



Australian Industry Questionnaire

Case number: 632

Product: Railway wheels

From: The People's Republic of China and France

Inquiry period: 1 July 2022 to 30 June 2023

Response due by: 20 September 2023

Return completed questionnaire to: investigations4@adcommission.gov.au

Why you have been asked to complete this questionnaire?

The Anti-Dumping Commission (the commission) is currently undertaking an inquiry into whether anti-dumping measures applying to exports of certain railway wheels (the goods) from China and France should be continued.

Anti-Dumping Notice (ADN) No. 2023/048 provides details of the goods under consideration, the application and the inquiry procedures.

The commission is seeking further information from the Australian industry producing railway wheels to inform its:

- understanding of the dynamics of the Australian market, including factors that may be impacting the economic condition of the Australian industry producing the goods; and
- assessment of whether the expiration of the anti-dumping measures applying to the goods would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

The commission will collect and use information in accordance with the commission's Collection and Use of Information Policy.

The timeliness of your response is important. If you are unable to meet the due date specified above, please contact the commission.

Confidential and non-confidential versions

If you elect to respond to this questionnaire, you are required to lodge a confidential and a non-confidential version of your submission by the due date.

In submitting these versions, please ensure that each page of the information you provide is clearly marked either "**IN-CONFIDENCE**" or "**NON-CONFIDENTIAL**" in the header and footer.

All information provided to the commission in confidence will be treated accordingly. The non-confidential version of your submission will be placed on the Public Record, which all interested parties can access.

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Your non-confidential submission must contain sufficient detail to allow a reasonable understanding of the substance of the confidential version. If, for some reason, you cannot produce a non-confidential summary, contact the investigation case officer (see contact details on Page 1 of this questionnaire).

Declaration

You are required to make a declaration that the information contained in your response is complete and correct. You must return the signed declaration of an authorised person at end of this questionnaire with your response.

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A The Australian market for railway wheels

1. In respect of the Australian market for railway wheels (the goods) and the prevailing conditions of competition within the market:

(a) Provide an overall description of the market for the goods in Australia which explains its main characteristics and trends over the past five years.

Ans: The forged and rolled steel, high hardness, nominal 38-inch (or 966mm to 970mm) diameter railway wheels are used on iron ore carriages which run on proprietary railways owned by iron ore mining companies in the Pilbara region of Western Australia (WA).

(b) Describe the end uses of the goods in the Australian market.

Ans: The railway wheels are designed for use on iron ore railway carriages.

(c) Identify the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product.

Ans: There are four iron ore mining companies that have a fleet of iron ore carriages to which the wheels are fitted and replaced at intervals. The end-use customers are:

- BHP Ltd (BHP);
- Rio Tinto Ltd (Rio Tinto);
- Fortescue Mining Group (FMG); and
- Roy Hill Holdings Pty Ltd (Roy Hill).

(d) Provide your estimate of the proportion (%) of the market that each of those sources of demand listed at question (c) represent.

Ans:

The market proportion is estimated to be:

[Commercially sensitive information – Comsteel estimates of market share for each customer].

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For FY23, Commonwealth Steel Pty Ltd (“Comsteel”) supplied (in percentage terms) approximately to each of the customers:

- BHP Ltd – xxx%;
- Rio Tinto Ltd – xxx%;
- Fortescue Mining Group – xxx%;
- Roy Hill Holdings Pty Ltd – xxx%.

[Commercially sensitive estimate of Comsteel market share at each customer].

Note: Data derived from internal sales records, market intelligence and import statistics, using delivery location and apportionment based on market data to split between customers.

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- (e) Describe the factors that influence (either directly or indirectly) demand for the goods in Australia. Such factors may include seasonal fluctuations, factors contributing to overall market growth or decline, government regulation and developments in technology affecting either demand or supply.

Ans: Demand for iron ore railway wheels is determined upon the life of the wheel (approx. xxx years [*customer name*] xxx years [*customer name, customer name & customer name*]). Wear and tear can lead to replacement before this time, and some goods may have an extended timeframe. Operating parameters can lead to time lines outside of this either shorter in life or longer depending on work index.

- (f) Describe any market segmentations in Australia, such as geographic or product segmentations.

Ans: The market for iron ore railway wheels is located in the Pilbara region of WA.

- (g) Provide your estimate of the proportion (%) of the market that each of the market segments listed in question (f) represent.

Ans: Not applicable, as there is only one market for the goods.

- (h) Describe the way in which Australian manufactured and imported goods compete in the Australian market.

Ans: The locally produced and imported railway wheels are used interchangeably on the customer's iron ore wagons.

- (i) Describe the level of price transparency in the Australian market.

Ans: There is a high level of price transparency for the goods on the Australian market based upon available market information and intelligence.

- (j) Describe the ways that the goods are marketed and distributed in the Australian market.

Ans: The manufacturers/suppliers of railway wheels deal directly with the end-use customer. It is typical for end-use customers to run tenders for the supply of the goods.

- (k) Describe any changes in the structure and operation of the market since the measures were imposed, including any changes in demand for the goods since the measures were imposed.

Ans: There have been no changes in the structure and operation of the market since the measures were imposed in July 2019.

2. Provide a diagram that describes the Australian market structure for the goods, ensuring that all the categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.

Ans: Not applicable as all current channels for distribution are direct to end customer.

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3. Identify the names of commercially significant importers in the market for the goods in Australia over the inquiry period and estimate their market share. If know, specify the country each importer imports from.

Ans: Maasteel Iron & Steel Co Ltd is both an exporter and importer of the goods. Maasteel Iron & Steel is now a member of the Baowu Steel Group of China (and hence the importer name may have changed).

In certain instances the end-use customer is also an importer of the goods (i.e. *customer name* and *customer name*).

4. Describe any entry restrictions for new participants into the market for the goods in Australia. Your response could include information on:
 - patents and copyrights;
 - licenses;
 - barriers to entry;
 - import restrictions; and
 - government regulations (including the effect of those government regulations).

In responding to this question ensure that relevant regulations are referenced.

Ans: There are no entry restrictions for new participants in the iron ore railway wheels market.

B Products in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. Your description could include information about:
 - quality differences;
 - price differences;
 - supply/availability differences;
 - technical support differences; and
 - product segmentation.

Ans: Each customer has their own specification (within the iron ore railway wheel category) which meets the individual requirements and those of the organisation. These are individually tailored to meet the environments in which they operate.

Through the onsite investigation visit a comprehensive review of the specifications can be undertaken.

2. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influences in order of importance.

Ans: The locally produced and imported goods are considered like goods. All locally made products are produced to an agreed customer specification including any agreed variations and form a product that meet the requirements of the customer.

3. What are the key differences between domestically produced goods and imported goods? Explain how these factors impact your customers' purchasing decisions.

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Ans: Wheels are considered similar in nature however potentially have differing source materials in the form of continuous cast feed stock. Both ingot and continuous cast products output product to meet the specification.

4. How easily can your customers change suppliers? Provide a description of factors that may cause a re-evaluation of their supply arrangements and how they would implement such a change.

Ans: With the imported goods being a direct substitution to the locally produced product, change of supply from a technical perspective is immediately possible. In the instance of all fleets (customers), product from multiple suppliers are being currently used.

Factors that would influence change are:

- Price;
- Logistics; and
- Manufacturing ramp up or lead times.

Implementation of a new approved supplier is a matter of agreeing scope of work (approved technical variations to customer specifications) and placing order for manufacture. Should a new vendor need to be approved this process could be lengthy dependent on the type testing and review required by each customer.

5. Please identify if there are any commercially significant market substitutes in the market for the goods in Australia.

Ans: There are no commercially significant substitutes for the goods.

6. Have there been any changes in market or consumer preferences for the goods in Australia in the last five years? Do you anticipate any change in preference in the coming five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

Ans: There have been no changes in the market or changes in customer preferences over the last five years or expected for the coming five years.

C Pricing decisions in Australia

1. Describe the importance of the Australian market to your company's operations. In your response describe:
- (a) the proportion of your company's sales revenue derived from sales of the goods in Australia, and
 - (b) the proportion of your company's profit derived from sales of the goods in Australia.

In responding to question 1 please provide evidence supporting your calculations.

Ans: Iron ore rail wheels currently represent xx% volume in FY23 and [estimate] in FY24 forecast (of Comsteel's total railway wheel production). Under a fully absorbed cost basis for 2023, [commercially sensitive statement re impact of rising costs on Comsteel's performance] and price suppression experienced by Comsteel from dumped imports from China.

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2. Is your company the price leader in the Australian market for the goods? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

Ans: Comsteel does not consider itself to be a price leader for the goods in Australia. Prices are determined on an import parity basis.

3. Describe the supply arrangements with your customers, including whether supply is made via spot sales or fixed-term contracts. If any supply is made via contracts, describe:
- (a) the tender process, including negotiations for supply
 - (b) the length of the supply contracts
 - (c) the key terms of the contracts, including whether the contracts are exclusive
 - (d) the price review mechanisms under those contracts.

Ans:

- (a) [*Commercially sensitive status of contracts with customers*].
- (b) [*Commercially sensitive length of contract details with customers*].
- (c) [*Commercially sensitive nature of contracts with customers*].
- (d) All contracts have an agreed price review mechanism.

Please find attached commercial in confidence contracts for all customers (refer Confidential Attachments 1-8).

4. Explain the process for how the selling prices of the goods for the Australian market by your business are determined. Provide copies of internal documents which support how pricing is determined. This could include internal policy documents, minutes of meetings or evidence of actual price negotiations and pricing decisions with your customers.

Ans: Comsteel prices its sales of local production to compete with imports. Pricing does include certain mechanisms as follows:

[*Commercially sensitive contract and tender arrangements with customers*].

5. Describe the nature of your pricing for the goods (e.g. inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

Ans: Pricing is heavily influenced by import parity. Further discussion on details and process can be investigated during the onsite verification.

6. How frequently are your selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review.

Ans: [*Commercially sensitive details of Comsteel pricing reviews and relevant factors influencing price*].

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7. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices
- Maintaining production levels
- Purchase price of raw materials
- Cost to make and sell the goods
- Level of inventory
- Value of the order
- Volume of the order
- Value of forward orders
- Volume of forward orders
- Customer relationship management
- Supplier relationship management
- Desired profit
- Brand attributes
- Other [please define what this factor is in your response]

Ans:

- Competitors' prices - xxx
- Maintaining production levels - xxx
- Purchase price of raw materials - xxx
- Cost to make and sell the goods - xxx
- Level of inventory - xxx
- Value of the order - xxx
- Volume of the order - xxx
- Value of forward orders - xxx
- Volume of forward orders - xxx
- Customer relationship management - xxx
- Supplier relationship management - xxx
- Desired profit - xxx
- Brand attributes - xxx

D Direct evidence of current import competition in Australia and its impact on Australian industry

1. Describe current status of import competition in the Australian market, including:
- (a) the major Australian importers, traders or end users seeking to supply the goods into the Australian market
 - (b) end users your company does not supply but who solely import the goods from overseas
 - (c) end users who source the goods from both your company and from overseas suppliers.

Ans:

[Commercially sensitive assessment of customers' sourcing strategies].

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2. Provide examples during the inquiry period which demonstrate how import competition has influenced your pricing in the Australian market. Please provide evidence to support these examples.

Ans: During each tender or pricing review, [*commercially sensitive information on considerations impacting pricing*].

3. Provide examples during the inquiry period that demonstrate the loss, or threatened loss, of sales volume to an import source. Please provide evidence to support these examples.

Ans:

[*Commercially sensitive assessment of pricing strategies for customers*].

4. Describe any other circumstances in which imported goods have affected your company that you consider to be relevant to this inquiry.

Ans: Both Rio Tinto and BHP have been importing complete wheelsets which allows the avoidance of duties.

[*Commercially sensitive details on Comsteel strategy to supply customer(s)*].

E Effect of the anti-dumping measures

1. Describe the economic condition or financial performance of your company since the anti-dumping measures were imposed in 2019.

Ans: The anti-dumping measures have been somewhat effective in limiting unfairly priced (i.e. dumped) exports into the market. This has enabled Comsteel to compete on a fair basis. In the absence of measures, Comsteel would likely have lost all sales of locally produced goods for supply to the iron ore industry.

2. Did any customer or end user switch or change suppliers following the imposition of anti-dumping measures? If yes, provide the following details and information:
 - (a) name of customer/end user
 - (b) the name of the customer's previous supplier
 - (c) the name of the customer's new supplier
 - (d) if known, the reason/s for the customer switching or changing suppliers. Provide any supporting evidence
 - (e) if the customer decided to source goods from your company, the volume or quantity of railway wheels supplied by your company to this customer. Provide any supporting evidence such as copies of relevant contracts, purchase orders, invoices etc.

Ans: [*Comsteel's commercially sensitive assessment of supply changes since imposition of measures*].

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3. Provide a list of all supply tenders that your company bid for from 1 January 2019. For each identified tender, provide the following details:
- name of company/end user tendering for supply
 - date of tender
 - tendered volume or quantity
 - date of your bid, including details of your bid such as price and volume/quantity
 - outcome of your bid (i.e. successful, unsuccessful)
 - for each bid, indicate whether your company was provided with any feedback on its bid. Provide details of any feedback received
 - for unsuccessful bids, indicate whether you were offered the opportunity to submit a revised bid or engage in further negotiations on price or other terms.

Ans:

[Commercially sensitive details of Comsteel's supply tenders by customer].

4. Provide a list of all contracts (relating to the supply of the goods only) that your company entered into, or that were in effect, during the inquiry period. Provide copies of these contracts.

Ans:

[Commercially sensitive information on Comsteel's supply tenders by customer].

Commercial in confidence contracts for all customers are provided as Confidential Attachments 1-8.

F Future demand, supply and other anticipated changes in the market

1. Do you anticipate any changes in patterns of supply and demand in the Australian market over the next 5 years? What are your expectations for your own production of the goods over that period?

Ans: No changes in patterns of supply and demand are anticipated over the next five years.

2. What do you consider to be primary economic indicators that correlate with the demand for the goods and may provide some indication of likely future demand?

Ans: Demand for iron ore is the key driver for investment in the iron ore industry (and drives demand for investment in new carriages and replacement of worn wheels).

3. If any of your supply arrangements with your customers are subject to contracts, identify all contracts that are likely to be renegotiated or revised in the next 1 to 5 years. Provide details on the annual volume or quantity of railway wheels supplied in accordance with each contract.

Ans:

[Commercially sensitive information on tender supply expirations].

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4. Do you have any direct evidence that demonstrates that your current customers would be willing to switch to or to increase supply from an import source?

Ans: Yes, [*customer name, details of change and reason*].

5. Are there any anticipated technological or product developments within the next five years that are likely to affect demand, your supply, your costs or pricing of the goods?

Ans: Technical requirements are driven by customer specifications. It is understood both [*customer name and customer name*] are moving to 45t axle loads and this will likely drive a new customer specification. It is unknown what additional technical requirements will transpire. Comsteel is willing to actively engage with all parties on technical issues. The direction to focus resources needs to be driven by the customer.

6. Do you anticipate any change in consumer preferences in the coming five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response?

Ans: No.

G Materiality of any potential injury if the measures expire

1. If the anti-dumping measures were to expire in July 2024 describe how any future injury or continued injury caused by dumping would be 'material'.

Ans: Should the measures be allowed to expire in July 2024, Comsteel considers that it will be squeezed out of the market and this will significantly impact the commercial viability of manufacturing any rail wheels in Australia. With the expiration of the measures Comsteel will experience an increase in competition from dumped exports of the goods from China and France.

The Chinese manufacturer is now the owner of the former Valdunes, France manufacturing facility and can supply the goods from either facility in China or France. In the absence of measures, it is anticipated that price pressures would be applied in tender negotiations and Comsteel would be unsuccessful against the imported goods sourced from China and France.

Price is identified as the driving factor to decision making for 3 of the 4 purchasers. BHP made claims during the previous enquiry regarding quality issues and have never responded to reports that have been provided and made the comments that they were just the "anti-dumping claims".

Comsteel's current price position and the low import prices from China (based upon 2017/18 values), has led to reduction in market share given the growing gap. Prices in Australia have escalated across all inputs leading to compression in both margin and market share. Comsteel's reduction in market share from [*customer names*] has confirmed xxx% of volume for FY24 indicates that overall market share is reducing based on price as a factor.

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H Declaration

I hereby declare that Commonwealth Steel Pty Ltd have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

Name : Ian Forbes

Signature : 

Position in

Company : Head of Sales Comsteel Products

Date : 20 September 2023