

9 November 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 – Comments re CCCME and Masteel Joint Submission of 31 October 2018

I. Introduction

I refer to the joint submission by the China Chamber of Commerce for Import and Export of Machinery and Electronic Products ("CCCME") and Maanshan Iron and Steel Co., Ltd ("Masteel") dated 31 October 2018 in response to Statement of Essential Facts No. 466 ("SEF 466").

It is submitted on behalf of the two parties that SEF 466 contains "numerous deficiencies". These alleged deficiencies include the Anti-Dumping Commission's ("the Commission") failure to consider Masteel's internal steel making process as demonstration that Masteel does not purchase billets (and hence the Commission should not have replaced Masteel's steel making costs with an arms' length steel billet cost).

It is further alleged that the Commission has not made any adjustment to Masteel's normal value to account for comparative differences that allegedly exist in the Chinese market.

II. Masteel's steel cost

Commonwealth Steel Company Limited ("Comsteel") notes that the joint submission fails to acknowledge the Commission's findings in relation to the Government of China's ("GOC") influence on raw material inputs into steel making in China. The joint submission claims that the Commission has failed to consider the "facts" as put forward by Masteel about its steel making process, that does not take full account of the GOC's policies and influences on steel making inputs in China. Thus the joint submission itself fails to consider the role of the GOC in influencing the "cost of production in the country of origin" when considering the determination of normal value under subsection 269TAC(2)(c).

The joint submission also seeks to "remind" the Commission of its WTO obligations when a benchmark cost has been applied. SEF 466 is cognizant of the appropriateness of adjusting the benchmark and has indicated its willingness to accept submissions post SEF 466 in respect of claimed comparative advantage adjustments as required. The joint submission has not demonstrated or quantifies what these adjustments may be and it is therefore difficult for the Commission to include adjustments when it does not have reliable and verifiable information upon which to base any relevant adjustment(s).

III. Quality and competitiveness

The joint CCCME and Masteel submission includes unsupported and unsubstantiated claims concerning the quality and cost-competitiveness of iron ore railway wheels ("the goods") manufactured by Comsteel,

The Commission's investigations have determined that exports of the goods to Australia have been at dumped prices as follows:

- From China – at 19 per cent dumping margin; and
- From France – at 37.2 per cent dumping margin.

Comsteel submits that it is a cost competitive supplier against exports from China and France if the exports are at non-dumped levels. SEF 466 confirms that tenders awarded to suppliers from China and France were price-influenced, affording the dumped exports a significant cost-advantage to Comsteel-supplied goods.

IV. PAD and Uncooperative exporters

The joint submission claims that the publication of the Preliminary Affirmative Determination (“PAD”) and the imposition of securities was not necessary as no future threat of material injury was evident. In challenging the Commission's comments contained in SEF 466 the joint submission initially states *“the Commission failed to present any evidence that the Commissioner was satisfied at the time of making the PAD that it was necessary to require and take securities to prevent material injury to Comsteel while the investigation continues.”* However, in a contradiction, the joint submission then states that the only support tendered is the comment at Section 4.3, P.11 which refers to the Commission being aware of competitive processes undertaken in the months following the PAD.

The Commission has detailed the reasoning, however, this is challenged in the joint submission.

Irrespective of the comments in the joint submission, Comsteel concurs with the Commission's statements in SEF 466 that the taking of the securities was required to prevent further injury to the industry as the likelihood of further volumes being supplied by dumped exports was very real and foreseeable given the dumping that was occurring during 2018.

Comsteel also notes that the joint submission has proposed the Commission consider levels of profit and selling expenses to be included in Masteel's constructed cost. The proposed sources of these expenses are not Chinese producers but European steel producers. Comsteel submits that the information for selling and profit expenses should be derived from public information for manufacturers within China. Comsteel recommends that the Commission exercise care in selecting the basis for adjustments in this regard to ensure that the selected information is comparable for constructed normal value purposes.

Finally, the CCCME and Masteel submission is critical of the Commission's determination of dumping margins determined for uncooperative exporters in China and France. As Masteel and MG Valdunes were the sole exporters from China and France respectively, the Commission does not have access to any additional information upon which to determine normal values for any other parties. The determination of the dumping margins for uncooperative exporters is therefore reasonable as it is based upon the available information.

V. Recommendations

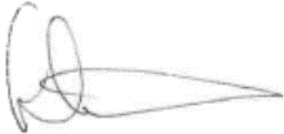
The CCCME and Masteel joint submission criticizes the Commission for its determination that Masteel's steel input costs have been benchmarked based upon MG Valdunes steel billet costs. This information is the only verified (and reliable) information upon which the Commission has access for the purposes of replacing steel input costs in China adversely affected by GOC intervention.

Comsteel does not consider that CCCME and Masteel have demonstrated that the locally produced goods are of a lower quality than the goods produced by Masteel and that Comsteel's goods are not manufactured on a cost-competitive basis.

Comsteel does not consider CCCME and Masteel have identified any new information that would alter the Commission's position as detailed in SEF 466. Comsteel 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

A handwritten signature in black ink, appearing to be 'Lindsay Reid', written in a cursive style.

Lindsay Reid
General Manager