



Australian Government  
Department of Industry,  
Science and Resources

**Anti-Dumping  
Commission**

## Australian industry verification report

### Verification and case details

<b>Initiation date</b>	14/08/2023	<b>ADN</b>	ADN 2023/048
<b>Case number</b>	632		
<b>The goods under consideration</b>	Ore Carriage Railway Wheels		
<b>Case type</b>	Continuation Inquiry		
<b>Australian industry</b>	Commonwealth Steel Company Pty Ltd		
<b>Location</b>	2 Maud Street, Waratah (Newcastle), NSW, Australia		
<b>Onsite Verification from</b>	26/09/2023	to	28/09/2023
<b>Inquiry period</b>	1/07/2022	to	30/06/2023

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

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## Introduction

Commonwealth Steel Company Pty Ltd (Comsteel) provided data to the Anti-Dumping Commission (the commission) in relation to Continuation Inquiry 632 (case 632). Case 632 relates to the anti-dumping measures applying to ore carriage railway wheels exported to Australia from the People's Republic of China (China) and France.

For the purposes of this report, unless otherwise specified, any references to 'railway wheels' or 'the goods' are a reference to the ore carriage railway wheels subject to the anti-dumping measures.

A verification team (the team) has verified whether the data Comsteel submitted is complete, relevant and accurate for use in case 632. [Anti-Dumping Notice \(ADN\) 2016/30](#) describes the commission's verification procedure.

This report explains the team's key findings, including the evidence considered and material issues identified. Where Comsteel or the team materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for case 632.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).<sup>1</sup>

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<sup>1</sup> All legal citations in this report are to the Act unless otherwise stated.

## **1 Company background**

### **1.1 Corporate structure and ownership**

Comsteel, trading as Molycop (Molycop)<sup>2</sup>, is effectively a wholly owned operating company of American Industrial Partners MC Holdings Ltd. (AIP), a private equity firm.

Comsteel is involved in the manufacture, engineering and distribution of metal-based products, these predominantly being railway wheels and grinding balls. Comsteel is the sole producer of the goods (railway wheels) in the Australian domestic market.

### **1.2 Related parties**

The team found no related party customers or suppliers involved in Comsteel's production or sale of the goods during the inquiry period.

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<sup>2</sup> Comsteel advised during the verification that the name of the business would be changing to 'Molycop Rail Products'. However, the legal entity would not be changing and the business would continue to operate through Commonwealth Steel Company Pty Ltd. For the purposes of the verification the team have continued to reference Commonwealth Steel Company Pty Ltd as Comsteel.

## 2 LIKE GOODS AND THE AUSTRALIAN INDUSTRY

### 2.1 The goods

The goods subject to the anti-dumping measures and, therefore, this inquiry are:

*Forged and rolled steel, high hardness, nominal 38-inch (or 966 mm to 970 mm) diameter, railway wheels, whether or not including alloys.*

The applicant for the original investigation, Comsteel, supplied the following additional information in relation to the goods<sup>3</sup>:

*Axles and other components are excluded from the goods coverage.*

*The railway wheels are manufactured in accordance with the relevant user defined specifications and drawings, and are used on rail carriages used to transport iron ore.*

*The users of these type of railway wheels are:*

- *BHP Ltd*
- *Rio Tinto Ltd*
- *Fortescue Mining Group*
- *Roy Hill Holdings Pty Ltd.*

*The railway wheels used in all user applications have the following typical characteristics:*

- *38 inch or 966 mm to 970 mm diameter and of similar overall dimensional tolerances and shape*
- *manufactured from a high carbon steel with the addition of micro alloying elements to achieve hardness and mechanical properties as defined in the user specifications*
- *manufactured using a forging and rolling process in accordance with defined standards*
- *suitable to operate at axle loads above 36 metric tonnes*
- *a multi-wear rim.*

### 2.2 Manufacturing in Australia

Comsteel claims that it is the sole manufacturer of railway wheels in Australia. The team is not aware of any other producer of railway wheels in Australia.

During a tour of Comsteel's manufacturing facility in Waratah, New South Wales, the team observed the manufacture of railway wheels. On the tour it was observed that Comsteel:

- Used scrap metal as the main raw material to produce billet and ingot in its electric arc furnace (EAF). To produce ingot for railway wheels, certain alloys are added to the scrap steel to achieve the desired metallurgy. The molten steel from the EAF undergoes a vacuum degassing process before being poured into ingot moulds.
- The ingots produced in the steelmaking process are sawn into 'cheeses' and then heated in a rotary furnace.

<sup>3</sup> Details of the original investigation are available on the commission's website on the Electronic Public Record (EPR) for Investigation 466.

- The cheeses are pre-formed in a slab press and then forged in the forging press. The railway wheel is then rolled using edge and pressure rollers before being 'dished' and centre hole-punched in a final press. The wheel is then heated, rim quenched and tempered in a tempering furnace.
- The wheel is then shot blasted, hardness tested and machined to its final specifications. The wheel undergoes various tests for surface defects and internal inclusion defects before being stamped and packaged for shipment.

During the tour, Comsteel identified railway wheels which were the goods the subject of this inquiry.

The verification team finds that the goods have been wholly manufactured in Australia and that they are, therefore, produced in Australia.

Comsteel advised that it will be mothballing its EAF at its Waratah site in 2024. The verification team discussed the impact of the EAF mothballing on Comsteel's future manufacturing of railway wheels. Comsteel confirmed that it will continue manufacturing railway wheels at its Waratah site after the mothballing of the EAF.

Details of this production process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

## 2.3 Like goods

Like goods are defined under section 269T(1) of the Act as:

*goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

Based on the information provided by Comsteel, the team considers that railway wheels manufactured by Comsteel are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- Are alike physically  
Railway wheels are manufactured to the specifications specified by each customer. The team understand that the imported and locally produced wheels are required to meet the same specifications. The verification team notes that all the current customer specifications meet the definition of the goods subject to the measures.
- Compete directly in the same market for each customer  
The team observed that locally produced and imported railway wheels are largely sold to the same common customers. The team observed that Comsteel competed with import sources to supply the railway wheels to the same customers.
- Are manufactured in a similar manner  
Imported and locally manufactured railway wheels are produced using comparable methods, although certain aspects of the production processes may have minor variations in the methodology equipment and/or technology applied.
- Have the same functional end-use  
Imported and locally produced railway wheels both perform the same function and have the same end use. That is, both are used on railway carriages to transport iron ore. The verification team understand that imported and locally produced railway wheels are broadly interchangeable on the ore carriages.

## 2.4 Model control codes

A model control code structure has not been adopted for the continuation inquiry. The original investigation did not establish a MCC structure and, given the characteristics of the goods, the commission has continued to not adopt a MCC structure for this inquiry.

## 2.5 Like goods assessment

The team is preliminarily satisfied that:

- railway wheels produced by Comsteel are like to the goods<sup>4</sup>
- the manufacture of railway wheels is carried out in Australia<sup>5</sup>
- the like goods were, therefore, wholly manufactured in Australia by Comsteel<sup>6</sup>
- there is an Australian industry, consisting of Comsteel which produce like goods in Australia.<sup>7</sup>

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<sup>4</sup> Section 269T(1) (definition of 'like goods').

<sup>5</sup> Section 269T(3).

<sup>6</sup> Section 269T(2).

<sup>7</sup> Section 269T(4).

## **3 Australian market**

### **3.1 Market background**

The Australian market for railway wheels is supplied by local production and imports.

The railway wheels subject to the measures are solely used on iron ore carriages running on proprietary railways owned by iron ore mining companies in the Pilbara region of Western Australia. Typically, these railways transport iron ore from a mine site to an export port.

The team understand that there continue to be no market substitutes for railway wheels in Australia.

### **3.2 Changes in the Australian market**

The team queried whether there had been any changes in the Australian market since the original investigation.

Comsteel stated that there have been no material changes in the structure and operation of the market since the measures were imposed in July 2019. Comsteel, however, noted that there had been some modifications to the specification requirements of customers and that the remaining manufacturer of iron ore carriages in Australia had now ceased production. Carriages are now all imported. Some small fabrication functions continue to occur in Australia in relation to preparing the imported carriages for use. The team note that the carriage manufacturer does not form part of the Australian industry for the purposes of this inquiry.

### **3.3 Australian market structure**

#### **3.3.1 Market segmentation and end uses**

Comsteel advised that the railway wheels subject to the measures are specially designed to be used on iron ore railway carriages. The end use customers of the carriages are:

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

Comsteel advised that there are no other known customers of the goods in Australia and that the use of these railway wheels is geographically limited to Western Australia and, in particular, the Pilbara region of Western Australia.

Specifications for railway wheels differ slightly between each of these customers to reflect differences in railway track designs and the load requirements of the ore carriages.

Comsteel advised that these customers do not on-sell these railway wheels, except as scrap at the end of their useful lives.

#### **3.3.2 Distribution arrangements**

In the Australian market there are no resellers, distributors or other intermediaries involved in the supply of iron ore railway wheels to the end user customers.



The verification team understands that both locally produced and imported railway wheels are supplied directly by the manufacturer to the end user.

Comsteel advised that the railway wheels could, at times, be supplied to a maintenance firm contracted to complete maintenance on the iron ore carriages. Where delivery is made to the maintenance firm, the supply is typically based on the supply contract with the mining company.

### **3.3.3 Supply**

Supply of the railway wheels used by the mining companies are made by pre-qualified suppliers through contract and/or tender arrangements. The pre-qualification process will vary depending on the supplier and mining company. The pre-qualification process may take multiple years to complete.

Supply contracts establish pricing and supply quantities for a fixed period. Delivery is typically to a specified storage or workshop facility. Contracts will usually include price rise and fall provisions.

The locally produced and imported railway wheels can be used interchangeably on a customer's iron ore carriage. Mining companies may seek to obtain supply from multiple sources to ensure continuity of supply.

Typically mining customers and suppliers will co-ordinate delivery dates ahead of time. This enables miners to meet their maintenance schedules and suppliers to schedule production of the railway wheels at their manufacturing facilities.

### **3.3.4 Demand**

Demand is driven by the miners' requirements in relation to the transport of iron ore from their mine sites. The factors that may influence demand in this regard are:

- Demand for iron ore.
- Opening or closing of mine sites.
  - Opening of new mines will typically result in greater train movements transporting iron ore. This will require additional carriages. Closing of mines may have the opposite effect.
- The life cycle of railway wheels.
  - Railway wheels have a life cycle of about 8 to 12 years. New ore carriages, where imported with fitted wheels, will not require wheel replacement for this period. Wear and tear can lead to replacement before this time. Railway wheels may also have an extended life span. Operating parameters of the mining companies can influence these differing lifespans.
- Programmed replacement programs by miners.
  - Miners will typically have a maintenance program, which includes end of life wheel replacement. This program will influence placement of orders.

## **3.4 Australian market pricing**

Comsteel does not consider itself to be a price leader for the goods in Australia as it is required to respond to import prices.

Comsteel provided evidence of how it monitors import prices and how this monitoring influences its price offers. Comsteel also provided evidence of how it is required to respond to alternative import offers when negotiating with customers.

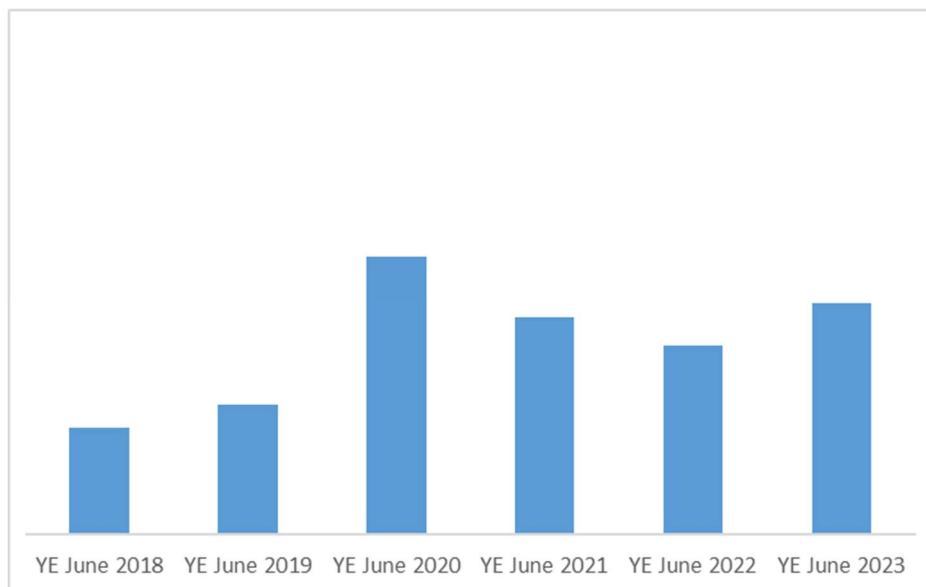
### 3.5 Australian market size

The verification team has estimated the size of the Australian market for railway wheels using the domestic sales data from Comsteel and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the relevant tariff subheadings and statistical codes for railway wheels. Further filtering was completed to remove imports that were not considered to be the goods.<sup>8</sup>

The verification team considers that its approach to estimating the size of the Australian market for railway wheels is relevant and reasonable as:

- the ABF import database is an independent and reliable source of data in relation to imported railway wheels and
- the completeness, relevance and accuracy of the sales data compiled by Comsteel was verified by the verification team (chapters 4 and 5 of this report refers).

Figure 1 below depicts the verification team's estimate of the size of the Australian market for railway wheels from the year ending (YE) June 2018 to YE June 2023.



**Figure 1 – Australian market size (wheels)**

The verification team's analysis of the Australian market is in **Confidential Attachment 1**.

<sup>8</sup> To identify relevant imports, the team examined the ABF import data to identify characteristics relevant to the goods. This included examining the goods description, the value of the importation, the importer, the port of arrival and any declarations made in relation to any claimed exemptions from dumping duty based on the goods description.

## 4 Verification of sales completeness and relevance

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to the management accounts and then to the audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the sales listing Comsteel submitted was complete and relevant by reconciling it to Comsteel's draft financial statements<sup>9</sup>, consistent with ADN 2016/30.

The team verified the relevance and completeness of the sales data as follows:

1. Reconciled the draft financial statements for the inquiry period to Comsteel's trial balance generated from its accounting system for the same period (i.e. the inquiry period).
2. Identified the revenue accounts in the trial balance relevant to reported sales revenue (as opposed to other reported income) and reconciled this to the reported sales revenue in the financial statements.
3. Reconciled the trial balance revenue ledgers relevant to reported sales revenue to a sales report generated from reporting tools linked to the accounting system. This sales report also included volumes, which are not reported in the financial statements or the trial balance.
4. Using the reported segments within the sales report, sales relevant to the general category of railway wheels were then identified.
5. Using the relevant product codes on the specifications provided to the commission, the verification team identified sales of like goods and reconciled these to the sales listing and reported sales in the A6 data provided. The reconciliation was done for both sales value and sales volume.
6. For the remaining product codes within the general category of railway wheels (i.e. non-goods), the verification team obtained a material sample of specification documents to test whether these product codes met the goods description. None of the tested sample matched the description of like goods.

The team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 4.1 Import sales by company

Comsteel did not import the goods during the inquiry period. No evidence of imported like goods was identified during the verification.

### 4.2 Export sales by company

Exports sales of products produced by Comsteel were identified in the data provided to the commission and their accounting records. No evidence of exports of like goods was identified.

<sup>9</sup> At the time of completing the verification, the audit of these financial statements had not been finalised.

### **4.3 Sales completeness and relevance finding**

The team is satisfied that the sales data Comsteel submitted is complete and relevant.

## 5 Verification of sales accuracy

The commission typically verifies sales as accurate by reconciling a selection of volume, revenue and other key data in the sales listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the sales listings Comsteel submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **Confidential Attachment 1**.

### 5.1 Related party customers

The team observed that Comsteel did not sell any goods to related customers.

### 5.2 Sales accuracy finding

The team is satisfied that the sales data Comsteel submitted is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the team considers Comsteel's sales data suitable for analysing the economic performance of its railway wheels operations.

## 6 Verification of CTMS completeness and relevance

The commission typically verifies CTMS as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and then to the audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings Comsteel submitted were complete and relevant by reconciling to its draft financial statements, consistent with ADN 2016/30.

The team verified the relevance and completeness of the CTM as follows:

1. Reconciled the reported cost of sales in the draft financial statements to the general ledgers relevant to the cost of goods sold (COGS) in Comsteel's accounting system.<sup>10</sup>
2. To derive the relevant CTM, the COGS for the inquiry period was adjusted by deducting COGS for unrelated business units, adjusting for finished goods inventory movements and adjusting for costs not relevant to the manufacture of like goods within the relevant business unit.
3. The total CTM for the subject goods was then reconciled through to the Appendix A6 CTM data provided.

The team verified the relevance and completeness of the SG&A data as follows:

1. SG&A costs were reconciled to Comsteel's trial balance for the inquiry period.
2. Selling expenses were verified as being allocated directly within the rail division.
3. Other SG&A expenses were verified as being allocated to cost centres and specific areas based on a fixed percentage.

The team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 6.1 CTMS completeness and relevance finding

The team is satisfied that the CTMS data provided in the application by Comsteel is complete and relevant.

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<sup>10</sup> Both the financial statement period and inquiry period were the same.

## 7 Verification of cost to make and sell accuracy

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The team undertook this process for the CTMS data that Comsteel submitted and did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **Confidential Attachment 1**.

### 7.1 Cost allocation method

Table 1 outlines how the team allocated each cost component.

Cost component	Method applied
Raw materials	Raw materials are allocated through production orders based on the actual costs of material consumed. Raw materials have been allocated to each model by production quantity and adjusted for scrap input costs.
Scrap offset	Scrap is produced in the process and recaptured as an offset to cost of production within the production order.
Direct labour	Allocated variable production costs based on production quantity
Manufacturing overheads	Allocated fixed production costs based on production quantity
Depreciation	Straight line depreciation is applied to relevant cost centre over the expected life of asset. Depreciation costs are allocated on a production quantity basis in the CTMS spreadsheets.

**Table 1 - Cost allocation method**

### 7.2 Cost to make and sell accuracy finding

The team is satisfied that the CTMS data Comsteel submitted is accurate and reasonably reflects the costs associated with the manufacture and sale of the goods.

## 8 Economic condition

### 8.1 Background

The anti-dumping measures applying to the goods were initially imposed by public notice on 16 July 2019 by the then Minister for Industry, Science and Technology. This followed her consideration of the Commissioner's recommendations in Anti-Dumping Commission Report No 466 (REP 466).<sup>11</sup>

In Report 466, the commission found Comsteel had suffered injury in the form of:

- loss of sales volume
- loss of market share
- price suppression
- reduced profits
- reduced profitability
- reduced return on investment (ROI)
- reduced capacity utilisation
- reduced employment numbers
- reduced revenue and
- reduced production volumes.

Comsteel, in its application for this continuation inquiry, claimed that if the measures were allowed to expire it was likely that they would experience a recurrence of the material injury that the anti-dumping measures are intended to prevent. Comsteel further claimed that the expiry of the measures will seriously undermine and threaten the viability of its domestic railway wheel production.<sup>12</sup>

### 8.2 Approach to injury analysis

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent involves a consideration of future outcomes based on an evaluation of the present position.

This chapter considers the economic condition of the Australian industry from 1 July 2017. The analysis is based on verified financial information submitted by Comsteel and data from the ABF import database.

The commission has compiled the figures presented on an annual basis from the year ending (YE) 30 June 2018 to YE 30 June 2023 (the analysis period). This preliminary assessment is at **Confidential Appendix 1**.

<sup>11</sup> During the course of the investigation, the Commissioner made a preliminary affirmative determination (PAD) in relation to exports of the goods from China and France. Securities were taken in respect of any interim dumping duty that may have become payable in respect of the goods exported from China and France and entered for home consumption in Australia on or after 19 June 2018. See ADN No. 2018/99 (EPR 466, document number 16).

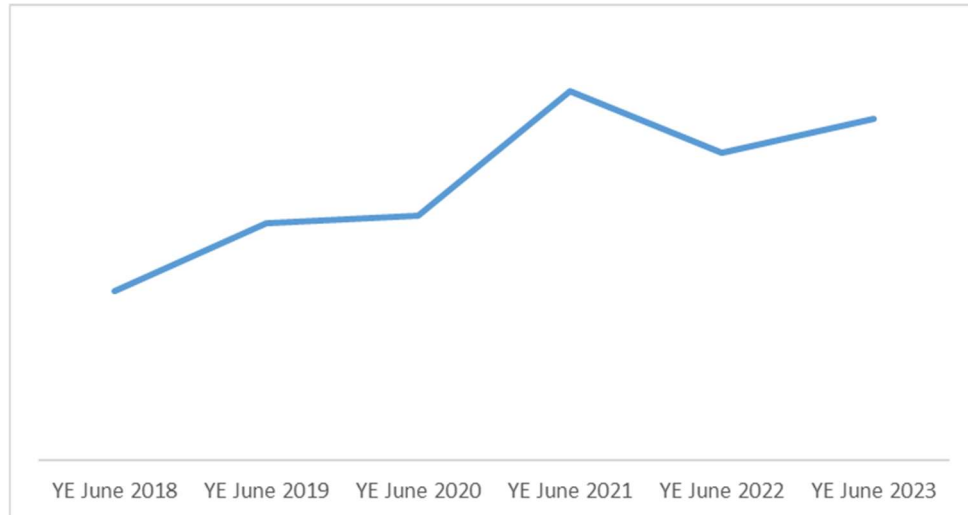
<sup>12</sup> EPR 632, document number 1.



## 8.3 Volume effects

### 8.3.1 Sales volume

Figure 2 below charts Comsteel's sales volume across the analysis period.

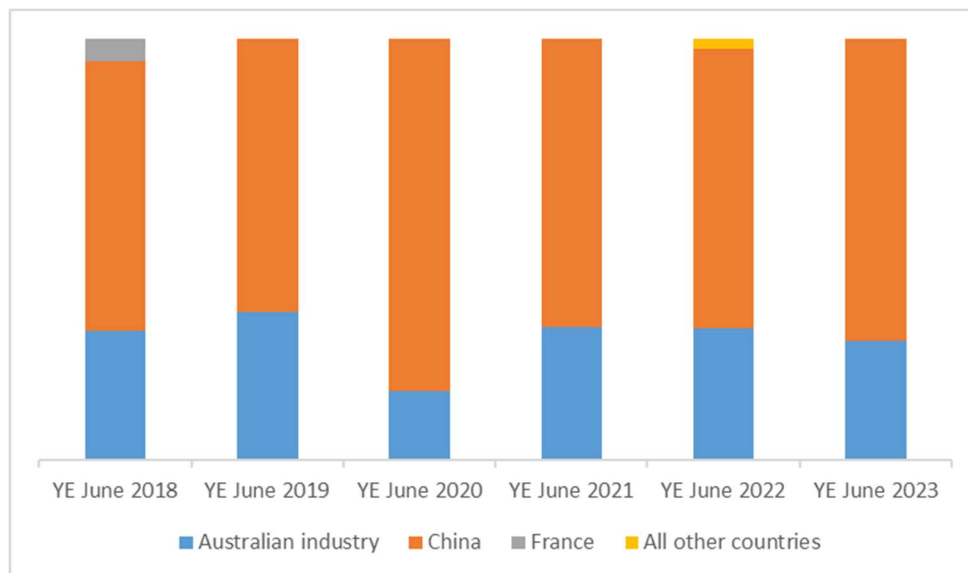


**Figure 2 - Sales Volume (units of wheels)**

The chart indicates that Comsteel's sales volumes have increased since the imposition of measures. Whilst decreasing in the YE June 2022, Comsteel's sales volume partially recovered in the YE June 2023. Even though not as high as the peak during the analysis period, the sales volume in YE June 2023 was still higher than in the YE June 2018.

### 8.3.2 Market share

Figure 3 below charts Comsteel's market share across the analysis period:



**Figure 3 - Australian railway wheels market (% market share)<sup>13</sup>**

<sup>13</sup> To identify relevant imports, the verification team examined the ABF import data to identify characteristics relevant to the goods. This included examining the goods description, the value of the

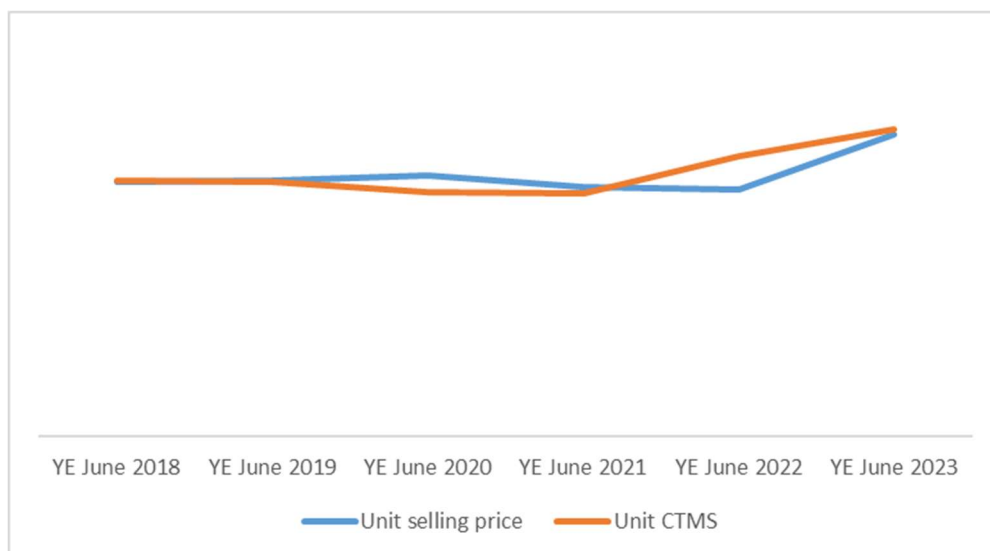
The chart indicates that the since the imposition of measures:

- Exports from France have ceased supplying the Australian market.
- Exports from China have continued to supply the Australian market. Whilst their share of the market has fluctuated, Chinese exporters have consistently been the largest supplier in the market.
- Australian industry's share of the market has fluctuated. Australian industry has, on average, supplied 29% of the market since the imposition of measures.
- Imports from non-subject countries have occurred on an infrequent basis and in small volumes.

### 8.3.3 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

Figure 4 below charts Comsteel's unit selling price and unit CTMS for the analysis period.



**Figure 4 - Unit CTMS & Price (per wheel)**

Figure 4 indicates that:

- Unit CTMS declined between YE June 2018 and YE June 2021. This was reflected by a marginal decline in YE June 2019, a greater decline in YE June 2020 and a further marginal decline in YE June 2021. For the same period unit prices increased between YE June 2018 and YE June 2020, before declining in YE June 2021.
- In YE June 2022 unit CTMS increased, while unit prices further declined.
- In YE June 2023 unit CTMS and unit price both materially increased.

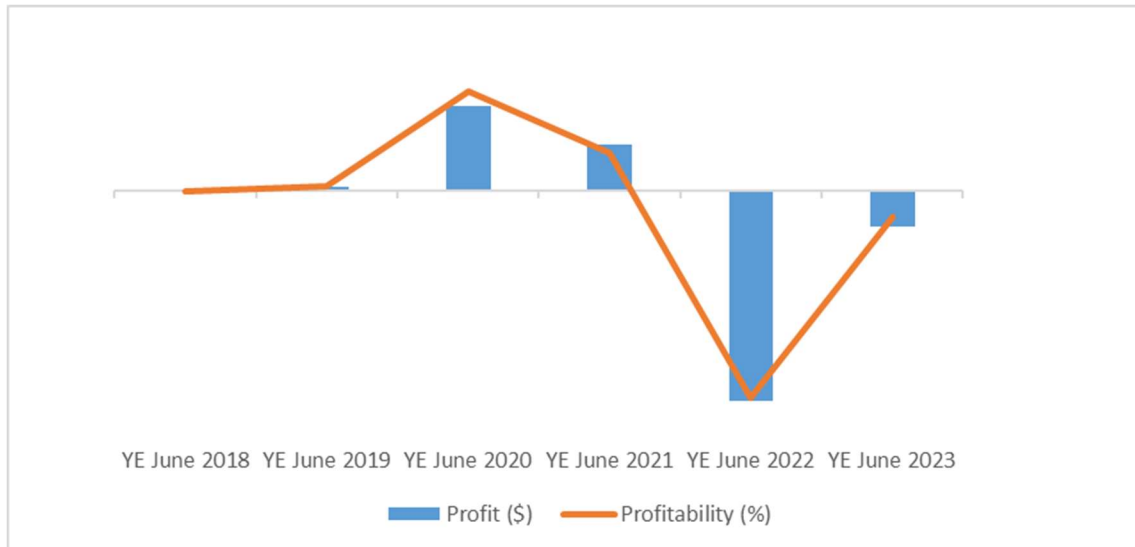
Based on available information, the verification team preliminarily considers that Comsteel experienced price depression in YE June 2021 and price suppression in YE June 2022. Whilst Comsteel was able to increase prices in the YE June 2023, the increase was insufficient to fully recover its CTMS in the same period.

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importation, the importer, the port of arrival and any declarations in relation to exemptions from dumping duty based on the goods description.

## 8.4 Profit and profitability

Figure 5 charts Comsteel's profit and profitability as a percentage of revenue over the analysis period.



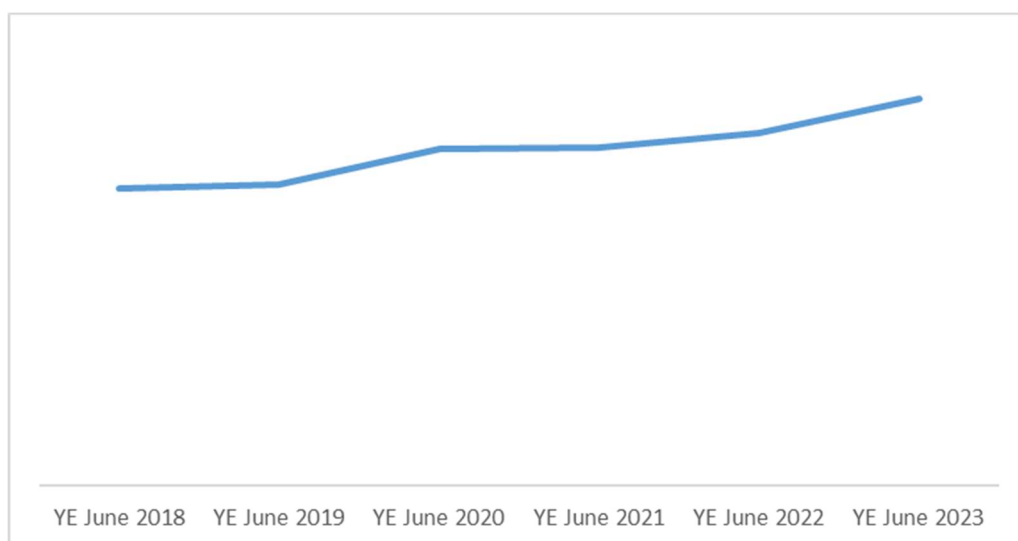
**Figure 5 - Profit and Profitability Profit and Profitability**

Figure 5 indicates that after measures were imposed, Comsteel initially experienced an improvement in profit and profitability. After peaking in YE June 2020, profit and profitability declined. Negative profit and profitability occurred both YEs June 2022 and 2023.

## 8.5 Other economic factors

### 8.5.1 Assets

Figure 6 below depicts the total value of Comsteel's assets, some of which are used in the production of like goods for the analysis period.

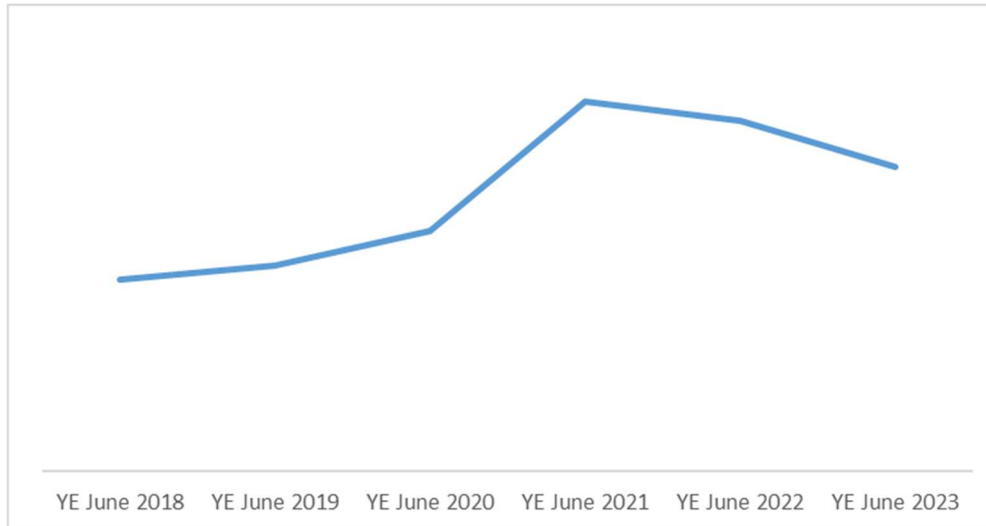


**Figure 6 - Assets**

Figure 6 indicates that Comsteel's total value of assets, some of which are used in the production of like goods, increased between YE June 2018 and YE June 2023.

### 8.5.2 Production volumes

Figure 7 below depicts Comsteel's production volumes over the analysis period.

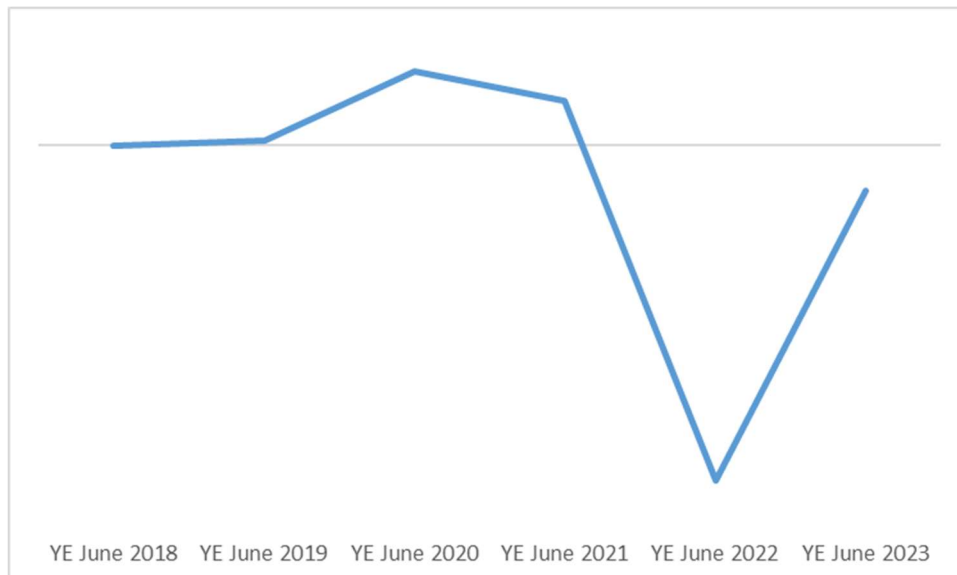


**Figure 7 – Production volumes (wheels)**

Figure 7 indicates that Comsteel's production volumes increased from YE June 2018 to YE June 2021 before declining in both YE June 2022 and YE June 2023.

### 8.5.3 Return on investment

Figure 8 below depicts Comsteel's return on investment (ROI) over the analysis period.



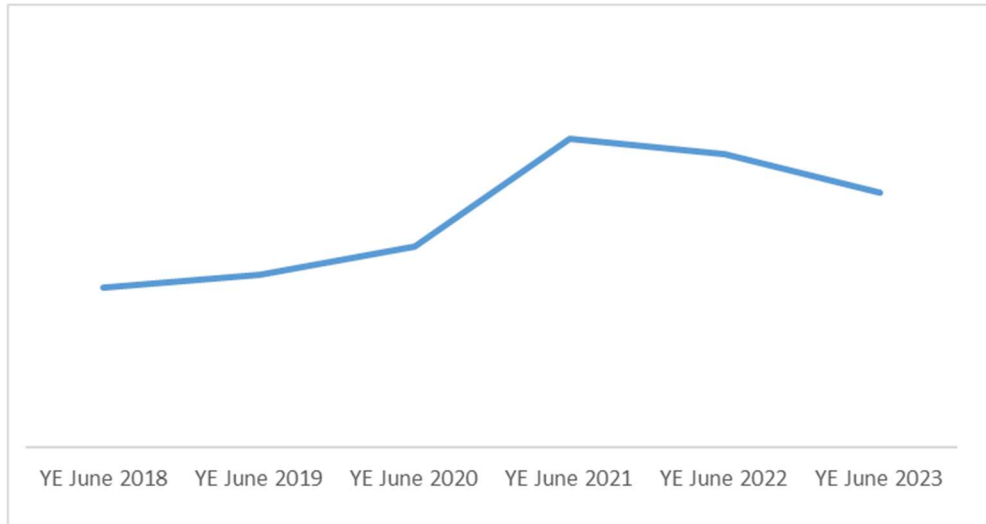
**Figure 8 – ROI**

Figure 8 indicates that Comsteel's ROI has increased from YE June 2018 to YE June 2020, then proceeded to decrease from YE June 2020 to YE June 2022 with an increase but still negative ROI in YE June 2023.

Consistent with REP 466, the team calculated ROI based on Comsteel's profit and loss position as a proportion of its net assets. While the assets are used for the production of the goods and other wheels, a proportion of assets has been allocated in the analysis correlating to the production of the goods.

#### 8.5.4 Capacity Utilisation

Figure 9 below depicts Comsteel's capacity utilisation rate over the analysis period.

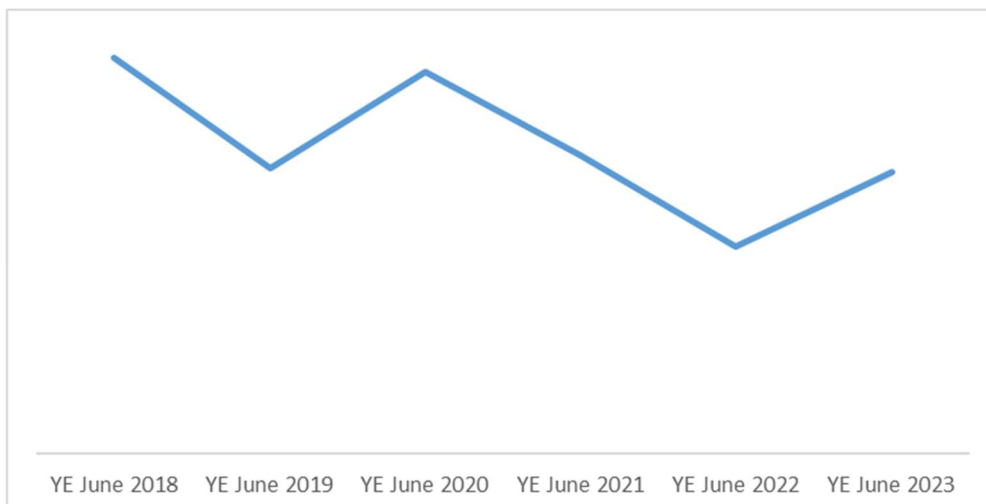


**Figure 9 - Capacity Utilisation**

Figure 9 indicates that Comsteel's capacity utilisation increased from YE June 2018 to YE June 2021 before declining in both YE June 2022 and YE June 2023.

#### 8.5.5 Employment

Figure 10 depicts Comsteel's employment numbers over the analysis period.

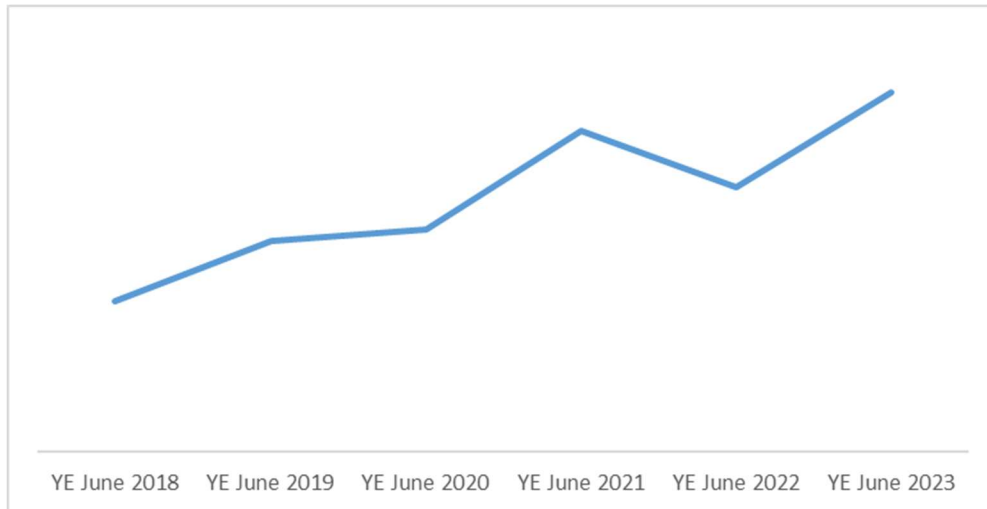


**Figure 10 - Employment numbers**

Figure 10 indicates that employment numbers, whilst fluctuating, have declined since the imposition of measures. The increase in YE June 2023 was driven by increased labour requirements across the whole railway wheel business.

### 8.5.6 Revenue

Figure 11 depicts Comsteel's revenue from the sale of like goods over the analysis period.



**Figure 11 – Revenue**

Figure 11 indicates that Comsteel increased its revenue across the analysis period. Whilst a decline occurred YE June 2022, Comsteel's sales revenue recovered in the YE June 2023.

## 9 Impact of expiry of measures

### 9.1 Background and approach to analysis

Under the terms of section 269ZHF(2), in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the:

- dumping and/or subsidisation and
- material injury

that the anti-dumping measure is intended to prevent.

Comsteel provided evidence and information in its application regarding this assessment under section 269ZHF(2) and in its response to the Australian industry questionnaire.<sup>14</sup>

During the verification, the team sought Comsteel's views on these matters and collected further evidence to in relation to those claims. The commission will consider this information and evidence further during the inquiry.

### 9.2 Continuation or recurrence of dumping

In its application Comsteel claimed that dumping of imports from China and France was likely to continue or recur if the measures were to expire.

During the verification, the team queried the likelihood of the French exporter, MG Valdunes, exporting to Australia given that it had not exported to Australia since 2018. Comsteel stated that they considered that the imposition of measures had made MG Valdunes' railway wheels uncompetitive in the Australian market. In support of future exports by MG Valdunes in the absence of measures, Comsteel referenced that:

- They understood that MG Valdunes continued to export to other countries.
- The Chinese owners' proposed divestment of its interest in MG Valdunes would increase the likelihood of MG Valdunes exporting to Australia.
- MG Valdunes had excess capacity and that it had a shrinking order book. Comsteel referenced an article published on [www.bnnbreaking.com](https://bnnbreaking.com) on 6 October 2023 regarding MG Valdunes.<sup>15</sup> Comsteel stated that MG Valdunes could readily increase its production despite any recent downsizing.

### 9.3 Continuation or recurrence of material injury

In its application Comsteel stated that if the measures on exports of railway wheels from China and France were allowed to expire it was likely that they would experience a recurrence of material injury that the anti-dumping measures are intended to prevent.

Comsteel further claimed that the expiry of the measures would seriously undermine and threaten the viability of its railway wheel production.

<sup>14</sup> EPR 632, document numbers 1 and 3.

<sup>15</sup> See <https://bnnbreaking.com/world/france/french-labor-union-battles-to-save-last-rail-industry-manufacturer/> (last accessed 16 January 2024).

The team discussed with Comsteel its claims in relation to the likelihood of material injury if the measures were to expire. Further information and evidence was provided during the verification by Comsteel in relation to its claims.

The matters discussed and evidence obtained during the verification included:

- Comsteel's estimated future demand for the goods in Australia and its production capacity.
- Details of Comsteel's current supply arrangements with its customers, anticipated future demand and anticipated future contract negotiations with these customers.
- Evidence of Comsteel's price offers for the goods being influenced by import offers, including evidence of how Comsteel monitors import prices and how these import prices were considered in its pricing decisions.
- Evidence of pricing negotiations and the impact of pricing from alternative supply sources on those price negotiations.
- An analysis completed by Comsteel of the likely impact of the expiry of measures on its future operations up until June 2025. This analysis was based on verified data and certain assumptions made in the forward looking analysis.



## **10 Appendices and attachments**

<b>Confidential Attachment 1</b>	Comsteel Verification Work Program
<b>Confidential Appendix 1</b>	Economic Condition of the Australian Industry