

NOTE FOR FILE

**MEETING BETWEEN THE CHINA CHAMBER OF COMMERCE FOR IMPORT
AND EXPORT OF MACHINERY AND ELECTRONIC PRODUCTS, MAANSHAN
IRON & STEEL CO LTD**

AND THE ANTI-DUMPING COMMISSION

4 SEPTEMBER 2018

Representatives of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) and the Chinese railway wheel exporter, Maanshan Iron & Steel Co Ltd (Masteel) requested a meeting with the Anti-Dumping Commission (the Commission) to discuss issues relating to the investigation into the alleged dumping and subsidisation of railway wheels.

Prior to the meeting, the CCCME and Masteel provided an agenda (Attachment A).

The following is a summary of the points discussed during the meeting:

CCCME

- The CCCME stated that it was a non-government peak body, that it was greatly concerned about the anti-dumping and anti-subsidy investigations and that it hoped to find an alternative solution to the imposition of anti-dumping measures;
- It claimed that exports of Chinese railway wheels had not caused injury to the Australian industry;
 - other than in 2017, Comsteel were profitable throughout the injury analysis period; and
 - there was insufficient evidence to conclude that imports from China had caused any injury;
- Chinese railway wheels were different to railway wheels produced in Australia. The Chinese railway wheels had been accepted by Australian customers and it was in the public interest not to introduce anti-dumping measures;
- The CCCME claimed that railway wheels were properly characterised as parts of vehicles and were very different to other steel products. It claimed that, therefore, a 'particular market situation' should not be found in respect of railway wheels.

Masteel

- Masteel stated that it had been producing high quality railway wheels for 50 years;
 - its capacity of XXXXXX wheels per annum puts it in the top X producers in China;
 - it is China's number one exporter of railway wheels, exporting to over 50 countries worldwide;

PUBLIC RECORD

- Masteel claimed that it had a very good reputation for quality and service and enjoyed a competitive advantage over the Australian manufacturer, Commonwealth Steel Company Pty Ltd (Comsteel);
 - it noted that there had been several cases of Comsteel wheels breaking;
 - Masteel observed that Comsteel was casting ingots and that this process made it difficult to obtain improvements in steel quality;
- Masteel stated that it also noted BHP Billiton Iron Ore Pty Ltd's claims that Masteel wheels had lower wear rates and produced more even wear than Comsteel's wheels;
- It claimed that the superior quality of its wheels, offered at a competitive price, was the reason that Australian customers had moved to purchase its wheels;
- Masteel claimed that its low pricing was due to:
 - economies of scale leading to lower fixed costs per unit;
 - labour costs that are 4-5 times lower than in Australia;
- Masteel stated that its railway wheels had been attractive to Australian customers due to the quality of its service including:
 - selling to the Australian customers at XXXXXXXXXXXXXXXX
XX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX [terms of sales].
 - Masteel is attuned to customers' technical requirements and providing solutions;
 - its focus on meeting customer delivery requirements;
 - its high level of investment over the last 20 years in research and development; and
 - the reliability of its operations.
- Masteel claimed that it had sold railway wheels to Australian customers for a long time, and in the process had provided employment in Australia in the transport and warehousing industries;
- It stated that it was a world-leading manufacturer of railway wheels that:
 - provided a responsive service at competitive prices;
 - had better cost and efficiency compared to Comsteel;
 - made a positive contribution to the iron ore industry in Australia;
 - imported iron ore and coking coal from Australia in a reciprocal trade for use by it in the production of steel, some of which was used in the manufacture of railway wheels. This reciprocal trade relationship was mutually beneficial to Australia and China.
- Masteel claimed that there was no 'particular market situation' relevant to the railway wheel industry.
 - The Commission noted in this regard that the Masteel verification team had found that Masteel did not sell like goods to the goods under consideration in China during the investigation period and, as such, it was likely that a normal value would be constructed, in which case there would not be an analysis of the market situation for railway wheels in China (there being no market). The Commission noted that, in constructing a normal value, it needed to have regard to the relevant

PUBLIC RECORD

regulations, including whether the costs in Masteel's records reasonably reflected competitive market costs. The Commission noted in this regard that it had information on the sources and quantities of materials used by Masteel in the production of railway wheels.

- In relation to injury alleged to have been suffered by Comsteel, Masteel claimed that:
 - Comsteel had been profitable until 2017 when it had lost contracts to supply Rio Tinto and BHP due to quality concerns held by the mining companies;
 - Comsteel had not been injury by dumping or subsidisation but by its artificially high prices achieved through its status as a monopoly supplier in Australia;
 - any injury suffered by Comsteel had been incurred at the time the contracts were lost and therefore any securities could not be effective in addressing such injury;
 - it was not the role of anti-dumping measures to protect a monopoly supplier offering artificially high prices.
- Masteel stated that it was not in the public interest to impose anti-dumping measures and that the Minister should be made aware of arguments as to why she should use her discretion to not impose measures in this case.

ATTACHMENT A

Issues for Discussion:

The issues for discussion are, in summary: -

1. There is no “*particular market situation*” in this investigation, at least not applicable to Masteel given that Masteel produces its own steel principally from raw materials imported from overseas. This affects the calculation of dumping margins and, in particular, normal values.
2. The evidence from Comsteel is that any injury it may have incurred during the three-year injury period only was incurred in 2017 and there is no evidence that it was caused by imports from China whether at dumped or dumped prices. Rather, it was operating profitably for most of this period.
3. Comsteel has been a monopoly supplier of railway wheels to the mining companies in the Pilbara and this arguably has resulted in inflated prices for the railway wheels being supplied by it and it seeking to use antidumping measures to maintain this monopoly position, which is not the role of antidumping measures.
4. Any injury incurred by Comsteel has not been caused by exports from China but, rather, is likely due to imports from other countries and also issues with Comsteel’s own performance and the quality of its products, as indicated by submissions from its Pilbara mining customers.
5. Comsteel has taken issue with two of its major customers, Rio Tinto and BHP, but the matters on which it has taken issue on are not related to dumping and/or subsidisation of exports from China.
6. The imposition of antidumping measures on railway wheels from China would not be in the public interest as it would simply result in higher costs for the mining companies in question, adversely affecting them financially, with possible flow on effects to associated industries.