

NOTE FOR FILE
TELECONFERENCE BETWEEN RIO TINTO LIMITED
AND THE ANTI-DUMPING COMMISSION
17 SEPTEMBER 2018

Representatives of Rio Tinto Limited (Rio Tinto) requested a teleconference with the Anti-Dumping Commission (Commission) in response to the Commission's request for Rio Tinto to provide any available evidence (including records of internal discussions, emails, file notes etc) dated prior to or coinciding with the 2017 tender decision to support the claim that wheel failures, wheel lifespan and general wear, and wheel packaging concerns were factors that contributed significantly to Rio Tinto's decision to purchase from an alternative supplier.

Prior to the meeting, Rio Tinto advised that it wished to submit that:

1. the Tender Documents must be read in the broader factual matrix of the quality issues experienced by Rio Tinto using Comsteel's wheels;
2. these quality issues, and general principles of risk reduction, influenced Rio Tinto and informed its decision to seek a two-supplier solution for the wheels; and
3. the Tender Documents illustrate Rio Tinto's commitment to long-term productivity improvements beyond the mere unit price of the wheels.

The following is a summary of the issues raised by Rio Tinto during the teleconference:

- At the time Rio Tinto made the decision to source [REDACTED] [confidential business information] its wheel requirements from an alternative supplier, iron ore was an extremely important product group of the Rio Tinto Group's operations, representing approximately [REDACTED] percent of the Group's revenue – iron ore still represents approximately [REDACTED] percent of revenue. [confidential business data]
- In view of the importance of the iron ore operations to the Rio Tinto Group's business it would have been reckless and negligent for Rio Tinto to consider only price in making a decision around the purchase of railway wheels – other factors such as reliability, safety and security of supply are vitally important to the Rio Tinto Group.
- [REDACTED]
[REDACTED] [describes confidential internal decision-making processes]
Rio Tinto noted that it had provided the following documents that demonstrate Rio Tinto was aware of problems with the Comsteel wheels at the time of the tender and that, logically, these non-price factors would have influenced the decision to find an alternative supplier:

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- three ALS Industrial reports of investigations into cracked wheels dated August 2016, November 2016 and January 2017, respectively;
- Rio Tinto Procurement's Sourcing Strategy for wheels prepared in early 2017;
- a presentation pack dated January 2017 dealing with the shattered rims;
- two incident reports in February and March 2017, respectively into injuries sustained from Comsteel's packaging;
- Rio Tinto Procurement's Recommendation to Award document dated May 2017; and
- a report commissioned by Rio Tinto prepared by consulting engineers reviewing the cracked railway wheels dated July 2017.
- Rio Tinto submits that these documents spoke to the non-price factors that it claimed were significant factors in Rio Tinto Iron Ore's (RTIO) purchasing decision.
- Rio Tinto also outlined how [REDACTED] [describes confidential internal decision-making processes]
- [REDACTED] [describes confidential internal decision-making processes]
- The Commission inquired about specific sections in the Sourcing Strategy and Recommendation to Award documents that [REDACTED]. [confidential procurement strategy] Rio Tinto advised that these recommendations should be understood in the wider context of what was known by the executive leadership and the business at the time.
- Rio Tinto stated that while its new dual supplier sourcing strategy still presented challenges, the strategy made sense from a [REDACTED] [confidential procurement strategy] perspective. Rio Tinto said that the strategy was also consistent with its focus on [REDACTED]. [confidential procurement strategy] Rio Tinto stated that it had been impressed by the world class production facilities and capability of Chinese suppliers involved in the market process and manufacturing approaches such as [REDACTED] [confidential business information] witnessed in some facilities.
- Rio Tinto repeated earlier submissions that it had been disappointed with Comsteel's reaction to Rio Tinto's offers to assist the domestic monopoly supplier to improve productivity and take cost out of the business for both parties. Rio Tinto stated that its philosophy was to work with key supply

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partners to improve their long-term productivity and efficiency, while ensuring a reasonable profit margin for the supplier. Rio Tinto made a distinction that cost saving measures are not only an attempt to reduce prices, but is a function of efficient manufacturing processes which will translate to lower cost production which was necessary to ensure the ongoing viability of both buyer and seller.



[confidential business assessment]