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By Email

**Mr Patrick Quiggin
Assistant Director
Investigations 4
Anti-Dumping Commission 55 Collins Street
Melbourne VIC 3000**

Dear Mr Quiggin

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

I refer to the submission from Comsteel dated 15 February 2019 recently published on the Commission’s electronic public file.

There are numerous deficiencies with that submission.

First, there is no evidence supporting a “*particular market situation*” in raw materials that Masteel sources to produce steel for its manufacture of railway wheels. Comsteel has not advanced any evidence to support its claims in this regard. Comsteel seemingly fails to recognise that Masteel manufactures its own steel requirements from raw materials sourced from a variety of sources both in China and overseas. That is, Masteel sources its raw materials not only from China but also Australia and Brazil for the manufacture of steel to meet its requirements for steel for its products. The evidence before the Commission is, in fact, to the contrary, that is, there is no “*particular market situation*” relating to the raw materials that Masteel sources to produce steel.

For example, as the Commission would have verified, the majority of iron ore that Masteel uses to produce its steel is sourced from Australia and Brazil. It does not purchase steel billets. Comsteel’s claims in this regard are fundamentally misconceived.

Is there a “*particular market situation:*” in Australia and Brazil in raw materials sourced from those countries and, if so, what implications does raw material sourced from Australia have on the Australian industry producing like goods? There is no evidence on the public record that this has been addressed by the Commission in its injury analysis.

Second, as the Commission is aware and has verified, Masteel sources its raw materials to produce steel from Australia and Brazil as well as China. Once again there is no evidence on the public record that there has been an assessment as to the proportion of raw materials sourced from China as

opposed from Australia and Brazil, the price differentials between such raw materials and what effect, if any, they have on steel production by Masteel and importantly, the price of railway wheels supplied to Masteel customers in Australia. Considering the majority of iron ore used by Masteel to produce its own steel billets for the manufacture of railway wheel, it is submitted that raw materials sourced from China would have a *de minimis* effect on the price of railway wheels supplied to Australia.

Third, it is evident from Comsteel's customers that there are quality issues with its railway wheels, and this is influencing purchasing decisions by those customers. Quality issues with any product means that the price payable for the product is too high at any price especially given the significant costs likely to be incurred by a customer if the product is defective and fails. I note that this is a concern of Comsteel's customers and has not been addressed by Comsteel in its submissions.

Also, there does not appear to have been any analysis of Comsteel's warranties for its railway wheels and any claims by its customers under such warranties, which would reflect on the quality of Comsteel railway wheels.

Fourth, the Commission in the Statement of Essential Facts (see Appendix 2) has made a significant dissertation on "*competitive market costs*", which while of interest, particularly for its failings in relation to probative, objective evidence and reliance on speculation and assumptions, actually has nothing to do with Masteel's internal production of steel. Appendix 2 of the Statement of Essential Facts is irrelevant to this investigation.

Also, the Commission has not addressed or defined what is a "*competitive market cost*". It is unclear what this term actually means, and the Commission has provided no explanation of its understanding of what this term means. Clarification in this regard would be useful.

Finally, in light of the above and previous submissions we have made and by other interested parties it is evident that purchasing decisions are not being made on price but on quality of rail wheels and potential defects may have on the cost of operations by customers. For these reasons this investigation should be terminated.

Please contact me if you have any questions.

Kind regards

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