

Non-Confidential

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Date: 9 October 2018

By Email

Mr Mick Kenna
Assistant Director
Investigations 4
Anti-Dumping Commission 55 Collins Street
Melbourne VIC 3000

Dear Mr Kenna

RE: Dumping and Subsidy Investigation – Exports of Certain Railway Wheels from the People’s Republic of China

As you know, I act for CCCME, amongst others, in relation to this investigation.

I refer to the submission from Comsteel dated 2 October 2018. I do not wish to address each of the issues raised by Comsteel as they have little merit and are simply repetitive and do not address the substantial issues.

The substantive issue is whether the Commission will use antidumping measures to protect Comsteel’s monopoly on the supply of rail wheels to its mining customers in the Pilbara. This is not a legitimate use of antidumping measures and fails to recognise that the main issue, as indicated by Comsteel’s customers concerns the quality of rail wheels that Comsteel has failed to act upon and address its manufacturing methodology. This has adversely impacted on the business operations of Comsteel’s customers and hence their change to alternate sources of supply.

I also would make the following observations:

- as has been repeatedly submitted to and verified by the Commission, Masteel produces its own steel requirements and does not purchase steel billets. Consequently, there is no “particular market situation”. This is not an issue;
- Comsteel still does not understand that Masteel manufactures steel for its own use, amongst things in the manufacture of rail wheels, from raw materials sourced from overseas and China with a variety of grades. In the case of coking coal from a variety of sourced including from overseas and China and this does not seem to have been taken into account nor assessed;
- Comsteel’s submissions in this regard would seem to be self-serving based on historical investigations that have no relevance to this investigation. Comsteel has made no case as to why past investigations are relevant to this investigation given that Masteel does not purchase steel billet but manufactures its steel requirements itself. The facts speak for

themselves and Comsteel seems to have an issue with accepting the facts and evidence supporting those facts. That is Comsteel's issue, not Masteel's;

- this investigation has nothing to do with price discrimination between export prices and domestic prices of the goods under consideration and so far, has failed to address the issues associated with so-called tender dumping. The price differences between domestically-made and imported rail wheels do not arise from the alleged "dumping" but quality differences. For the same reason, the alleged "injury" is not caused by allegedly dumped imports but by Comsteel's failure to improve its inferior/substandard railway wheels;
- antidumping measures will not address these issues. These will only be addressed by Comsteel improving its manufacturing operations and consequently the quality of its products, absent which it is unlikely that it will remain business. Antidumping measures will only disincentivize Comsteel from undertaking the necessary improvements and allow Comsteel to maintain its monopoly position, which will adversely impact on the users of rail wheels and ultimately cause a "material injury" to the Australian industry as a whole.
- I note that in the dumping margin calculation, the Commission has substituted Valdunes steel ingot prices in its constructed normal value calculations. This is surprising. The Commission has not indicated that it has any issues with Masteel's costs to produce steel for its own use. Why has the Commission done this? If Masteel's costs to manufacture steel for its own use, including manufacturing railway wheels, why has the Commission substituted Valdunes steel ingot prices and on what legal basis. Grateful if you could explain and provide details by cob tomorrow. No doubt you would have the information to comply with this request and have no difficulty in complying with request within the timeframe.

Please contact me if you have any questions.

Please place this memo on the public file.

Best

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cc. Ms Karen Andrews MP, The Honourable Minister for Industry, Science and Technology