investigation No. 690 concerning Freight Railway Wheels (FRW) from China

1. Introduction

Commonwealth Steel Company Pty Ltd (**Comsteel**) makes this submission in response to *Statement of Essential Facts No. 690 (SEF 690)* published by the Anti-Dumping Commission (**the Commission**) on 29 May 2026 in relation to Investigation 690 concerning dumping and subsidisation of freight railway wheels (**FRW**) exported to Australia from the People's Republic of China (**China**).

Comsteel is the applicant and the sole Australian manufacturer of FRW. Comsteel acknowledges the Commission's findings across the main elements of the SEF, including:

- the finding that uncooperative Chinese exporters exported FRW to Australia at a dumping margin of 3.6 percent during the FY2025 investigation period, and that dumping may continue;
- the finding of a particular market situation (**PMS**) in the Chinese FRW industry warranting departure from Masteel's recorded steel billet costs;
- the subsidy margin finding of 12.0 percent for Masteel and 25.5 percent for non-cooperative exporters;
- the findings of material price undercutting (of up to 24 percent) and price suppression, lost sales, volume and market share, reduced revenue, profitability, return on investment and other adverse economic indicators for Comsteel as the Australian industry;
- the finding that dumped and subsidised imports from China caused material injury to the Australian industry; and
- the recommended imposition of interim dumping duties (**IDD**) and interim countervailing duties (**ICD**).

Notwithstanding Comsteel's general support for the SEF's preliminary conclusions, Comsteel submits that the following matters require correction and/or further consideration by the Commission in its final report to the Minister:

- the selection of Turkish steel billet prices as the benchmark for Chinese competitive market costs, in preference to European Union (**EU**) steel billet prices. Comsteel submits that the EU is the correct and preferable benchmark for the reasons set out further below.
- the methodology for calculating the special steel billet premium. Comsteel submits that the current premium calculation is impacted by the same PMS distortions the Commission has found to affect Chinese billet pricing, and must be replaced with an undistorted premium methodology; and
- the legislative inability to apply a floor price to countervailing measures, and the consequential inadequacy of the measures proposed in the circumstances of this investigation.

2. EU steel billet is the correct benchmark

For the purposes of constructing Masteel's normal value under section 269TAC(2)(c)(i), the Commission was required to determine an appropriate benchmark for Chinese competitive market costs for steel billet, the principal FRW raw material input (comprising approximately 72 percent of Masteel's cost to make the subject goods).¹

Both Comsteel's application and the *Preliminary Affirmative Determination (PAD)* of 22 December 2025 used EU steel billet prices as the benchmark. The PAD expressly noted that the Commission *...would consider the suitability of the EU benchmark, and any other basis, during the investigation.*²

In the SEF, the Commission has departed from the EU benchmark and selected Turkish domestic steel billet prices instead, citing: (a) closer alignment between Turkey's economic development indicators and China's relative to the EU; (b) lower Turkish labour costs relative to China; (c) private ownership of Turkish steel producers; and (d) a finding in Investigation 655 (**INV 655**) of no distortions in the Turkish steel market.³

The Commission acknowledged in the SEF a significant increase in Chinese semi-finished steel imports into Turkey following Continuation No. 632 (**CON 632**),⁴ but characterised the resulting penetration level (1.5 percent of Turkey's total steel market in 2024) as relatively low and similar to the EU's (at 0.5 percent of the total EU steel market).

Comsteel respectfully submits that the Commission's selection of Turkey as the benchmark is neither correct or preferable and should be replaced with the EU benchmark in the final report. The reasons for this are set out below.

Trade precedent: SEF 689 and Korea

Firstly, Comsteel submits that the Commission's benchmark selection reasoning in SEF 690 is inconsistent with its own approach in *Statement of Essential Facts No. 689 (SEF 689)*, issued on 22 May 2026 in relation to the continuation inquiry on precision pipe and tube steel from China and Korea.

¹ SEF 690, Appendix C4 (p. 145) and Appendix C6 (p. 147); Masteel's verified CTMS data confirms billet at approximately 72 percent of cost to make: Confidential attachment 6 – Masteel CTMS.

² ADN 2025/128, p. 7; SEF 690, p. 152.

³ SEF 690, Appendix C7.2, pp. 151–152.

⁴ Freight railway wheels from China, with an inquiry period of 1 July 2022 – 30 June 2023.

In SEF 689, the Commission was required to select a competitive market benchmark for Chinese steel coil (HRC) to construct the normal value. In doing so, the Commission specifically disregarded domestic Korean steel coil prices as a benchmark. In SEF 689, the Commission stated that:⁵

...domestic Korean steel coil prices were discarded as a benchmark because information obtained in REP 658 demonstrated that Korea was the largest importer of HRC from the cooperating exporters in that investigation period. The commission's analysis at Figure 6 indicates that Korean steel prices are likely more influenced by Chinese exports of steel coils than Japan.

The Commission selected Japanese domestic HRC prices on the basis that Japan was less exposed to Chinese import penetration, and because Nippon Steel's strong margins indicated its pricing was not materially suppressed by Chinese competition.⁶

This precedent, issued one week before SEF 690, establishes that:

- a finding of distortion does not require a dedicated investigation (to confirm or otherwise) or a previous finding. In SEF 689, the Commission did not conduct a fresh investigation of the Korean steel market or draw on an earlier distortions-related finding.⁷ Instead, it drew on import penetration data from a different investigation (REP 658) as the basis for benchmark non-consideration.

Comsteel submits that the Commission should apply the same methodology to Turkish billet in the current case. Import volume data showing China's billet exports to Turkey rose from 22,901 tonnes in 2023 to 546,792 tonnes in 2024⁸ and 832,864 tonnes in 2025.⁹ This 36-fold increase in two years is more than sufficient, on the SEF 689 methodology, to conclude that Turkish billet prices are likely materially influenced by Chinese exports.

- distortions can also exist even where no formal trade remedy has been imposed. The rejection of Korea in SEF 689 was not premised on Korea having been found to be a distorted market by any official authority, or on any trade remedy in respect of Chinese steel. It rested solely on Chinese import penetration being sufficient to compromise Korean prices as an independent reference. The Commission's reliance on INV 655 (finding no distortions in Turkey's rebar/EAF market) is beside the point: INV 655 neither surveyed the Turkish billet market nor applied the SEF 689 methodology, and in any case the absence of a formal distortion finding is not the operative standard.
- the Commission chose Japan over Korea not because Japan was demonstrably undistorted in any absolute sense, but because Japanese prices were relatively less influenced by Chinese exports, as evidenced by lower import penetration and stronger mill margins. The critical question in this investigation is whether EU billet prices are less contaminated by Chinese distortions than Turkish billet prices, not whether the EU is free from all distortion. On the Commission's SEF data, Chinese semi-finished steel represents 0.5 percent of the EU total steel market versus 1.5 percent for Turkey.¹⁰ Turkey is hence three times more exposed.

The Korea/Turkey parallel is direct and compelling. In both cases, the relevant economy imported heavily from China, prices in those market were demonstrably influenced by those imports, no billet-specific or HRC-specific trade remedy measure had been imposed by the candidate country, and a more market-insulated alternative (Japan; EU) was available. Comsteel submits that the Commission's rejection of the Korea benchmark in SEF 689 compels the same conclusion for Turkey in INV 690.

⁵ SEF 689, p. 48.

⁶ Ibid, p. 47.

⁷ No such finding exists in respect of Korea.

⁸ Refer <https://www.steelorbis.com/steel-news/latest-news/turkeysbilletimportsup-by-238-percent-in-2024-1377945.htm>

⁹ Refer <https://www.steelorbis.com/steel-news/latest-news/turkeysbilletimportsup-179-percent-in-2025-1434831.htm>

¹⁰ SEF 690, Appendix C7.2, p. 152.

The Turkish steel billet market is materially influenced by Chinese exports

Secondly, Comsteel submits that the Commission's acknowledgement of a *significant increase* in Chinese billet imports into Turkey since CON 632¹¹ understates the scale and speed of Chinese market penetration. The data on the public record and accessible through primary sources establishes the following:

- Chinese volumes: Chinese billet/bloom exports to Turkey were negligible prior to 2023 (22,901 tonnes in 2023). They increased to 546,792 tonnes in 2024 (a 2,000 percent increase on 2023) and rose further to 832,864 tonnes in 2025 (+52.3 percent year-on-year).¹² Q1 2024 recorded 50 tonnes of Chinese billet arriving in Turkey. By Q4 2024, the monthly run-rate had reached approximately 150,000 tonnes. China is now Turkey's second-largest billet supplier.
- Direct price suppression: Fastmarkets reported in August 2024 that Turkish mills booked hundreds of thousands of tonnes of Chinese billet at US\$480–515/t CFR. A Turkish mill source was quoted as saying that *...unfortunately, these Chinese billet sales have ruined the market. People stopped buying material.*¹³ The premium of import billet over North-European scrap declined from a year-to-date average of US\$137.20/tonne to US\$108.85/tonne in the week of 1 August 2024.

Platts reported that Turkish scrap fell from US\$388/tonne CFR to US\$363.50/tonne CFR over the same period as *...attractive billet offers from the Far East, notably China, impacted buyer interest in scrap.*¹⁴

- Turkish response: The Turkish Steel Producers' Association (TÇÜD) has publicly stated that Chinese steel imports have *...increased tenfold since 2020...forcing capacity utilisation rates down and investment to be postponed or cancelled.*¹⁵

Turkey has taken trade measures against China across multiple finished steel products; HRC (duties of 6.10 - 43.31 percent, October 2024¹⁶), cold-rolled stainless flat steel (3.95 percent, December 2025¹⁷), tinplate (December 2025), and wire-rod (safeguard, 2024), while imposing no measure at all on Chinese billet or semi-finished products. Turkish billet prices therefore embed, rather than filter out, Chinese pricing distortions.

- EAF production structures mean Turkish prices track Chinese offers: Turkey is the world's largest scrap importer with a predominantly EAF-based steelmaking structure. Turkish EAF mills routinely switch to rolling imported billet when import prices undercut scrap-based production economics. This creates a direct and structural transmission channel from Chinese export prices to Turkish domestic billet prices. Fastmarkets confirms that Turkish EAF operators *...are more than content to switch to rolling semi-finished steel when prices support that option.*¹⁸
- Chinese steel export surge: Chinese steel exports reached 110 million tonnes in 2024 (+22.7 percent year-on-year), a nine-year high according to Chinese customs data.¹⁹ Semi-finished steel exports then surged a further 320 percent year-on-year in the first seven months of 2025 to 7.4 million tonnes, as Chinese producers rerouted around tightening finished-steel trade barriers, with Turkey among the top

¹¹ Ibid.

¹² Refer <https://www.steelorbis.com/steel-news/latest-news/turkeysbilletimportsup-by-238-percent-in-2024-1377945.htm> and <https://www.steelorbis.com/steel-news/latest-news/turkeysbilletimportsup-179-percent-in-2025-1434831.htm>

¹³ Refer <https://www.fastmarkets.com/insights/surging-exports-of-cheaper-chinese-steel-send-shockwaves-through-ferrous-markets/>

¹⁴ Refer <https://recyclinginternational.com/markets/ferrous-metal-recycling-markets/chinese-billet-exports-hit-scrap-demand/58376/>

¹⁵ Refer <https://www.steelorbis.com/steel-news/latest-news/turkish-steel-industry-calls-for-urgent-measures-against-dumped-imports-1408451.htm>

¹⁶ Refer <https://eurometal.net/turkey-determines-dumping-margins-on-hrc-imports-from-china-india-japan-and-russia/> and

<https://gmk.center/en/news/turkey-has-introduced-anti-dumping-hrs-duties-from-four-countries/>

¹⁷ Refer <https://www.turkiyetoday.com/business/turkiye-introduces-anti-dumping-duty-on-chinese-cold-rolled-stainless-steel-imports-3212006>

¹⁸ Refer <https://www.fastmarkets.com/insights/surging-exports-of-cheaper-chinese-steel-send-shockwaves-through-ferrous-markets/>

¹⁹ Refer <https://www.mysteel.net/news/5073921-gacc-chinas-2024-steel-exports-touch-9-year-high>

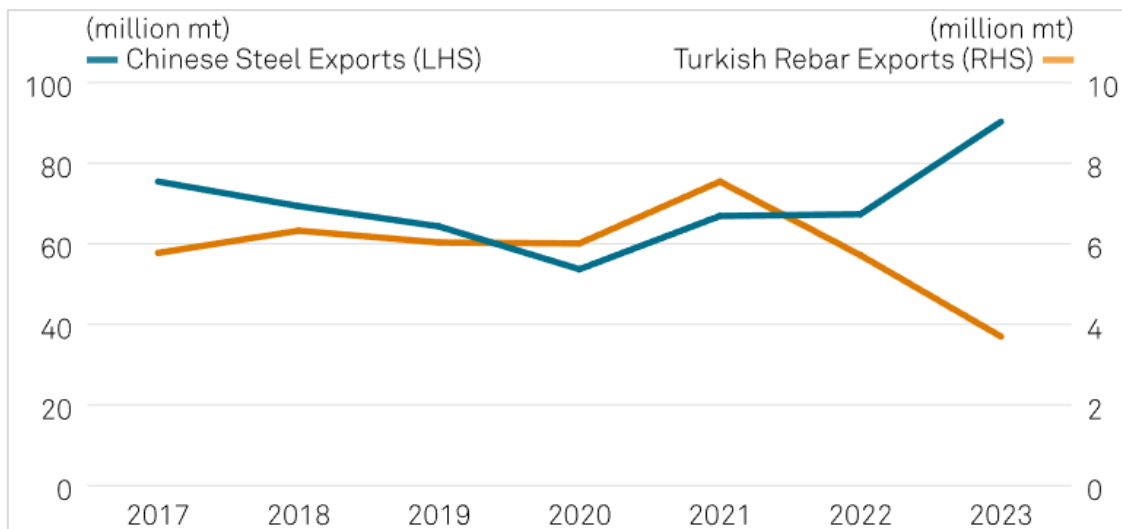
destinations.²⁰ The OECD's Steel Outlook 2025 found that the median Chinese steel firm received 15 times more subsidies relative to its asset size than firms elsewhere, with China's subsidy rate nearly doubling since 2019.²¹ At the 99th session of the OECD Steel Committee in March 2026, the Chair noted that *...China's annual exports have nearly doubled over the last three years, with its 131 mmt export volume last year surpassing the combined exports from the rest of Asia for the first time in recent history.*²² As recently as June 2026, reports suggests that competition in the Turkish steel market is intensifying further, with low-priced Chinese (and Russian) billet offers placing renewed pressure on local suppliers.²³

- The direct causal relationship between Chinese steel export volumes and Turkish steel market conditions was publicly acknowledged by Turkish and international industry participants at the 90th International Rebar Producers and Exporters Association (Irepas) conference in April 2024.²⁴

Market sources identified the threat of Chinese steel and raw material exports as a primary source of uncertainty bearing on Turkish mills entering 2024. Critically, participants confirmed the mechanism already operating in 2023: China exported 90.26 million tonnes of steel that year, which market sources directly attributed to Turkish rebar exports falling from 5.7 million tonnes in 2022 to just 3.60 million tonnes in 2023 (a reduction of approximately 37 percent).

The Turkish Steel Producers' Association separately called in February 2024 for government protection measures against Asian steel imports, citing ongoing harm to the domestic market from dumped and subsidised Chinese steel. With Chinese exports having reached 25.8 million mt in Q1 2024 alone (up 28.47 percent year-on-year) industry members anticipated that Chinese export volumes would again exceed 90 million tonnes in 2024. Turkish mills feared would suppress global demand for Turkish finished steel and further constrain their export competitiveness.

The consequence of rising Chinese steel exports for the Turkish domestic market is illustrated in the chart below, sourced from TUIK and China Customs data:



Turkish rebar exports fall as Chinese steel exports climb²⁵

²⁰ Refer <https://www.mining.com/web/chinas-exports-of-semi-finished-steel-surge-by-more-than-300/>

²¹ Refer https://www.oecd.org/en/publications/oecd-steel-outlook-2025_28b61a5e-en.html

²² Refer <https://www.oecd.org/en/about/news/speech-statements/2026/03/99th-session-of-the-steel-committee-statement-by-the-chair.html>

²³ Refer <https://www.steelradar.com/en/haber/russian-billet-export-prices-has-started-to-fade/>

²⁴ Refer <https://www.seaisi.org/details/24638?type=news-rooms>

²⁵ Ibid.

As Chinese steel exports climbed from approximately 55 million tonnes in 2020 to over 90 million tonnes in 2023, Turkish rebar exports moved in the opposite direction, falling from a peak of approximately 7.9 million tonnes in 2021 to approximately 3.9 million tonnes in 2023 (a fall of over 50 percent in two years).

This circumstance reflects a well-understood distorted Chinese steel trade mechanism: in this case, as Chinese exporters flood global steel markets with low-priced product, Turkish mills progressively lose their traditional export markets, and the unsold volume is redirected into the Turkish domestic market. The resulting domestic oversupply suppresses Turkish domestic steel prices (including billet prices) independent of domestic demand conditions.

While the above chart covers 2017–2023 and predates the investigation period, it establishes the underlying structural dynamic that has continued/intensified into 2024 and 2025, as documented elsewhere in this submission. The Turkish domestic billet price is therefore not an autonomous market-based reference. Rather, it reflects the pressure of Chinese export displacement on Turkish mill economics, making it an unsuitable independent benchmark for Chinese competitive market costs.

According to the Commission's own SEF data, Turkey's Chinese semi-finished penetration (1.5 percent of total steel market) is triple that of the EU (0.5 percent). The Commission's characterisation of these as *...similar levels...* in the SEF is not economically sound. A factor-of-three difference in market penetration ratios, alongside the absence of any billet-specific trade remedy in Turkey (contrasted with EU's tightening safeguard and trade remedies regimes), means the EU is materially less contaminated by Chinese pricing than Turkey.

The Commission's preference for Turkey

Thirdly, the Commission notes in SEF 690 that Turkey's GDP per capita, HCI and HDI are closer to China's than the EU's.²⁶ While relevant, it does not override the more fundamental requirement that the benchmark be free from the distortions sought to be corrected. Development alignment is a necessary condition but not a sufficient one. Comsteel submits that a benchmark whose price is suppressed by Chinese exports cannot serve as a proxy for competitive market costs, however closely aligned its development indicators may be.

The SEF finds that Turkish manufacturing sector labour costs (CNY 63,574 equivalent per annum) are lower than China's private sector (CNY 83,486) and its public sector (CNY 120,912), and characterises the differential as *...minimal*.²⁷ However, Turkish labour costs being lower than Chinese private-sector wages undermines rather than supports Turkey as a comparator. If Turkey's billet prices are in part attributable to lower-than-Chinese labour costs, using Turkish prices as a proxy for Chinese competitive market costs without adjustment introduces a downward bias in the benchmark.

On production processes, the SEF acknowledges that Turkey predominantly uses EAF whereas China and the EU predominantly use BF-BOF, and concludes that any production-type adjustment to the Turkish benchmark *...would be minimal (or downwards)*.²⁸ Comsteel submits that this reasoning is inconsistent as FRW are made from special high-carbon steel billet, overwhelmingly produced via BF-BOF globally. Using an EAF-dominated market as a proxy for BF-BOF special steel billet costs creates an input-cost mismatch. The EU's BF-BOF dominance more closely mirrors the cost profile relevant to FRW billet feed production.

The Commission also relies on the INV 655 finding of no evidence of distortions in the Turkish steel market.²⁹ However, INV 655 concerned rebar (a structurally different product from special steel billet), produced via EAF from scrap, with no overlap with the BF-BOF billet supply chain relevant to FRW. The investigation period for INV 655 also predates the step-change in Chinese billet exports to Turkey that occurred in 2024 (see above).

²⁶ SEF 690, p. 152.

²⁷ Ibid, p. 153.

²⁸ Ibid, p. 154.

²⁹ Ibid, p. 153.

Furthermore, as SEF 689 and this submission demonstrate, the Commission's own practice does not require a formal distortion finding; it requires only that import penetration evidence is sufficient to conclude that prices are likely influenced by Chinese exports.

The EU benchmark

Comsteel submits that EU steel billet prices represent the correct and preferable benchmark for the following compounding reasons:

- The EU's Chinese semi-finished penetration (0.5 percent of total market) is one-third of Turkey's (1.5 percent), per the SEF data. The EU is clearly more insulated from Chinese pricing distortions;
- The EU has imposed and is tightening trade measures on Chinese steel, including under the EU Steel Safeguard Regulation, providing an active remedy against Chinese-distorted imports in the EU market;
- The EU's predominantly BF-BOF production profile mirrors the cost structure of special steel billet production used to manufacture FRW;
- EU billet prices were used by Comsteel in its application, accepted by the Commission at initiation and at the PAD stage; and
- EU billet prices produce a higher benchmark, and hence a higher remedy margin for Masteel and all other exporters – resulting in an outcome that better reflects the true level of trade remedy required to address injury to the Australian industry.

Comsteel therefore requests that the Commission adopt the EU steel billet price as the benchmark in its final report. This is the correct and preferable approach to ensure an effective remedy.

3. The special steel billet premium calculation reintroduces the PMS distortion

Having selected Turkish MEPS billet prices as the base benchmark, the Commission was required to adjust that price upward to account for the fact that MEPS Turkish billet prices reflect standard billet, whereas FRW are manufactured from special high-carbon micro-alloy steel billet (referred to in the SEF as 'special steel billet').

The Commission considered four options for calculating this premium and selected the following approach:³⁰

...the difference between the MEPS Chinese steel billet price and the verified price paid by Masteel for its special steel billet it uses to make the goods.

The Commission's stated rationale for this choice is that it uses Masteel's own verified purchase data and reliable Chinese steel billet data, representing the actual difference between the price of standard billet in China and recorded prices for the actual special steel billet used by Masteel in China during the investigation period.³¹

Comsteel submits that the Commission's premium calculation is fundamentally flawed and undermines the corrective purpose of the benchmark adjustment.

The entire basis for departing from Masteel's recorded cost of production is the SEF's finding, grounded in the PMS assessment and the 'not normal and ordinary' analysis, that GOC intervention has materially and pervasively distorted steel billet pricing throughout China, affecting both SOE and private sector suppliers alike.

³⁰ Ibid, p. 155.

³¹ Ibid.

The Commission found that the GOC influence has resulted in artificially low prices for the key raw materials, and that the effects on raw material pricing have flowed through Masteel's recorded cost of production.

Having made this finding, the Commission then calculates the special steel premium using the MEPS Chinese billet price as the baseline against which Masteel's verified special steel purchase price is compared. The MEPS Chinese billet price is a Chinese domestic market price, one found to be artificially suppressed by GOC intervention. The premium derived from a comparison against a distorted baseline (against another distorted baseline – Masteel's special steel billet purchases) will itself be distorted (downward).

The consequence is readily apparent. The Commission's benchmark methodology purports to remove the distortion from the base billet price by substituting Turkish or EU billet prices, but then reintroduces the distortion through the premium, which is premised on the very Chinese market prices the Commission has found to be unreliable. This is internally inconsistent and defeats the purpose of the benchmark exercise.

This problem is more acute in the post-PAD environment. As discussed in Chapter 10 of the SEF and addressed below, Chinese exporters have been observed significantly increasing their export volumes and reducing their FOB export prices following imposition of the PAD on 22 December 2025. This was depicted in Figure 12 of the SEF:

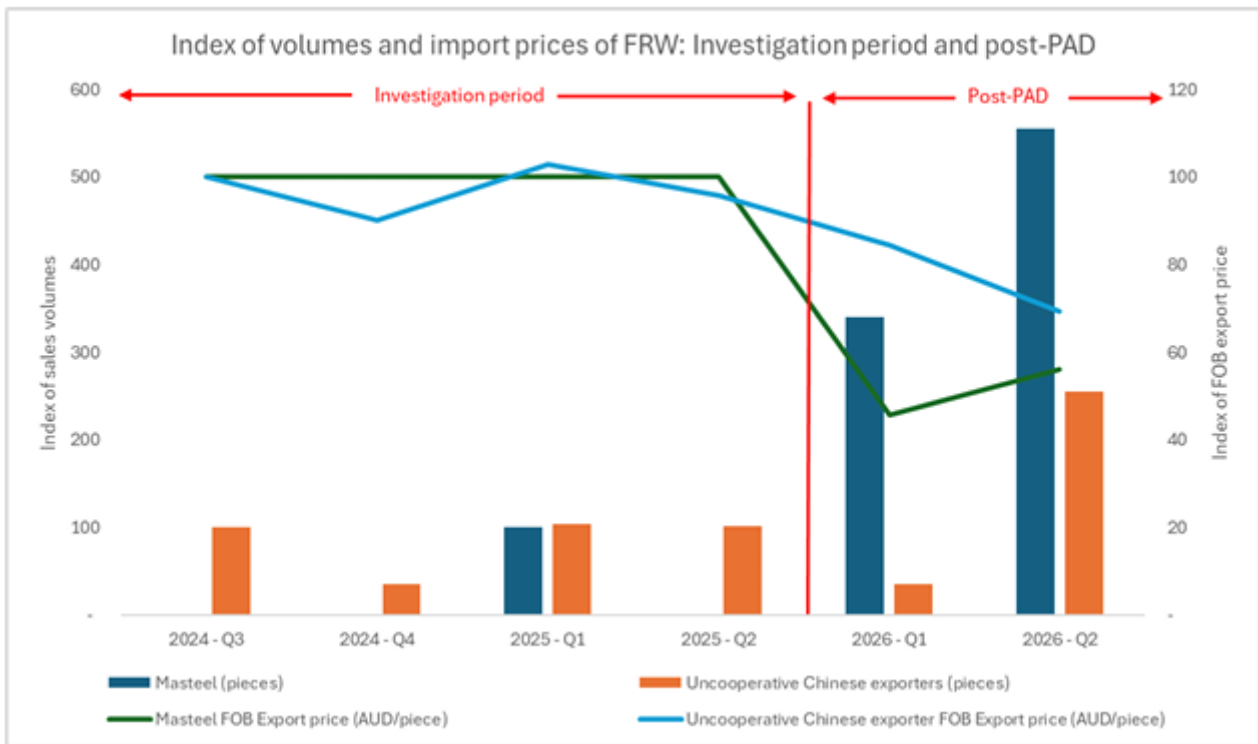


Figure 12 SEF 690 excerpt³²

An understated benchmark, arising from a distorted premium calculation, means that the resulting normal value fails to capture the full extent of the dumping, and the effective combined margin will be insufficient to remedy the ongoing injury to Comsteel.

³² Ibid, p. 92.

Comsteel submits that the Commission must disregard the current price methodology for calculating the special steel premium, and replace it with one of the following three approaches, each of which avoids reintroducing the distortion the benchmark is designed to remove.

Option	Methodology
Option A: Comsteel's special billet premium ³³	Comsteel is an active purchaser of special high-carbon steel billet on the global market for use in the manufacture of FRW. Comsteel's purchase price for special billet is sourced at arm's length from unrelated suppliers, and provides a direct measure of the premium that special steel billet commands over standard billet in a competitive market.
Option B: Adjust the premium upward by reference to the difference between the EU benchmark and Chinese MEPS	<p>Uplift the baseline premium by the percentage difference observed between the EU billet benchmark and the Chinese MEPS price.</p> <p>This approach uses the Commission's PMS-corrected EU price signal (used in the PAD) as the basis for the premium calculation, rather than Masteel's distorted special steel billet purchases.</p>
Option C: Adjust the premium upward by reference to the difference between the Turkey benchmark and Chinese MEPS	<p>At an absolute minimum, if the Commission retains Turkish billet prices as the base benchmark, it should uplift the baseline premium by the percentage difference observed between the Turkish billet benchmark and the Chinese MEPS price.</p> <p>This approach is still fundamentally imperfect (as Turkish prices are themselves influenced by Chinese exports). However, it is at least internally consistent with the Commission's selection of Turkey as the benchmark.</p>

Comsteel submits that the Commission should adopt whichever of the three options above results in the highest premium, being the approach that best reflects an undistorted competitive market premium for special steel billet and that is most consistent with the purpose of the benchmark exercise – to place the normal value on an undistorted footing. This is the correct and preferable approach for the purposes of ensuring an effective remedy.

4. Countervailing duty and floor prices – a structural legislative gap

At page 100 of the SEF, the Commission specifically acknowledged a structural limitation in the available forms of countervailing duty (CVD):

The use of a floor price is unavailable to calculate any countervailing duty payable, meaning that the Commissioner cannot recommend using a combination duty method like that recommended for calculating IDD. As noted above, a fixed price duty method will not capture any changes in prices for imported goods, and so is also unsuitable for calculating ICD.

As a result, the Commissioner has recommended that ICD be ascertained as a proportion of the export price (*ad valorem*), while IDD is recommended on the combination duty method.³⁴

The structural difference between the available forms of IDD and ICD is a well-known feature of the Australian trade remedies legislative framework. However, it creates a particularly acute practical problem in this

³³ Confidential Attachment 1.

³⁴ SEF 690, p. 100.

investigation, for reasons that arise from the interaction between the PMS/benchmark methodology adopted in the SEF and the post-PAD export price behaviour observed by the Commission.

In a standard anti-dumping investigation where no PMS or benchmark methodology applies, the IDD combination duty method operates by reference to an ascertained export price (**AEP**) and an ascertained normal value (**ANV**). The ANV represents an undistorted normal value derived from the exporter's own verified records. The floor price in the combination method is the ANV/NIP. If the exporter reduces its export price below the AEP following imposition of measures, the variable component of the combination duty collects the difference, ensuring the measures remain effective regardless of post-measure price behaviour.

This is why the Commission recommended the combination method for IDD in this investigation: the post-PAD ABF data indicates uncooperative exporters are already reducing export prices below investigation period levels in an apparent attempt to absorb the duty.³⁵

In this inquiry, however, the benchmark methodology has a unique consequence. The benchmark (whether Turkish or EU) is used to determine an undistorted normal value for Masteel. That undistorted normal value then informs both the dumping margin and the LTAR subsidy assessment under Program 1 (steel billet provided at less than adequate remuneration). Because Program 1 and the normal value adjustment address the same economic distortion (artificially low billet costs) the Commission applies a double-count adjustment to avoid counting the same distortion twice.³⁶ The practical effect of the double-count adjustment is that the quantitative impact of the billet benchmark uplift is effectively assigned to the countervailing margin rather than the dumping margin.

The result is as follows:

- the dumping margin for uncooperative exporters (3.6 percent) reflects the extent to which export prices fall below a constructed normal value that, after the double-count adjustment, does not fully capture the benchmark correction, as it has been reallocated to the CVD side;
- the countervailing margin for non-cooperative entities (25.5 percent) carries the weight of the benchmark correction, including through Program 1;
- however, the ICD is constrained to an ad valorem calculation — there is no combination duty floor available. If exporters continue to reduce export prices post-PAD (as the post-PAD data indicates they are already doing) the *ad valorem* ICD percentage is applied to an ever-lower export price base, and the real value of duty collected diminishes in proportion to the price reduction.

Comsteel draws the Commission's attention to this structural issue for two reasons:

- to support the Commission's own reasoning in recommending the combination duty method for IDD as the most effective available protection, and to urge the Commission to set the AEP at the highest defensible level (see benchmark and benchmark premium arguments above); and
- to place on the public record Comsteel's view that the current legislative framework, in not permitting a floor price for CVD, is inadequate in cases where PMS/benchmark methodology allocates the primary corrective adjustment to the countervailing margin.

³⁵ Ibid (Table 33) where the Commission states that it *...has also observed lower export prices in the ABF customs data following the imposition of the PAD, which could indicate exporters are attempting to avoid the effect of the PAD measures.*

³⁶ Ibid, at footnote 9, p. 12: *As Program 1 is in respect of steel billet provided at less than adequate remuneration (LTAR) and the commission has adjusted steel billet as a cost input in constructing the normal value for exporters, the dumping margin calculations already address the impact of the steel billet adjustment on exporters' costs. To avoid double counting, the commission has adjusted the combined interim duty payable.*

Comsteel notes that the post-PAD export price evidence at Figure 12 of the SEF makes this concern specific and immediate. The Commission has already observed that:³⁷

Given that the uncooperative exporters were found to have dumped during the investigation period, the commission considers that the observed lower export pricing behaviour following the investigation period indicates that uncooperative exporters are continuing to export dump goods to Australia, at possibly greater margins of dumping than before the publication of the PAD.

If the AEP is set at investigation-period levels and the combination duty is properly calibrated, the IDD variable component will collect duty on the price reduction differential. However, the corresponding CVD protection remains *ad valorem only*, and the effective combined duty rate will diminish as a function of any further export price reductions.

5. Conclusion

Comsteel respectfully requests that the Commission, in its final report to the Minister:

- adopt EU steel billet prices as the benchmark for Chinese competitive market costs for steel billet in constructing the normal value, in place of Turkish steel billet prices;
- replace the current premium calculation methodology with the approach that results in the highest premium as between: (a) Comsteel's own arm's-length special billet purchase price; (b) the baseline premium indexed upward by reference to the EU benchmark differential; or (c) the baseline premium indexed upward by reference to the Turkish benchmark differential. The Commission should adopt whichever of these three approaches produces the highest premium, being the approach most consistent with ensuring an undistorted normal value and an effective remedy; and
- set the ascertained export price for IDD combination duty purposes at the highest defensible level to maximise the protective effect of the variable duty component against the observed post-PAD Chinese exporter price and volume behaviour.

Comsteel regards the EU benchmark and premium methodology issues as matters going to the correctness and effectiveness of the remedy. Comsteel and makes itself available to the Commission in resolving the matters raised in this submission.

FOR AND ON BEHALF OF

Commonwealth Steel Company Pty Limited

THE AUSTRALIAN INDUSTRY APPLICANT

³⁷ Ibid, p. 92.