

15 November 2018

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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 – Government of China Submission of 5 November 2018**

#### I. Background

By submission dated 5 November 2018, the Government of China ("GOC") has commented on the recent publication of Statement of Essential Facts No. 466 ("SEF 466") published on 11 October 2018.

The GOC submission raises a number of falsehoods that require a response. For example, the GOC claims that the Anti-Dumping Commission ("the Commission") has not considered the impact of "other factors" in its causation analysis. This is clearly not the case. Commonwealth Steel Company Limited ("Comsteel") seeks to comment on the matters raised in the GOC submission.

#### II. Causation

It is alleged on behalf of the GOC that the Commission's determination of dumping, material injury and causal link involves a "simplistic analysis" that has "dismissed" factors other than dumping in its causation analysis. The submission further argues that the quality issues noted in Rio Tinto's submission in relation to the Australian industry improving efficiencies had not been considered.

Section 11.12 of SEF 466 details the Commission's considerations of "factors other than dumping causing injury". The Commission conducted investigations into the assertions of interested parties in each of the following areas:

- The alleged comparative advantage of Chinese railway wheel producers;
- Comsteel not collaborating effectively with its customers;
- Reciprocal commercial arrangements between Australian iron ore producer and Chinese steel manufacturer(s);
- Quality issues;
- Packaging and efficiency;
- Wheel life and wear rates;
- The impact of the iron ore market;
- Production and sale of other types of wheels;
- Sales of wheel sets; and
- Exports by Comsteel.

Comsteel notes that the Commission has extensively addressed the matter of wheel quality raised by Rio Tinto and BHP. This issue was specifically addressed at 11.2.4 and given full examination by the Commission. Having canvassed Rio Tinto and BHP's concerns, the Commissioner was "*not satisfied that wheel quality or performance was a factor that caused injury to the Australian industry*".

It is therefore incorrect for the GOC to assert that the Commission has failed to consider each of the “other factors” that may have caused injury to the Australian industry as these were robustly investigated and reported on in SEF 466.

### III. Competitive costs – Masteel

It is the GOC’s contention that the Commission has not demonstrated reasons as to why the Chinese domestic railway wheels market is not a competitive market. The GOC accuses the Commission of “grandstanding” and providing a “political” commentary about the Chinese steel market.

The GOC submission itself is misguided concerning the assessment of “competitive costs”. The GOC fails to acknowledge that its policies and plans that it has implemented including:

- The role and operation of SOEs;
- Industry planning guidelines and directives;
- The provision of direct and indirect financial support;
- Taxation and tariff policies,

have had an influencing effect such that domestic steel prices in China are lower than they otherwise would be but for the effect of these GOC plans and policies.

The GOC further accuses the Commission of taking “*the phantom of surrogation further*” by substituting MG Valdunes steel billet cost for Masteel’s raw material steel input cost. It contends that this is not possible as Masteel is an integrated steel producer. The Commission has identified that Masteel’s steel input cost (i.e. the transfer price for steel) does not reflect a competitive cost and has sought an alternative market benchmark. The only verified steel input selling price information available to the Commission was that from the MG Valdunes exporter verification visit.

In the absence of any verified alternative, the MG Valdunes steel billet purchased price from an independent supply reflects a market-determined price for steel billet.

The GOC submission also contests the Commission’s comments concerning adjustments to Masteel’s normal value for apparent comparative advantage purposes. The extracted quotation from SEF 466 on Page 7 of the GOC submission makes it clear that the Commission has not received any information from interested parties (i.e. Masteel) in support of an adjustment to normal value. The Commission’s statement would appear to reflect its willingness to accept representations in this regard.

In a further criticism of the Commission’s normal value determination for Masteel, the GOC argues that the Commission has not made an attempt to adjust the surrogated steel billet costs (sourced from the MG Valdunes verification visit). The GOC submission does, however, confirm that an adjustment was considered by the Commission. The Commission observed that no information had been provided to it during the investigation for the purposes of an adjustment. The Commission also concluded that due to the GOC’s significant involvement in the Chinese steel industry that it would be difficult to quantify an adjustment for comparative advantage purposes. It is therefore incorrect for the GOC to assert that the Commission did “not even attempt” to consider an adjustment to the surrogate costs.

### IV. Coking coal at LTAR

The GOC does not agree with the Commission’s determination that in its examination of the subsidy program – “coking coal at less than adequate remuneration” – that SIEs that supply Masteel with coking coal are “public bodies”.

In disagreeing with the Commission’s determination, the submission states that the information requested from the GOC to assist in establishing a further understanding of the role of SIEs as public bodies was “an unreasonable request” and refers to the size of the Chinese market and the timeframe for the request.

The GOC could have supplied any information concerning the SIEs during the course of the investigation. This has not occurred. It is unreasonable to criticize the Commission for its findings when the opportunity has been made available to the GOC to clarify its position, however, it has elected not to.

## V. Conclusion

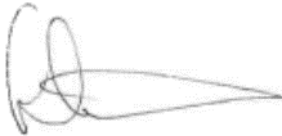
The GOC submission contends that SEF 466 is “flawed” and argues that the Commission relies upon “previous interpretations of law, and engages in new interpretations”. It further submits that the findings of the Commission are not supported by the facts and the evidence.

The GOC has not provided the Commission with the information as requested in the Government Questionnaire provided to the GOC at the commencement of the inquiry. The GOC has had sufficient opportunity to provide information in support of its assertions but has chosen not to do so.

Comsteel disagrees with the GOC’s representations and supports the Commission’s findings based upon the available information obtained during the conduct of the investigation. As the GOC has not provided any further information to challenge the Commission’s findings, Comsteel requests the Commission to recommend as it has indicated in SEF 466 that the Minister impose 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  
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