Comsteel

8 October 2018

Mr Michael Kenna
Assistant Director
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Public File

Dear Mr Kenna

Re: Investigation No. 466 - Certain Railway Wheels exported from France and the People's Republic of China – Submission on behalf of Masteel of 17 September 2018

I refer to the recent submission on behalf of Maanshan Iron & Steel Co., Ltd ("Masteel") concerning dumping and subsidy margin calculations.

The submission comments upon the verification report provided to Masteel by the Anti-Dumping Commission ("the Commission"). Specifically, Masteel is challenging the Commission's assessment as to:

(i) "Competitive market costs";
(ii) The use of Valdune's costs; and
(iii) The subsidy program "coking coal at less than adequate remuneration".

Masteel refers to the Commission's assessment that "*Masteel's records did not reasonably reflect competitive market costs associated with the production or manufacture of like goods*". The Commission referred to recent investigations into the Chinese steel industry where it has found that Chinese steel costs were influence by the plans and policies of the Government of China ("GOC"). Masteel considers the findings of the Commission to be illogical. The submission suggests that the Commission's assessments in relation to the Chinese steel industry is "*mere speculation based on false assumptions*".

The Commission's findings as to the Chinese steel market have been formulated over a seven-year period, involving investigations into a wide range of steel products exported to Australia from China. Additionally, the Commission has monitored and observed investigations into the Chinese steel industry as undertaken in other jurisdictions (including Canada, the European Union and the United States). The Commission's investigations, therefore, are not speculative and cannot be described as "*based on false assumptions*" or having taken account of "*irrelevant considerations*".

The Masteel representations contend that Masteel purchases coking coal domestically at market prices. Masteel argues that the comparison of domestic coking coal purchases with export prices for coking coal ignores factors such as quantities purchased, grades of coking coal, etc is incorrect. However, the Commission has evidenced that coking coal in China sells at depressed prices to globally traded coking coal used in the manufacture of steel and that the low domestic prices are due to the export taxes and incentives that suppress domestic Chinese prices for coking coal. The GOC's policies impact the domestic selling price for coking coal, making it lower than it otherwise would be in the absence of the GOC interventions.

Masteel has queried why the Commission has replaced its costs with those of the French producer and exporter Valdunes MG ("Valdunes"). Comsteel anticipates that the Commission has substituted Valdunes steel making costs for those of Masteel due to the Commission not being satisfied that

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Masteel's steel-making costs have been determined on a competitive basis. Valdunes' steel making costs are market determined and not influenced by government intervention or policies, making them suitable for incorporating into Masteel's cost of production for normal value purposes.

Masteel is contesting the Commission's assessment as to the subsidy program coking coal at less than adequate remuneration. Masteel has not, however, furnished any information on prevailing prices for coking coal in China versus market prices for coking coal in other non-China markets in support of its contention that domestic coking coal prices in China are not subject to GOC influence. It is noted by Comsteel that Masteel discusses certain grades of coking coal, although no information on the grades of coking coal has been supplied by Masteel to the Commission in support of its contentions.

Comsteel does not consider that Masteel has provided the Commission with any information in its submission of 17 September 2018 that would support its contentions that:

(i) Masteel's costs are determined on a competitive basis;
(ii) That it is incorrect for the Commission to substitute Valdune's production costs for Masteel's GOC-influenced costs; and
(iii) Masteel has not benefited from coking coal at less than adequate remuneration.

It is therefore reasonable for the Commission to reject Masteel's claims as unsupported and determine normal values for Masteel on a constructed selling price methodology in accordance with subsection 269TAC(2)(c) of the *Customs Act* and the *Customs (International Obligations) Regulation 2015.*

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4974 0346 or Comsteel's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

Lindsay Reid
General Manager

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