

9 November 2018

Mr Michael Kenna
Assistant Director
Investigations 4
GPO Box 2013
CANBERRA ACT 2601

Email: investigations4@adcommission.gov.au

Public File

Dear Mr Kenna

Re: Investigation No. 466 - Certain Railway Wheels exported from France and the People's Republic of China – Comments re BHP Response to SEF 466

I. Introduction

I refer to BHP's response (EPR Document No. 70) to Statement of Essential Facts No. 466 ("SEF 466") published on 11 October 2018.

BHP is seeking to dispute the Anti-Dumping Commission's ("the Commission") findings concerning the determination of normal value for the Chinese exporter Maanshan Iron and Steel Co., Ltd ("Masteel") – specifically the determination that Masteel's raw material steel costs do not reasonably reflect competitive market costs. Further, BHP does not agree with the Commission's injury analysis. Finally, BHP states that it objects to the Commission's findings as they relate to the quality concerns raised by it during the investigation.

Commonwealth Steel Company Limited ("Comsteel") has addressed each of these matters below.

II. Masteel's Normal value

The Commission could not determine normal values for Masteel under subsection 269TAC(1) as the exporter did not sell like goods domestically. The Commission therefore determined normal value for Masteel under subsection 269TAC(2)(c) using the production costs of the exporter plus amounts for selling and general administrative expenses, and an amount for profit.

The Commission has determined that Masteel's cost of steel billet does not reasonably reflect competitive market costs. The Commission has therefore used the French exporter MG Valdunes ("Valdunes") steel billet costs to reflect a market price for steel billet in China. All remaining costs are those of the Chinese producer Masteel.

BHP has stated that it has "significant doubts" that the constructed normal value for Masteel can be properly compared to the export prices of Masteel.

BHP's concerns relate to Masteel being an integrated producer of the goods and Masteel therefore does not buy-in its steel billet for the manufacture of the railway wheels. BHP has also stated that "*Chinese manufacturers have the benefit of lower costs for various inputs to the production of railway wheels (eg labour) as compared to manufacturers in more developed countries*". BHP therefore contends that the cost of production for a Chinese manufacturer of the goods would be lower than in other countries (e.g. France).

Comsteel considers that the Commission's methodology of using the Valdunes steel billet price involves the best appropriate source of verified steel billet information from a producer that is not government-influenced. The steel billet price (including various alloys and treatment) is not published

in newsletters or industry publications, or any other independent source. The Valdunes steel billet input cost is therefore the best available alternate steel input cost for the Commission that has been verified as reflective of a market price. It should be noted that for an integrated steel producer the transfer cost for the steel billet should reflect full cost recovery.

The Valdunes steel billet cost is therefore the most reliable information available to the Commission for the purposes of constructing the Masteel normal value.

In terms of the further costs that BHP contends are lower in China, the BHP Public File submission does not detail (or quantify) how the Commission can determine an adjustment to Masteel's normal value to account for these alleged differences.

Comsteel therefore agrees with the Commission's assessment that quantification of the alleged comparative advantage that may exist for Chinese producers of the goods is therefore difficult.

III. Injury analysis

BHP states that it does not agree with the Commission's injury analysis as contained in SEF 466. It further alleges that the Commission's findings are not reflective of the evidence.

Comsteel considers BHP's comments do not reflect a complete picture of the injury experienced by the Australian industry since 2014 – comprising all injury indicators (i.e. volume, price, market share, profit and profitability, production utilization, return on investment, employment levels, etc). Rather, the BHP submission focuses on single injury indicators and seeks to dismiss that indicator as not representative of injury sustained by the industry.

It should also be noted that the 2014 and 2015 years were periods where maintenance programs were severely cut-back and demand for the goods declined considerably.

The information provided by Comsteel as verified by the Commission confirmed that the Australian industry had suffered injury in the following forms:

- Loss of sales volume;
- Loss of market share;
- Price suppression;
- Reduced profits;
- Reduced profitability;
- Reduced ROI;
- Reduced capacity utilization;
- Reduced employment numbers;
- Reduced revenue.

The Commission further confirmed that the injury experienced was *material* in nature.

IV. Quality

BHP states that it has made representations to the Commission that quality of the goods was a relevant factor in the purchasing decision.

The Commission noted at Section 11.12.4 of SEF 466 that:

“BHP advised that, for its railway wheel tender process conducted in late 2016, Comsteel was a pre-approved supplier and the successful supplier was chosen on price.”

It is further noted that:

“This is the tender that governed the majority of BHP's railway wheel purchases in the investigation period. The Commissioner considers that the loss of these sales by Comsteel represented, of itself, material injury to the Australian industry and that there is no question that this injury was caused by dumping and not other factors.”

The Commission was therefore satisfied that it was the price of the dumped exports that was the decisive factor in the award of the tender and not the asserted quality of the goods.

Comsteel concurs with the Commission's assessment of the tender process and outcomes and the conclusions reached by the Commission.

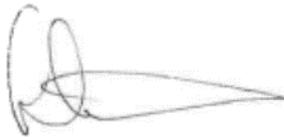
V. Conclusion and Recommendations

The BHP submission has not provided any new or additional information upon which the Commission can rely to alter its findings concerning normal value for Masteel and injury to the Australian industry. Similarly, BHP's submission does not detail any further information that would alter the Commission's view that the lost tenders at BHP were influenced by a factor other than price.

Comsteel therefore requests the Commissioner to recommend to the Minister the imposition of interim dumping duties under subsection 269TG(1) to ensure the Australian industry does not experience further material injury from dumping.

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