Application for the publication of dumping and/or countervailing duty notices

Iron Ore Railway Wheels

exported

from P R China and France

February 2018

APPLICATION UNDER SECTION 269TB OF THE *CUSTOMS ACT 1901* FOR THE PUBLICATION OF DUMPING AND/OR COUNTERVAILING DUTY NOTICES

DECLARATION

I request, in accordance with section 269TB of the *Customs Act 1901* (the Act), that the Minister publish in respect of goods the subject of this application:

☐ a dumping duty notice, or

☐ a countervailing duty notice, or

☒ a dumping and a countervailing duty notice

This application is made on behalf of the Australian industry producing like goods to the imported goods the subject of this application. The application is supported by Australian producers whose collective output comprises:

- 25% or more of the total Australian production of the like goods; and
- more than 50% of the total production of like goods by those Australian producers that have expressed either support for, or opposition to, this application.

I believe that the information contained in this application:

- provides reasonable grounds for the publication of the notice(s) requested; and
- is complete and correct.

Signature: P:P

Name: Lindsay Reid

Position: General Manager

Company: Commonwealth Steel Company Pty Ltd

ABN: 58 000 007 698

Date: February 2018

IMPORTANT INFORMATION

Signature requirements

Where the application is made:

By a company - the application must be signed by a director, servant or agent acting with the authority of the body corporate.

By a joint venture - a director, employee, agent of each joint venturer must sign the application. Where a joint venturer is not a company, the principal of that joint venturer must sign the application form.

On behalf of a trust - a trustee of the trust must sign the application.

By a sole trader - the sole trader must sign the application.

In any other case - contact the Commission's Client support section for advice.

Assistance with the application

The Anti-Dumping Commission has published guidelines to assist applicants with the completion of this application. Please refer to the following guidelines for additional information on completing this application:

- *Instructions and Guidelines for applicants: Application for the publication of dumping and or countervailing duty notices*
- *Instructions and Guidelines for applicants: Examination of a formally lodged application*

The Commission's client support section can provide information about dumping and countervailing procedures and the information required by the application form. Contact the team on:

Phone: 13 28 46

Fax: (03) 8539 2499

Email: clientsupport@adcommission.gov.au

Other information is available from the Commission's website at www.adcommission.gov.au.

Small and medium enterprises (i.e., those with less than 200 full-time staff, which are independently operated and which are not a related body corporate for the purposes of the *Corporations Act* 2001), may obtain assistance, at no charge, from the Department of Industry, Innovation and Science's International Trade Remedies Advisory (ITRA) Service. For more information on the ITRA Service, visit www.business.gov.au or telephone the ITRA Service Hotline on +61 2 6213 7267.

Important information

To initiate an investigation into dumping and/or subsidisation, the Commission must comply with Australia's international obligations and statutory standards. This form provides an applicant industry with a framework to present its case and will be used by the Commission to establish whether there are reasonable grounds to initiate an investigation. To assist consideration of the application it is therefore important that:

- all relevant questions (particularly in Parts A and B) are answered; and
- information that is reasonably available be supplied.

The Commission does not require conclusive evidence to initiate an investigation, but any claims made should be reasonably based. An application will be improved by including supporting evidence and where the sources of evidence are identified. Simple assertion is inadequate to substantiate an application.

To facilitate compilation and analysis, the application form is structured in 3 parts:

1. **Part A** seeks information about the Australian industry. This data is used to assess claims of material injury due to dumping/subsidisation. Where an Australian industry comprises more than one company, each should separately prepare a response to Part A to protect commercial confidentiality.
2. **Part B** relates to evidence of dumping.
3. **Part C** is for supplementary information that may not be appropriate to all applications. However some questions in Part C may be essential for an application, for example, if action is sought against subsidisation.

All questions in Parts A and B must be answered, even if the answer is 'Not applicable' or 'None'. Where appropriate, applicants should provide a short explanation about why the requested data is not applicable. This will avoid the need for follow up questions by the Commission.

The application form requests data over several periods (P^1, P^2….P^n) to evaluate industry trends and to correlate injury with dumped imports. The labels P^1…P^n are used for convenience in this application form. Lodged applications should identify the period relevant to the data. This form does not specify a minimum period for data provision. However, sufficient data must be provided to substantiate the claims made. If yearly data is provided, this would typically comprise a period of at least four years (for example the current financial year in addition to three prior years). Where information is supplied for a shorter period, applicants may consider the use of quarterly data. Data must also be sufficiently recent to demonstrate that the claims made are current.

When an investigation is initiated, the Commisison will verify the claims made in the application. A verification visit to the Australian industry usually takes several days.

Applicant companies should be prepared to substantiate all Australian industry financial and commercial information submitted in the application. Any worksheets used in preparing the application should therefore be retained to facilitate verification.

During the verification visit, the Commisison will examine company records and obtain copies of documents relating to the manufacture and sale of the goods.

Appendices

Some questions require attachments to be provided. The attachment numbering sequence should refer to the question answered. For example, question A2.2 requests a copy of an organisation chart. To facilitate reference, the chart should be labelled Attachment A2.2. If a second organisation chart is provided in

response to the same question, it should be labelled Attachment A2.2.2 (the first would be labelled Attachment A2.2.1).

Provision of data

Industry financial data must, wherever possible, be submitted in an electronic format.

- The data should be submitted on a media format compatible with Microsoft Windows.
- Microsoft Excel, or an Excel compatible format, is required.
- If the data cannot be presented electronically please contact the Commission's client support section for advice.

Lodgement of the application

This application, together with the supporting evidence, must be lodged in the manner approved by the Commissioner under subsection 269SMS(2) of the Act. The Commissioner has approved lodgement of this application by either:

- preferably, email, using the email address clientsupport@adcommission.gov.au, or
- post to:

  The Commissioner of the Anti-Dumping Commission
  GPO Box 2013
  Canberra ACT 2601, or
- facsimile, using the number (03) 8539 2499.

Public Record

During an investigation all interested parties are given the opportunity to defend their interests, by making a submission. The Commission maintains a public record of these submissions. The public record is available on the Commission's website at www.adcommission.gov.au.

At the time of making the application both a confidential version (for official use only) and non-confidential version (public record) of the application must be submitted. Please ensure each page of the application is clearly marked "FOR OFFICIAL USE ONLY" or "PUBLIC RECORD". The non-confidential application should enable a reasonable understanding of the substance of the information submitted in confidence, clearly showing the reasons for seeking the conduct of a dumping and/or subsidy investigation, or, if those reasons cannot be summarised, a statement of reasons why summarisation is not possible. If you cannot provide a non-confidential version, contact the Commission's client support section for advice.

PART A

INJURY

TO AN AUSTRALIAN INDUSTRY

IMPORTANT

All questions in Part A should be answered even if the answer is 'Not applicable' or 'None'. If an Australian industry comprises more than one company/entity, each should separately complete Part A.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

A-1 Identity and communication.

Please nominate a person in your company for contact about the application:

Contact Name:	Mr Lindsay Reid
Company and position:	General Manager, Commonwealth Steel Company Pty Ltd trading as "Comsteel"
Address:	Maud Street, Waratah, NSW 2298
Telephone:	(02) 4974 0346
Facsimile:	(02) 4974 0353
E-mail address:	Lindsay.reid@molycop.com
ABN:	58 000 007 698

Alternative contact

Name:	Mr Ian Forbes
Position in company:	Business Improvement Project Manager, Comsteel
Address:	Maud Street, Waratah NSW 2298
Telephone:	(02) 4974 0416
E-mail address:	ian.forbes@molycop.com

If you have appointed a representative to assist with your application, provide the following details and complete Appendix A8 (Representation).

Comsteel has engaged the services of the following representative:

Name:	Mr John O'Connor
Business name:	John O'Connor and Associates Pty Ltd
Address:	P.O. Box 329, Coorparoo, QLD 4151
Telephone:	(07) 3342 1921
Facsimile:	(07) 3342 1931
E-mail address:	jmoconnor@optusnet.com.au
ABN:	3909 865 0241

A-2 Company information.

1. State the legal name of your business and its type (eg. company, partnership, sole trader, joint venture). Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of your application.

Commonwealth Steel Company Pty Limited (ABN 58 000 007 698) is an Australian limited liability company (hereafter referred to as "Comsteel"). Trading under the business name of "Comsteel", it is the sole Australian manufacturer of railway wheels, the goods the subject of this application.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Comsteel has included a copy of its internal organisation chart at Confidential Attachment A-2.2.

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

Comsteel is 100 per cent owned by Grinding Media Pty Ltd, an Australian entity.

4. If your company is a subsidiary of another company list the major shareholders of that company.

Grinding Media Pty Ltd is 100% owned by AIP MC Holdings LLC, a US entity.

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

AIP MC Holdings LLC is 100% owned by AIP MC Holdings Ltd, a Cayman Islands entity which is controlled and majority-owned by American Industrial Partners, a US-based private equity firm.

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

Please refer to Confidential Attachment A-2.6.

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

AIP does not charge any management fees/corporate allocations to Comsteel.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

Comsteel does not have a relationship (commercial or otherwise) with an exporter to Australia or Australian importer of the goods the subject of this application.

9. Provide a copy of all annual reports applicable to the data supplied in <u>appendix A3</u> (Sales Turnover). Any relevant brochures or pamphlets on your business activities should also be supplied.

On 3 January 2017, the Moly-Cop group of companies (including Comsteel) was purchased by American Industrial Partners. American Industrial Partners is a private equity partner and does not publish an annual report. Prior to the purchase of the Moly-Cop group by American Industrial Partners, Moly-Cop's total business financials were included in the Arrium Group's consolidated financial data as part of the mining consumables business.

A separate annual report for the Moly-Cop group (including Comsteel) is therefore not available.

Comsteel has included with this application a copy of the unaudited AIP MC Holdings, LLC and Subsidiaries "Quarterly Report – Three Months Ended September 30, 2017". Please refer to Confidential Attachment A-2.9.

10. Provide details of any relevant industry association.

Comsteel is a member of the Australian Railway Association ("ARA"), Australian Steel Institute ("ASI") and the Australian Industry Group ("AiG").

A-3 The imported and locally produced goods.

1. Fully describe the imported product(s) the subject of your application:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**

Goods description

The goods the subject of this application are:

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

Axles and other components are excluded from the goods coverage.

Additional characteristics

The ore-carriage railway wheels are manufactured in accordance with the relevant user defined specifications and drawings. The users of these type of railway wheels are:

- BHP Iron Ore;
- Rio Tinto Iron Ore;
- Fortescue Metals, and
- Roy Hill.

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

- 38inch or 966mm to 970mm 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; and
- A multi-wear rim ore car wheel.

The wheels are manufactured in accordance with the following user specifications:

1. BHP Billiton Iron Ore specification – Spec 076-M-0048 Revision 10 or latest revision - Railroad Rolling Stock Multi-wear Ore Car and Locomotive Wheels (refer Confidential Attachment A-3.1.1 - Please note that the subject of this submission is the 966mm Ore Car wheels referenced in this specification only).
2. Rio Tinto Pilbara Iron specification – PRC-RS-C-007 Revision 3.0 or similar as modified for the individual manufacturer (refer Confidential Attachment A-3.1.2).
3. Fortescue Mining Group TPI specification – R-SP-RM-0004 Revision 5 - Specification for 970mm Multiwear Ore Car Wheels (refer Confidential Attachment A-3.1.3).
4. Roy Hill Specification - 100RH-3520-ME-DRG-0480 and 3520-ME-00019-Purchase_Requirements_Of_Wheels or similar as modified for the individual manufacturer (refer Confidential Attachment A-3.1.4).

Comsteel highlights that the specifications may be slightly modified and renamed to suit the specific manufacturer's production process, however, all iron ore railway wheels will typically be in accordance with the iron ore producer's specifications.

2. What is the tariff classification and statistical code of the imported goods.

The goods the subject of this application are classified to tariff subheading 8607.19.00 statistical code 20 for 'Wheels, whether or not fitted with axles, of railway or tramway locomotives or rolling stock.

It should be noted that imports of goods under this classification may include railway wheels in addition to wheels the subject of this application.

The general rate of duty applicable to the goods under consideration is 5 per cent. Imports from China are subject to the following rates of duty:

- from 1 January 2016 – 3 per cent;
- from 1 January 2017 – 2 per cent;
- from 1 January 2018 – 1 per cent;
- from 1 January 2019 – Free.

3. Fully describe your product(s) that are 'like' to the imported product:

- **Include physical, technical or other properties.**
- **Where the application covers a range of products, list this information for each make and model in the range.**
- **Supply technical documentation where appropriate.**
- **Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.**

The products manufactured by Comsteel fully conform to the user defined specifications as described in this application. The railway wheels are manufactured at Comsteel's facility in Waratah NSW from 100 per cent locally sourced raw materials.

The steel ingot feed material is manufactured in Comsteel's in-house electric arc furnace ("EAF") facility from recycled steel and produced in conformance with the end-user specification. Railway wheels are then forged, rolled and machined from this ingot feed, also at the Comsteel's Waratah facility. Wheels are then tested for compliance with end-user specifications prior to supply to customer.

4. Describe the ways in which the essential characteristics of the imported goods are alike to the goods produced by the Australian industry.

Comsteel considers that the imported railway wheels possess similar characteristics to the railway wheels manufactured in Australia. Comsteel considers that the essential characteristics of the imported goods and the locally produced goods are alike for the following reasons:

- Physical likeness – the goods produced by the Chinese and French exporters are similar in physical appearance and specification;

- Commercial likeness – the imported goods compete directly with the locally produced goods and are interchangeable on axles for iron ore rolling stock. The selling prices for the imported railway wheels and the locally produced railway wheels are similar, albeit that the former is priced at levels below the selling prices for locally produced railway wheels;

- Functional likeness – the imported goods and the locally produced goods perform the same function and are used in the same end-use application;

- Production likeness – the imported and locally produced railway wheels are manufactured via similar production processes.

The imported and locally manufactured ore carriage railway wheels are manufactured in accordance with the end-users' specifications. An imported railway wheel and a locally produced railway wheel, from appearance,

are indistinguishable. However, railway wheels manufactured by Comsteel have a longer lifetime and provide greater wear resistance than those of Chinese origin. This can be due to the quality of steel and the alloys used in the manufacture of the railway wheels.

5. What is the Australian and New Zealand Standard Industrial Classification Code (ANZSIC) applicable to your product.

The ANZSIC applicable to the goods the subject of this application is 2393 – Railway Rolling Stock Manufacturing and Repair Services.

6. Provide a summary and a diagram of your production process.

Comsteel has included a process flow-diagram depicting the manufacturing process for ore-carriage railway wheels.

Please refer to Confidential Attachment A-3.6.

7. If your product is manufactured from both Australian and imported inputs:

- **describe the use of the imported inputs; and**
- **identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).**

Comsteel manufactures ore-carriage railway wheels from scrap metal that is sourced from local scrap dealers in Australia.

8. If your product is a processed agricultural good, you may need to complete Part C-3 (close processed agricultural goods).

The goods the subject of this application are not processed agricultural goods.

9. Supply a list of the names and contact details of all other Australian producers of the product.

Comsteel is the sole Australian manufacturer of railway wheels for iron ore carriages.

A-4 The Australian market.

1. Describe the end uses of both your product and the imported goods.

The locally produced ore-carriage railway wheels manufactured by Comsteel and the imported ore-carriage railway wheels from China and France are used in the transport of iron ore from the various iron ore mines to ports in the Pilbara region of Western Australia. The ore-carriage railway wheels are fitted to specifically designed high axle load ore wagons and operate over various privately-owned railway operations in this region.

The customers to which the ore-carriage railway wheels are supplied are BHP Iron Ore, Rio Tinto Iron Ore, Fortescue Metals Group, and Roy Hill.

2. Generally describe the Australian market for the Australian and imported product and the conditions of competition within the overall market. Your description could include information about:

- **sources of product demand;**
- **marketing and distribution arrangements;**
- **typical customers/users/consumers of the product;**
- **the presence of market segmentation, such as geographic or product segmentation;**
- **causes of demand variability, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;**
- **the way in which the imported and Australian product compete; and**
- **any other factors influencing the market.**

The railway wheel used in iron ore railway carriages is of a design and specification that is unique to the Pilbara heavy haul railways. The Australian market for heavy haul iron ore products is limited to the four principals in the Pilbara region – BHP Iron Ore, Rio Tinto Iron Ore, Fortescue Mining Group and Roy Hill.

(i) Sources of Product Demand

The source of demand for micro alloy ore car wheels is the iron ore railway operations in the Pilbara region of Western Australia. The wheels are fitted to ore wagons and under normal operating conditions typically have a service life of between 8 and 12 years. The wheel tread surface is worn down and also machined several times throughout its life to reclaim the tread running surface.

Once fully worn, old wheels are removed from their axles and replaced with new wheels. This operation is carried out in the various maintenance facilities owned by the rail operators in this region.

(ii) Marketing and Distribution Arrangements

The railway wheels are sold directly to the end users by Comsteel in Australia. Imported goods are sold directly to the end users also by the Australian importer Manshan Iron and Steel (Australia) Pty Ltd a subsidiary of the Chinese company Maanshan Iron and Steel Company Limited (“Masteel”), which along with the French based manufacturer, Valdunes, are owned by the Magang (Group) Holding Company Limited.

(iii) Typical Customers/users/consumers of this product

The customer, user and consumer of this product are the privately-owned iron ore railways in the Pilbara region of Western Australia, namely BHP Iron Ore, Rio Tinto Iron Ore, Fortescue Mining Group and Roy Hill.

(iv) Market Segmentation

The market for forged 38-inch, high hardness micro alloy ore car wheels is contained totally within the privately owned and operated iron ore railways in the Pilbara region of Western Australia.

(v) Demand Fluctuations.

The demand for iron ore railway wheels is consistent once new ore wagons reach useable life which is generally between 8 to 12 years. Demand for wheels for maintenance of ore car wagons continues to increase due to growth in total tonnages of iron ore hauled. Significant growth in ore car fleet sizes over the past 20 years and the development of new iron ore companies, such as Fortescue Mining Group and more recently Roy Hill, is generating continued growth in the demand for ore car wheels.

(vi) Manner in which locally produced goods and imports compete

The local industry competes with imports on the basis of type of product, location of customer, and supply conditions. Market prices are influenced by competition, and movements in the key variable component of railway wheels (i.e. steel) which fluctuates on a monthly basis.

3. Identify if there are any commercially significant market substitutes for the Australian and imported product.

Iron ore railway wheels are considered the most cost competitive fit-for-purpose wheels for iron ore carriages. There are no commercially significant substitutes for the Australian and imported heavy haul railway wheels.

4. Complete appendix A1 (Australian production). This data is used to support your declaration at the beginning of this application.

Comsteel has completed Confidential Appendix A1 detailing production volumes in 2017. Comsteel is the only Australian producer of iron ore railway wheels and hence accounts for 100 per cent of Australian production.

5. Complete appendix A2 (Australian market).

Comsteel has completed Confidential Appendix A2 – Australian Market for iron ore railway wheels.

6. Use the data from appendix A2 (Australian market) to complete this table:

The following depicts the trends in sales volumes of the goods for the Australian industry and imports, and the overall Australian market for heavy haulage railway wheels.

Indexed table of sales quantities

Period	(a) Your Sales	(b) Other Aust[n] Sales	(c) Total Aust[n] Sales (a+b)	(d) Dumped Imports	(e) Other Imports	(f) Total Imports (d+e)	Total Market (c+f)
2014	100	100	100	100	100	100	100
2015	100	100	100	100	100	100	100
2016	230.6	100	230.6	1349.6	100	1190.8	334.8
2017	181.7	100	181.7	1716.7	1312.5	1669.1	343.2

Notes:

1. The Australian industry's sales includes sales of the goods separately and those included in "sets" (i.e. with axles).
2. Import data sourced from ABS. December 2017 data not available at time of application lodgement.
3. The separate tariff classification for railway wheels commenced on 1 July 2015. The applicant has been able

to identify imports of the goods from China and France from 1 January 2014. This is not possible for imports from other source countries which are understood to be relatively small when contrasted with the Australian industry's sales volumes and those from dumped sources.

Chinese exports of iron ore railway wheels to Australia have increased substantially since 2014 as the Australian market experiences growth through the increase in iron ore mines and production volumes. The Chinese exporter of the goods – Masteel is a subsidiary within the Magang (Group) Holding Company Limited ("Magang"). In June 2014 Magang purchased the sole French manufacturer of heavy haulage railway wheels MG-Valdunes S.A.S ("Valdunes") and commenced exports from France to Australia in 2017.

Exports of the goods the subject of this application are primarily sourced from China and France and supplied by the Magang Group of companies (i.e. by Masteel in China and Valdunes in France).

The Australian market for the goods contracted in 2014 (and into 2015) due to the slump in the iron ore price placing cost pressures on the iron-ore producers. Over this period, the producers reduced maintenance spend, consumed contingent wheel stocks and, in the case of Rio Tinto Iron Ore, used second-hand redundant wheels in general maintenance (previously purchased from Comsteel). The market in these two years reflected lower volumes than the normal ebb and flow for the industry.

Prior to 1 July 2015, imports of iron ore railway wheels were included in classification 8607.19.00 statistical code 17 – "Axles, wheels and parts for railway or tramway locomotives or rolling stock". From 1 July 2015, a separate classification was made for "Wheels, whether or not fitted with axles, of railway or tramway locomotives or rolling stock" at subheading 8607.19.00 statistical code 20.

Comsteel has identified imports of the goods the subject of this application by referencing the country of export, the number of items declared, the unit values of the goods and the port of landing. Iron ore railway wheels are made to specification and have a weight in the range of 450-475kg per wheel. This enables identification of the goods as detailed in ABS import data. All imported iron ore railway wheels are imported through the port of Fremantle, Western Australia (as all customers are in the Pilbara region of W.A.). Comsteel has been able to identify imports of iron ore railway wheels by calculating the approximate weight of the wheel as entered in the import data for the port of Fremantle. Railway wheels that do not have an approximate weight consistent with the iron ore carriage specifications (i.e. in the weight range 450kg – 475kg) are not considered to be the goods under consideration.

Comsteel understands that the Chinese imports of iron ore railway wheels only commenced in 2015 although identification of the goods prior to mid-2015 is difficult. Prior to this, Valdunes (prior to its purchase by Magang Group of China) exported the goods to Australia from France – at competitive prices to Comsteel locally produced goods. Following the purchase by the French manufacturer Valdunes, exports of the goods from France have re-commenced in 2017.

Comsteel's assessment of the Australian market confirms that imports of iron ore railway wheels from China were at approximately xxxxx wheels in 2015. In 2016, Masteel exported almost xxxxx wheels, with a further xxxxx wheels exported in the 11 months to November 2017. A further xxxxx wheels were exported from France in 2017 by Valdunes.

Due to the uncertainty of import volumes from China in the 2014 year and first half of 2015, Comsteel has commenced the indexing in Confidential Appendix A2 from the 2015 year. The growth in import volumes from China is significant in 2016 and 2017, along with import volumes from France in 2017. Comsteel has been a supplier of iron ore railway wheels at BHP Billiton and Rio Tinto in excess of 40 years; a supplier to Fortescue Mining Group ("FMG") since its inception in 2007, and therefore can demonstrate a long track record of supply to these companies.

The Australian market for iron ore railway wheels is experiencing unprecedented growth with the expansion of the iron ore mines operated by BHP Billiton, Rio Tinto and FMG in the Pilbara. Additionally, the newly-operational Roy Hill iron ore mine will see further growth in the market for the goods. Further growth in the market is expected in 2018 and the years ahead as replacement wheels are required on new rolling stock that has been operating on expanded production at each of the four mining companies.

A-5 Applicant's sales.

1. Complete appendix A3 (sales turnover).

Comsteel has completed Confidential Appendix A3.

2. Use the data from appendix A3 (sales turnover) to complete these tables.

*Indexed table of Applicant's sales quantities**

Quantity	2014	2015	2016	2017
All Products				
Aust. Market	100	95.02	122.09	106.93
Export Market	100	109.7	144.69	69.91
Total	100	97.1	125.28	103.42
Like Goods				
Aust. Market	100	216.07	666.52	571.95
Export Market	100	-	-	-
Total	100	216.07	666.52	571.95

Source: Confidential Appendix A3 'Wheels Turnover'.

Comsteel has included sales value and volume data for all of its rail operations over the nominated period as the four-year injury period (although this is impacted by the change in ownership of Comsteel in January 2017 by the sale of the Moly-Cop group of businesses by Arrium to American Industrial Partners).

In respect of the 'like goods' disclosed in Confidential Appendix A3, Comsteel's sales of goods increased in 2015 and 2016, and fell away sharply in 2017 (due to lost contracts at BHP and Rio Tinto). Sales of like goods in 2015 were influenced by the decline in iron ore sell price. The increase in 2016 was due to Rio Tinto returning to normal maintenance, and Comsteel established export sales of wheels for capital wagon builds in China (for user-specified BHP Billiton and Rio Tinto). As there were no export sales in 2014, the indexed values for 2015 and 2016 are not shown.

*Indexed table of Applicant's sales values**

Revenues	2014	2015	2016	2017
All Products				
Aust. Market	100	101.96	127.6	110.35
Export Market	100	141.64	167.19	80.00
Total	100	106.37	131.99	106.98
Like Goods				
Aust. Market	100	220.04	668.79	576.27
Export Market	100	-	-	-
Total	100	572.91	966.94	576.27

Source: Confidential Appendix A3 'Wheels Turnover'.

Comsteel's revenues of like goods reflect the similar trends to sales volumes as shown above.

3. Complete appendix A5 (sales of other production) if you have made any:

- **internal transfers; or**
- **domestic sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer.**

Comsteel has some transfers of the goods that are used in the manufacture of complete wheel sets that incorporate railway wheels. Please refer to Confidential Appendix A5.

4. Complete appendix A4 (domestic sales).

Comsteel has completed Confidential Appendix A4 for all domestic sales by invoice in the period 1 January 2017 to 31 December 2017.

5. If any of the customers listed at appendix A4 (domestic sales) are associated with your business, provide details of the association. Describe the price effect of the association.

Comsteel is not related to any of the customers detailed in Confidential Appendix A4.

6. Attach a copy of distributor or agency agreements/contracts.

Comsteel does not have a distributor or agency agreement for sales of the goods the subject of this application.

7. Provide copies of any price lists.

Comsteel has attached the applicable price lists for BHP, Rio Tinto and FMG at Confidential Attachment A-5.7.

8. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.

- **Where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4 (domestic sales).**

- **If you have issued credit notes (directly or indirectly) provide details if the credited amount has not been reported appendix A4 (domestic sales) as a discount or rebate.**

Comsteel does not provide price reductions or rebates on its sales of heavy haulage railway wheels sold in Australia.

9. Select two domestic sales in each quarter of the data supplied in appendix A4 (domestic sales). Provide a complete set of commercial documentation for these sales. Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

Comsteel has selected two domestic sales from each quarter in 2017 and included a complete set of commercial documents for each sale at Confidential Attachment A-5.9.

A-6 General accounting/administration information.

1. Specify your accounting period.

1 July to 30 June financial year.

2. **Provide details of the address(es) where your financial records are held**.

Maud Street, Waratah, NSW 2298.

3. To the extent relevant to the application, please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- chart of accounts;

  Comsteel's chart of accounts has been included in soft copy form.

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

  Comsteel's accounts are included in the audit report of its parent AIP MC Holdings, LLC. Following the purchase of the Moly-Cop group (including Comsteel) by American Industrial Partners, Comsteel's accounts are consolidated into the accounts of the ultimate parent company, AIP MC Holdings LLC.

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.

  These documents should relate to:

  1. the division or section/s of your business responsible for the production and sale of the goods covered by the application, and
  2. the company overall.

  Comsteel has included copies of monthly management reports at Confidential Attachment A-6.3.

4. If your accounts are not audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Comsteel's accounts are audited as part of the audit process for its parent Moly-Cop (as a subsidiary of AIP MC Holdings, LLC Group). Please refer to Confidential Attachment A-2.9 for the audited accounts for the period 9 November 2016 to 30 June 2017 for AIP MC Holdings, LLC and Subsidiaries.

5. If your accounting practices, or aspects of your practices, differ from Australian generally accepted accounting principles, provide details.

The accounting practices of Comsteel (and its Australian parent, Grinding Media Pty Ltd) currently are maintained in accordance with Australia's generally accepted accounting practices.

6. **Describe your accounting methodology, where applicable, for**:

- **The recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers;**

  Income from the sale of goods is recognised when Comsteel has passed control of the goods to the buyer.

- **provisions for bad or doubtful debts;**

Trade debtors are reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**

  Cost is comprised of materials, labour and appropriate proportion of fixed and variable overheads, on an absorption cost basis.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**

  Costing methodology is by production/sales tonnes.

- **the method of valuation for inventories of raw material, work-in-process, and finished goods (eg FIFO, weighted average cost);**

  Raw materials, stores, work in progress and manufactured stocks are valued at the lower of cost and net realisable value. The methods used to assign costs to inventories are actual invoiced cost or standard cost.

- **valuation methods for scrap, by-products, or joint products;**

  Lower of cost and net realisable value.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**

  Lower of cost and net realisable value.

- **valuation and revaluation of fixed assets;**

  Subsequent to initial recognition, assets are valued at fair value. Revaluations are reviewed with sufficient regularity.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**

  Buildings: 10-40 years.
  Plant and equipment: 3-20 years.
  Equipment under finance lease: 3-5 years.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**

  Foreign exchange gains and losses are brought to account using the rate of exchange applicable at the date of the transaction.

- **restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.**

  Provisions for restructuring represents best estimate of the costs directly and necessarily incurred for restructuring and not associated with ongoing activities.

7. If the accounting methods used by your company have changed over the period covered by your application please provide an explanation of the changes, the date of change, and the reasons.

Accounting methods have not altered over the periods for which financial data has been prepared for this application, unless required by the relevant accounting standard.

A-7 Cost information

1. Complete appendices A6.1 and A6.2 (cost to make and sell) for domestic and export sales.

Comsteel has completed Confidential Appendices A6.1 (domestic sales) and Appendix A6.2 (export sales) for the goods the subject of this application.

A-8 Injury

The principal indicators of injury are prices, volumes and profit effects – although not all of these must be evident. For this application, profit refers to amounts earned. Profitability is the ratio of profit to sales revenue. Where injury is threatened, but has not yet occurred, refer to question C.2.

1. **Estimate the date when the material injury from dumped imports commenced.**

Comsteel submits that it commenced to suffer injury from the dumped imports of iron ore railway wheels from China in 2016. This injury has been further compounded in 2017 as further locally manufactured sales volumes have been lost to increasing import volumes from China and to production supplied from France.

2. **Using the data from appendix A6 (cost to make and sell), complete the following tables for each model and grade of your production. P^n is the most recent period**.

Index of production variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	417.1	904.6	326.3

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 8 of Confidential Appendix A6.1.

Comsteel has included all production of iron railway wheels in Confidential Appendix A6.1 “Domestic Wheels CTMS Total” which includes like goods that are sold domestically, (both individually and in wheel sets with an axle) and export sales.

Comsteel has experienced a significant decrease in production volumes in 2017 as it has lost sales of the goods to domestic customers - most notably, BHP and Rio Tinto.

Index of cost variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	91.2	83.9	103.3

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line J51 of Confidential Appendix A6.1

The cost of manufacture of iron ore railway wheels has increased in 2017 due to the reduction in production volumes apparent following lost sales to [customer] and a decline in export sales. In 2016, Comsteel manufactured and sold xxxxx iron ore railway wheels to [customer]. This volume has now been supplied by imported goods from China and France during 2017, continuing into 2018.

Reduced production volumes in 2017 have led to increases in fixed cost overheads. The cost position has also been impacted by the reduction in export volumes in 2017.

Index of price variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	101.8	100.3	100.8

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line L58 of Confidential Appendix A6.1

Comsteel's selling price for iron ore railway wheels has remained stable over the last four-year period and has not reflected changes in Comsteel's cost structure to produce the goods. Comsteel competes with import prices which have been the catalyst for the lost sales volumes in 2016 and 2017.

Index of profit variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	-	-	-228.1

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line N62 of Confidential Appendix A6.1

Comsteel incurred a loss in 2014 on the goods the subject of this application. With increased production and sales volumes in 2015, profit per wheel produced improved (driven by high export volumes), and remained improved further in 2016 (with further export volumes at levels comparable with 2015). However, with reductions in domestic sales volumes and reduced export volumes, Comsteel's unit profit in 2017 declined substantially to be significantly lower than in 2014.

Index of profitability variations (model, type, grade of goods)

Period	2014	2015	2016	2017
Index	100	-	-	-228.1

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line O64 of Confidential Appendix A6.1

The unit profitability on iron ore railway wheels reflects the trend of profit over the four-year period to 2017. Reduced production and sales volumes (reflecting the need for maintaining volumes through the manufacturing facility) for the goods has delivered a loss on iron ore railway wheels manufactured by Comsteel in 2017.

Injury experienced by Comsteel during 2017 may therefore be summarised as follows:

- Lost sales volumes;
- Loss of market share;
- Price suppression;
- Lost profit and profitability;
- Reduced return on investment;
- Reduced attractiveness to reinvest;
- Reduction in employment numbers.

3. **Complete appendix A7 (other injury factors).**

Where applicable to injury claims, prepare an indexed table for other injury factor(s) in the format above.

(i) Index of Capital Expenditure

Period	2014	2015	2016	2017
Index	100	96.5	92.2	117.8

Notes:
1. Period is 1 January to 31 December.
2. Data is from Line 12 of Confidential Appendix A7.

The capital expenditure undertaken by Comsteel relates to the broader railway wheels business (as distinct from the niche – iron ore railway wheel,s which is the subject of this application). In 2017, capital expenditure increased with further rail projects announced nationally.

(ii) Return on Investment

Comsteel does not measure its return on investment at the business level for iron-ore railway wheels (but at a much higher 'total rail' level). However, Comsteel's profit for the goods has deteriorated in 2017 due to the increase in costs associated with reduced production volumes. As a percentage of return on sales, Comsteel has experienced negative returns in 2017 as a consequence of lost sales to the dumped imports from China and France.

(iii) Employment

Comsteel has reduced its employee numbers involved in the production of the goods since 2014. Further redundancies were made in 2017 (i.e. approximately 16 people) in an effort to further reduce fixed costs.

A-9 Link between injury and dumped imports.

To establish grounds to initiate an investigation there must be evidence of a relationship between the injury and the alleged dumping. This section provides for an applicant to analyse the data provided in the application to establish this link. It is not necessary that injury be shown for each economic indicator.

1. Identify from the data at appendix A2 (Australian market) the influence of the volume of dumped imports on your quarterly sales volume and market share.

Introduction

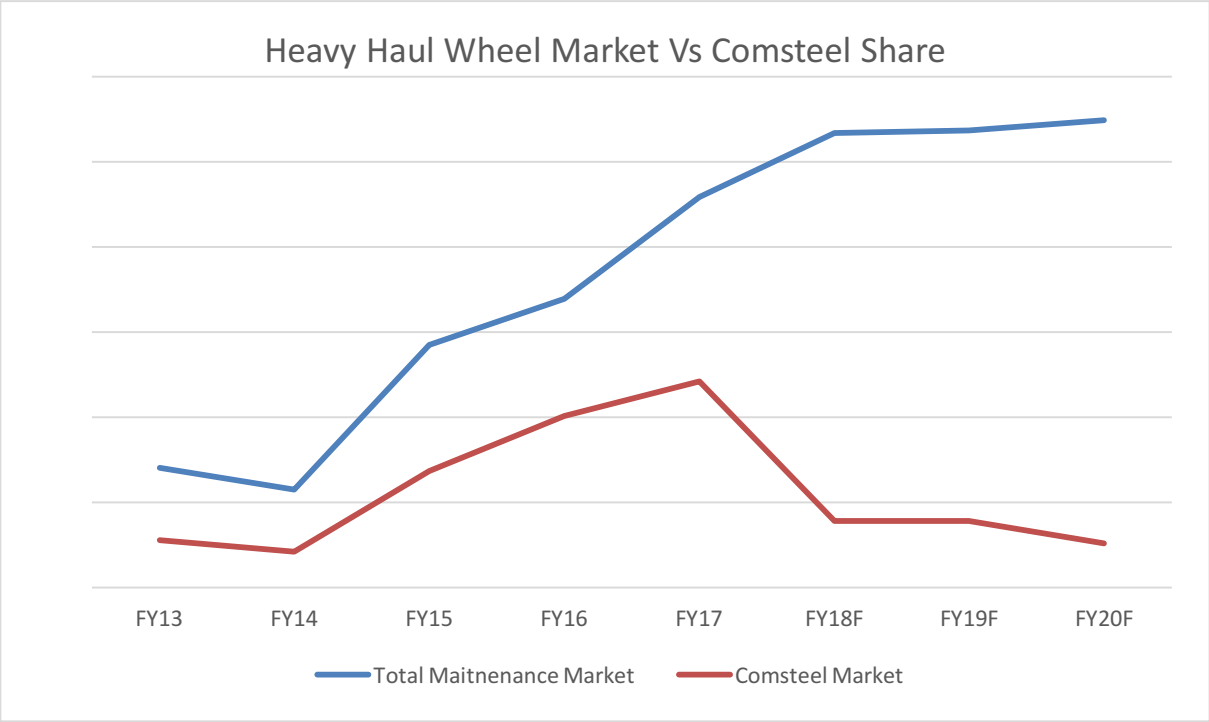
The Australian market for iron ore railway wheels is a unique specialised market supplied by Comsteel and from imports. Comsteel has been a supplier of the iron ore railway wheels to the three large miners BHP and Rio Tinto Iron Ore ("RTIO") since the 1970s, and FMG in recent years. Roy Hill is a recent entrant (first iron ore export in December 2015) in iron ore mining with its 55 million tonne per annum (Mtpa) mine, also located in the Pilbara region of Western Australia.

Comsteel estimates that the size of the Australian market in 2017 is approximately xxxxxxx units.

Historically, Comsteel had contracts and/or supply agreements with BHP and RTIO for in excess of forty years, for the supply of loose wheels for maintenance purposes. Comsteel has also manufactured iron ore railway wheels for capital builds (i.e. new iron ore cars) either directly to the end-users or via the iron ore car manufacturer.

Figure A-9.1 shows the Australian heavy haul wheel market from 2013, demonstrating Comsteel's share of the market. As imports from China (and France) have increased, Comsteel's sales volumes as a percentage share of the growing Australian market have declined from 2016 onwards.

Figure A-9.1 – Heavy haul, iron-ore railway wheels market – 2013 to 2020 (forecast) (units)

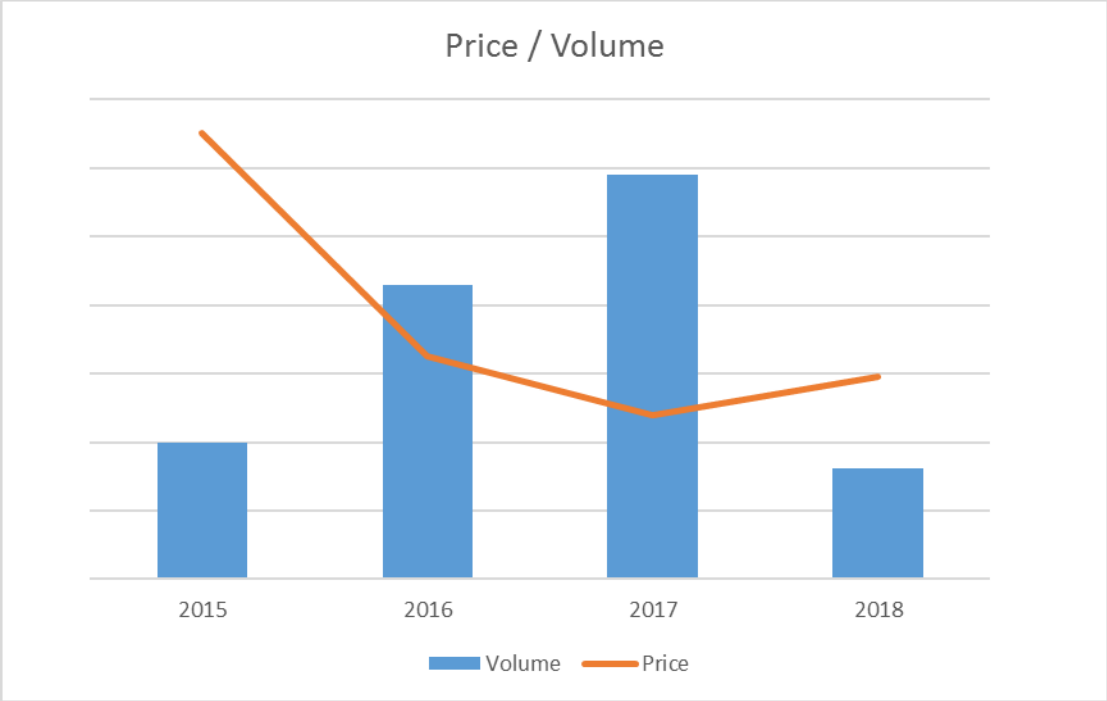


In 2018, Comsteel's share of the market is expected to decline to xxx per cent – down from xxx per cent in the first half of 2017.

RTIO

Prior to August 2017, Comsteel provided 100 per cent of the maintenance wheel requirements to RTIO. Traditionally loose wheels were provided to RTIO for maintenance in their own facility, however over a period from 2014 to 2016 there were some wheels supplied for wheel set maintenance servicing utilising a Perth-based sub-contractor or as a loose wheel set into RTIO's maintenance facility at '7-Mile'.

Figure A-9.2 – RTIO volume and price per month



The average wheel demand at RTIO in 2017 was in the range xxxxxx to xxxxxx units per year. This figure is sourced from the xxxxxxx wheels in service at RTIO with an average life service of xx years. The demand for the wheels has incrementally increased as the fleet has progressively aged.

The above graph A-9.2 depicts RTIO's recent purchases of iron ore railway wheels from Comsteel, reducing from August 2017 (at 100 per cent supply) to xxxx wheels per month in 2018.

The decline in 2017/18 reflects Comsteel's loss of business at RTIO following the decision by RTIO to source xxx per cent of requirements from China (and the removal of the [type] from Comsteel's supply contract).

Comsteel has included a timeline of events from July 2013 depicting the change in the supply of the iron ore railway wheels from July 2013, culminating in the reduction for supply to only xxx per cent of requirements from August 2017. In July 2013 there was a key development in the RTIO contract requiring the overhaul of the tendering process for the supply of wheels and axles. A vendor- managed inventory ("VMI") tender was called for on 30 June 2014 seeking a quotation for the separate supply of xxxx loose iron ore railway wheels. Comsteel supplied the approximate volume and a further VMI request was issued on 30 June 2015 (again supplied by Comsteel in accordance with agreed volumes). Volumes were again supplied during 2016 in accordance with the awarded VMI tender to Comsteel.

On 1 December 2016, RTIO requested Comsteel to requote its price for the supply of iron ore railway

wheels following a [name] project that identified increased volumes and sought reductions in prices. Comsteel received verbal confirmation that a price of $xxxx per wheel at site had been agreed. On 17 February 2017, Comsteel was notified that RTIO was breaking the contract based upon a competing offer for the goods (only alternate offer was from Masteel).

Comsteel understands that Masteel was the winning tenderer for supply of the iron ore railway wheels to RTIO. From August 2017, Comsteel has reduced supply to RTIO at approximately xxx per cent of contracted supply, with the remaining supply awarded to Masteel at significantly lower selling prices.

Please refer to Confidential Attachment A-9.1.1 for details of offers from Comsteel to RTIO as detailed above.

BHP

Comsteel has been a supplier of iron ore railway wheels to BHP on an ongoing basis since the 1970s (refer to Evolution of Heavy Haul Railway Wheels diagram at Confidential Attachment A-9.1.2).

Comsteel has always held a contract for the supply of the goods on a continual basis since the 1970s and has a current contract for supply in place as at date of this application.

In November 2016, BHP requested Comsteel to quote via e-auction for the supply of xxxxx wheels with a price per wheel “At Ship” Sydney of $xxxx (or delivered Perth $xxxx). This e-auction was run despite Comsteel having a valid contract with BHP in operation at this time. Comsteel was notified that it was unsuccessful for the tender as a competitor offered a lower price.

In September 2017, a further request for quotation was sought from BHP for the supply of loose railway wheels. The requested pricing was for:

- Xxxxx wheels;
- xxxxx wheels; and
- per xxxxx wheels,

for delivery from December 2017 to June 2018.

Comsteel offered pricing for xxxxx railway wheels at $xxxx, and xxxxx wheels at $xxxx, ex-Sydney, with freight at $xxx per wheel.

Comsteel was unsuccessful in its tender. Comsteel was verbally was notified that its price was not competitive.

Please refer to Confidential Attachment A-9.1.2 for details of offers made by Comsteel to BHP during 2016 and 2017.

FMG

Comsteel has made a number of tender offers for the supply of iron ore railway wheels to FMG. As FMG was a relative newcomer to the industry (when contrasted with RTIO and BHP), Comsteel originally supplied wheels for original wagon builds in 2007 and has a proven performance record with FMG.

In June 2015, Comsteel quoted FMG for the supply of xxxx wheels but was notified it was unsuccessful based on price.

In mid 2016, Comsteel again tendered for the supply of xxxx wheels and was also notified its price was not competitive.

On 2 May 2017, Comsteel was requested to quote a revised price for iron ore railway wheels. Comsteel provided a quotation for xxxx wheels at $xxxx (plus GST) with freight at $xxx per wheel. Comsteel was advised that it was unsuccessful as it was not competitive. A revised offer was tabled with FMG dated 26 June 2017 at a price of $xxxx plus GST. Again, Comsteel was unsuccessful.

In recent discussions with FMG, its forecast demand for railway wheels is xxxxx wheels per annum.

Please refer to Confidential Attachment A-9.1.3 for details of offers by Comsteel for business at FMG during 2017.

Roy Hill

Comsteel has sought to supply Roy Hill with locally produced wheels in 2017. Please refer to Confidential Attachment A-9.1.4 for supporting documentation.

Impact of imported iron ore railway wheels

In 2015, approximately xxx railway wheels (within the then combined axles and wheels subheading) can be identified as having been imported into Australia (total market demand for the maintenance market was approximately xxxxxx railway wheels). The maintenance wheels market has increased in 2016 and 2017 to approximately xxxxxx and xxxxxx wheels, respectively. In 2017, the imports of wheels from China and France has sharply increased – with xxxxxx wheels imported from China and xxxx wheels from France (represents approximately xx per cent of total market).

Comsteel has the capacity to manufacture up to xxxxxx wheels per annum.

Comsteel submits that the growth in imported wheels from China and France has only been possible due to the dumping of the wheels at prices that significantly undercut Comsteel's selling prices and cost to produce the goods.

The impact of the imported goods on the Australian industry's sales has been dramatic. Comsteel's sales as a percentage of the Australian market in 2015 was circa xx per cent per cent. In 2017 (data only available to November 2017), the share of the Australian industry has fallen below xx per cent. On current trend, the forecast for Comsteel sales in 2018 is estimated at xx per cent.

2. Use the data at appendix A2 (Australian market) to show the influence of the price of dumped imports on your quarterly prices, profits and profitability provided at appendix A6.1 (costs to make and sell). If appropriate, refer to any price undercutting and price depression evident in the market.

The influence of increasing imports from China in 2015 and 2016 on Comsteel's quarterly prices, profits and profitability was somewhat tempered by Comsteel securing large volume capital wheels export sales to China for inclusion in wagons (xxxxx wheels in 2015 and xxxxx wheels in 2016). In 2017, however, the requirement for capital wheels (i.e. the build for new ore cars) export sales have evaporated, and Comsteel's sales of wheels in Australia has declined by xxx per cent in 2017 (with the impact from August 2017).

The impact of the lost sales at RTIO in 2017 has impacted sales volumes and revenues in 2017, culminating in a reduction in sales revenues of approximately xxx per cent, and profit deterioration of approximately xx per cent per wheel in 2015 and 2016 to xxx per cent per wheel in 2017.

The loss of the sales at RTIO will exacerbate the injury to Comsteel as sales volumes in 2018 are at substantially reduced levels due to the renegotiated contract in mid 2017 (with effect from August 2017).

Comsteel has demonstrated at Section A-9.1 above that it has lost sales at RTIO in 2017 (where it sold xxxxx wheels in the twelve months to June 2017) at prices that significantly undercut Comsteel. Comsteel has observed an increase in import volumes from China in 2016 and 2017 as Masteel supplies imported iron ore railway wheels at RTIO, BHP and FMG at the expense of Comsteel's locally manufactured iron ore railway wheels.

3. Compare the data at appendix A2 (Australian market) to identify the influence of dumped imports on your quarterly costs to make and sell at appendix A6.1 (for example refer to changes in unit fixed costs or the ability to raise prices in response to material cost increases).

In 2016, imports of iron railway wheels increased by 1,349 per cent over the level of 2015, with a further increase in 2017 of 13 per cent. Imports of the goods from France were zero prior to 2017, with xxx wheels imported in mid-2017.

The imported wheels are alike to the iron ore railway wheels manufactured by Comsteel and have been substituted by the end-users to replace the locally manufactured wheels.

The impact of the lost sales volumes flows through to production cost that have increased by approximately xx per cent with reduced production volumes (almost *amount* of production in 2017 versus 2016). Average fixed costs per wheel in 2017 are approximately xx per cent higher in 2016, due to the reduced production volumes of the goods in that year (refer to Confidential Appendix A6.1 for details on prices and costs).

The higher production costs experienced by Comsteel have not been passed onto customers through higher prices – as dumped imports from China and France secure increasing sales volumes in the limited Australian market at reducing FOB export prices. As a consequence, Comsteel has experienced a deterioration in sales revenues, profit and profitability in 2017.

4. The quantity and prices of dumped imported goods may affect various economic factors relevant to an Australian industry. These include, amongst other things, the return on investment in an industry, cash flow, the number of persons employed and their wages, the ability to raise capital, and the level of investment in the industry. Describe, as appropriate, the effect of dumped imports on these factors and where applicable use references to the data you have provided at appendix A7 (other economic factors). If factors other than those listed at appendix A7 (other economic factors) are relevant, include discussion of those in response to this question.

The Australian market for iron ore railway wheels is a unique and specialised market with only Comsteel as a local producer. Comsteel has been developing and innovating new products to meet the needs of the Australian rail and heavy haul industry since 1918. Comsteel has been the market leader in the journey of the development of the world's heaviest railways achieving 40+ tonne axle loads. Comsteel possesses in-house steel-making capability and is experienced in producing specialised materials for specific applications. In cooperation with heavy haulage operators Comsteel developed the first micro-alloy wheels over 30 years ago and these materials remain the industry leader in wear and defect propagation performance.

Comsteel therefore has a well-established and respected position as a leading supplier of micro-alloyed wheels for the heavy haulage railway industry, including the iron ore railway industry.

Comsteel has invested in production facilities to supply the total Australian market for iron ore railway wheels. The industry is an expanding industry (with increasing numbers of wheels requiring replacement as carriages age) with new market entrants (e.g. Roy Hill). This expanding industry was anticipated to be supplied with innovative iron ore railway wheels supplied from local production at Comsteel's Newcastle production facility. However, unfairly priced imports at prices that are substantially less than the fully-absorbed cost to make and sell the goods, have undercut Comsteel's selling prices to secure increasing volumes at an alarming rate.

As demonstrated, Comsteel has experienced reduced revenues, profit and profitability in 2017 as production volumes have waned. Additionally, in 2015 with the commencement of the imports from China, Comsteel reduced its employment numbers in the railway wheels business by xx per cent. These reductions were necessary in response to customers trialling the Chinese goods and the likely lost sales that were anticipated.

In 2017, Comsteel invested $xx million in additional inspection capability specifically for heavy haulage

wheels for flaw-detection in high integrity, micro-alloy heavy haul wheels. This expenditure will not be recovered in the anticipated timeline due to Comsteel's loss of sales in the iron ore sector.

Further losses are anticipated as volumes decline due to lost sales volumes at RTIO (xx per cent of contracted volumes) and Comsteel's inability to displace imports at dumped prices at BHP and FMG. Further injury is expected in the event Comsteel cannot secure sales volumes at Roy Hill.

The reduced profit and profitability has contributed to reduced return on investment, reduced production capacity, threatening falls in employment and reductions in capital investment (as alternate investments for capital generate greater returns).

5. Describe how the injury factors caused by dumping and suffered by the Australian industry are considered to be 'material'.

The injury experienced by Comsteel in 2017 is considered to be material as revenues have declined by xx per cent (with further reductions anticipated in 2018 due to lost sales at RTIO), reduced profit by approximately xx per cent, and xxxxxxx profitability.

As indicated, Comsteel reduced its employment numbers (by approximately xx per cent) in 2015 in response to the commencement of lower-priced competition from China.

Comsteel has an installed capacity to manufacture approximately xxxxxx railway wheels (that includes iron ore railway wheels). In 2017, Comsteel has only manufactured approximately xxxxx iron ore railway wheels – a significant reduction on the xxxxxx iron ore railway wheels produced in 2016.

The extent of the revenue and profit decline on Comsteel's long-established historic position in the local production and supply of iron ore railway wheels is viewed as extensive and material and must be arrested through the imposition of anti-dumping measures.

6. **Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the application in that an industry weakened by other events may be more susceptible to injury from dumping**.

The Australian market for iron ore railway wheels is a market experiencing growth due to the increasing need for replacement of worn wheels as haulage carriages age, combined with an increase in new heavy haulage carriages operated by new market entrants (i.e Roy Hill) in the Australian market.

Australia is currently exporting record volumes of iron ore and this is expected to continue with increasing output from the four large iron-ore miners.

It is Comsteel's view that there have been no other factors that have contributed to injury sustained by Comsteel other than lost sales volumes caused by the dumped (and subsidised) imports from China, and dumped imports from France.

7. This question is not mandatory, but may support your application. Where trends are evident in your estimate of the volume and prices of dumped imports, forecast their impact on your industry's economic condition. Use the data at <u>appendix A2</u> (Australian market), <u>appendix A6</u> (cost to make and sell), and <u>appendix A7</u> (other economic factors) to support your analysis.

The impact of increasing volumes of imports of iron ore railway wheels from China and France at declining A$FOB prices during 2017 represents a significant threat to Comsteel's local production of the like goods in 2018 and beyond.

Historically, Comsteel has been a supplier of locally produced wheels to RTIO (since the mid-1980's) of approximately xxxx wheels per month, and to BHP (since 1996) of approximately xxx wheels per month. RTIO's requirements at the present are approximately xxxxx wheels per annum, with BHP at xxxxx – xxxxx wheels per annum. With increased rolling stock, and new market entrants, the demand for iron ore railway wheels was the highest in 2017 in recent years.

In August 2017, Comsteel was notified by RTIO that its supply (under contract) would be reduced to approximately xx per cent of RTIO's monthly requirements – with the remaining xx per cent to be supplied from imports. BHP has shifted predominantly to imports, with Comsteel supplying volumes on an ad-hoc basis over the last few years.

The forecast for Comsteel in 2018 is a significant reduction on the levels of 2017 – with an estimated xxxxx wheels to RTIO only on the domestic market. Despite an expanding market for iron ore railway wheels over the period 2017 to 2020, Comsteel does not have access to this growth that is apparent from RTIO, BHP, FMG and Roy Hill's requirements.

The following Table A-9.7 details the A$CIF prices (ex ABS) for iron ore railway wheels imported into Australia during 2017 from China and France, by month. When contrasted with the price offers for supply of iron ore railway wheels produced and supplied by Comsteel (as detailed at Section A-9.1 above), it is apparent that the CIFA$ per selling prices are below the selling prices of Comsteel-supplied wheels at the same port, Fremantle in W.A.

Comsteel, therefore, continues to experience price undercutting injury from the dumped Chinese and French-produced iron ore railway wheels in 2017 and into 2018.

Table A-9.7 – Imported iron ore railway wheels A$CIF price, by month 2017 contrasted with Comsteel tendered prices, delivered Perth.

Month	**China**		**France**			**Comsteel**	
	Qty	**CIFA$/unit**	**Qty**	**CIFA$/unit**		**A$/unit del.**	
Jan 17	1000	$1335					
Feb 17	656	$1192					
Mar 17							
Apr 17	208	$1177					
May 17	120	$1227	440	$1283			
Jun 17			240	$1094			
Jul 17	2780	$1026	240	$1094			
Aug 17	1432	$1146					
Sep 17	300	$1155					
Oct 17	80	$849					
Nov 17	744	$1071					
Dec 17							

Comsteel has experienced price undercutting of between 13 and 30 per cent by the dumped exports from China and France during 2017. In the absence of anti-dumping measures at the earliest opportunity, Comsteel will continue to experience further lost sales volumes to dumped imports that are supplying Australia's iron-ore mines in the Pilbara region of Western Australia.

PART B

DUMPING

IMPORTANT

All questions in Part B should be answered even if the answer is 'Not applicable' or 'None' (unless the application is for countervailing duty only: refer Part C). If an Australian industry comprises more than one company/entity, Part B need only be completed once.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

B-1 Source of exports.

1. Identify the country(ies) of export of the dumped goods.

The goods the subject of this application have been exported from the People's Republic of China ("China") and France.

2. Identify whether each country is also the country of origin of the imported goods. If not, provide details.

The country of origin of the goods is also understood to be the country of export of the goods.

3. If the source of the exports is a non-market economy, or an 'economy in transition' refer to Part C.4 and Part C.5 of the application.

Neither China or France are considered by Australian authorities to be "economy in transition" countries for the purposes of Australia's Anti-Dumping provisions.

4. Where possible, provide the names, addresses and contact details of:

- **producers of the goods exported to Australia;**
- **exporters to Australia; and**

China – producers/exporters

The Chinese exporter of railway wheels to Australia is Maanshan Iron and Steel Company Limited ("Masteel") which is owned by Magang (Group) Holding Company Limited. Masteel is a state-owned enterprise (owned 100 per cent by the State-owned Assets Supervisions and Administration People's Government of Anhui Provincial Government) that is one of the largest iron and steel enterprises in mainland China. It is headquartered in Maanshan, Anhui Province.

Masteel was founded in 1958, originally as Maanshan Iron Mining Plant. In 1993, it was split into Magang Holding Company (name changed to Magang (Group) Holding Company Limited in 1998) and Maanshan Iron & Steel Company Limited (of which 45.54 per cent is owned by Maanshan (Group) Holding Company Limited, with balance held by private shareholders). In 1993 Magang was partly listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

Contact details:

Maanshan Iron & Steel Company Limited ("Masteel")
No., 8, Jiuhuaxi Road
Maanshan City, Anhui Province, China
Tel: 0086 0 555 2883492
Fax: 0086 0 555 2884350

France – producers/exporters

Comsteel understands the French exporter of railway wheels to be as follows:

MG-VALDUNES S.A.S.
Usine De Valenciennes
Rue Gustave Delory
Trith-Saint-Leger, 59125
France
Tel: 33 3 27236262

MG Valdunes SAS ("Valdunes") was placed in receivership in April 2014. In June 2014, the holding company of the Chinese railway wheels supplier, Masteel (Group) Holding Company Limited, purchased Valdunes.

The newly named company – MG Valdunes – is the only dedicated railway wheel forge producer in France and operates the Valenciennes wheelset finishing facility.

- **importers in Australia**.

Masteel has an Australian subsidiary company, Manshan Iron and Steel (Australia) Pty Ltd ("Manshan"). The company is involved in investment and trading activities. Comsteel understands that the iron ore principals are importers of the railway wheels themselves and do not undertake the importing via Manshan. The importers, therefore are:

(i) BHP Iron Ore
(ii) Rio Tinto Iron Ore
(iii) Fortescue Mining Group

5. If the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 3% of all imports of the product into Australia refer to Part C.6 of the application.

Comsteel contends that imports of iron ore railway wheels from China and France exceed three per cent of total imports in 2017. Please refer to Table B-1.5 below.

Table B-5.1 – Imports of iron-ore railway wheels 2016 and 2017 (units – No. of wheels)

Country	**2016 Units**	**2017 Units**	**As % of total Imports - 2017**
P R China	6478	7320	**80.6 per cent**
France	-	920	**10.1 per cent**
Total Dumped	6478	8240	90.7 per cent
Other Sources	-	840	9.3 per cent
Total Imports	6478	9080	

Source: Please refer to Confidential Appendix A2 for import volumes from nominated countries.

Comsteel has sourced import data for iron ore railway wheels from the Australian Bureau of Statistics ("ABS") import data. Import data for December 2017 not published as at date of lodgement of this application. The import data confirms that China is the largest volume source country for the goods supplied to Australia accounting for 80.6 per cent of total imports in 2017. Imports of the goods from France commenced in 2017 and accounted for 10.1 per cent of total imports in 2017.

The import volume of the goods from China and France therefore exceed the three per cent threshold in the 2017 year.

6. In the case of an application for countervailing measures against exports from a developing country, if the import volume from each nominated country at Appendix A.2 (Australian Market) does not exceed 4% of all imports of the product into Australia refer to Part C.6 of the application.

This application for measures also extends to countervailing measures on goods exported from China. As the total volume of imports from China is 80.6 per cent of total imports, the four per cent threshold for nominated countries the subject of countervailing measures for China has been met.

B-2 Export price

Possible sources of information on export price include export price lists; estimates from the Australian Bureau of Statistics; a deductive export price calculation from the Australian selling price of the imported goods; export sales quotations or invoices; foreign government export trade clearances.

1. Indicate the FOB export price(s) of the imported goods. Where there are different grades, levels of trade, models or types involved, an export price should be supplied for each.

Comsteel has sourced FOB export prices for iron ore railway wheels sourced from China and France from published monthly ABS import statistics. Whilst some minor specifications (i.e. alloy composition) may exist between the wheels supplied to customers for the imported railway wheels, the specifications are minor and do not materially affect the price at which the goods are sold into Australia.

The monthly FOB values for imported iron ore railway wheels in 2017 are disclosed in Table B-2.1 below.

Table B-2.1 – Monthly A$FOB prices for iron ore railway wheels (units)

Month	China		France	
	No.	A$/wheel	No.	A$/wheel
January 2017	1000	$1302.74		
February 2017	656	$1138.39		
March 2017				
April 2017	208	$1113.82		
May 2017	120	$1165.63	440	$1205.68
June 2017			240	$1057.38
July 2017	2780	$991.12	240	$1060.16
August 2017	1432	$1068.30		
September 2017	300	$1098.34		
October 2017	80	$824.69		
November 2017	744	$1013.47		
December 2017				

Source: ABS Import data – Please refer to Confidential Attachment B-2.1 for import data.

The December 2017 import data was not available at time of lodgement. Where two shipments were identified in the ABS for a single month, these have been aggregated for the purposes of Table B-2.1.

The ABS FOB prices are understood to be for containerised goods, at wharf, inclusive of inland freight in country of export.

2. Specify the terms and conditions of the sale, where known.

The ABS FOB prices are understood to be ex-wharf, country of export (and therefore include inland freight).

3. If you consider published export prices are inadequate, or do not appropriately reflect actual prices, please calculate a deductive export price for the goods. Appendix B1 (Deductive Export Price) can be used to assist your estimation.

This question does not apply as the published ABS import prices are considered reliable.

4. It is important that the application be supported by evidence to show how export price(s) have been calculated or estimated. The evidence should identify the source(s) of data.

Comsteel has relied upon published ABS import prices.

B-3 Selling price (normal value) in the exporter's domestic market.

Possible sources of information about domestic selling prices in the country of export include: price lists for domestic sales (with information on discounts); actual quotations or invoices relating to domestic sales; published material providing information on the domestic selling prices; or market research undertaken on behalf of the applicant.

1. State the selling price for each grade, model or type of like goods sold by the exporter, or other sellers, on the domestic market of the country of export.

Domestic selling prices for iron ore railway wheels are not published in China or France. Manufacturers of iron ore railway wheels typically do not disclose selling price information in public forums. Selling price information for the goods are only made available to the end-use customer.

Comsteel therefore has been unable to obtain domestic selling prices for iron ore railway wheels manufactured in China by the Masteel Group or in France by Valdunes.

Please refer to Sub-section B-4.1 below for estimated normal values for the goods the subject of this application.

2. Specify the terms and conditions of the sale, where known.

Comsteel does not have access to domestic selling prices in the countries of export. Please refer to Sub-section B-4.1 below.

3. Provide supporting documentary evidence.

Please refer to Sub-section B-4.1 below.

4. List the names and contact details of other known sellers of like goods in the domestic market of the exporting country.

The Masteel Group is understood to be the largest manufacturer of railway wheels in China. Comsteel understands the following company is also a manufacturer of railway wheels in China:

Qingdao TSKY Railway Equipment Co., Ltd
Tel: +86 532 8377 2638
Fax: +86 532 8377 9208
www.railway-wheel-axle.com

Comsteel understands that Valdunes is the only producer of railway wheels in France.

B-4 Estimate of normal value using another method.

This section is not mandatory. It need only be completed where there is no reliable information available about selling prices in the exporter's domestic market. Other methods of calculating a normal value include:

- the cost to make the exported goods plus the selling and adminstration costs (as if they were sold in the exporter's domestic market) plus an amount for profit (if applicable);
OR
- the selling price of like goods from the country of export to a third country.

1. Indicate the normal value of the like goods in the country of export using another method (if applicable, use appendix B2 Constructed Normal Value).

Basis for normal values

Comsteel does not have access to producer's costs in either of the exporting countries China or France. Production costs for iron ore railway wheel producers are not available from independent sources, or on a subscription basis. Comsteel has therefore constructed normal values for exporters in China and France, based upon its production costs and substituted in a cost for billet used as a raw material in the exporting countries.

I. China

- *Particular Market Situation*

In Reports 322 (reinforcing bar exported from China) and 331 (rod in coil exported from China) the Commissioner determined that steel billets sold in China by state invested enterprises (SIE's) who were public bodies were at less than adequate remuneration. The Masteel group of companies is an integrated iron and steel majority state-owned enterprise[1] and is therefore subject to the influences of the Government of China ("GOC"). Maanshan Iron and Steel was founded in 1958 and is a member of the Masteel group) of companies ("Masteel Group"). It ranks as No. 19 in the top 20 steel enterprises in the world (refer Masteel.com). All iron and steel requirements within the Masteel Group are sourced from Maanshan Iron and Steel, that is consumed in the manufacture of ferrous metal smelting and rolling processing. Masteel operates production lines in thin strip cold-rolling, and thin strip hot-rolling, strip hot-galvanizing, strip colour coating, silicon steel, H-beam, wire and rod, train wheels (including the goods the subject of this application). The iron ore railway wheels are manufactured by Masteel and exported to Australia.

The French manufacturer of railway wheels – MG - Valdunes S.A.S. – is a subsidiary company of Magang (Group) Holding Company Limited.

In accordance with recent findings published by the Commission – Reports No. 322, 331 and 384 – billet steel (or its equivalent steel bar) used in the manufacture of iron ore railway wheels is sold in China at less than adequate remuneration, Comsteel agrees that steel billet sold in China by public bodies continues to be sold at less than adequate remuneration. As such it is necessary to determine a benchmark cost for steel billet in accordance with subsection 45(2) of the Regulations.

In earlier Reports No. 300 and 301, the Commission determined a benchmark cost for billets in the relevant investigation periods using Latin American billet FOB export prices published by S&P Global Platts ("Platts") – an international subscription service of energy and commodity (including steel billet) prices.

The Commission sought input from the GOC in recent anti-dumping investigations involving steel input products at less than adequate remuneration[2]. The Commission was unable to rely on responses supplied by

[1] In 2006 Maanshan Iron & Steel Company Limited was awarded State-owned Enterprise Establish "Four Good" Collective Leadership Advanced Institution. Refer Masteel.com "Memorabilia of Masteel".
[2] Refer Investigations 300, 301, 316, 322, 331 and 384.

the GOC in these investigations. The Commission recently concluded in Investigation No. 384, that it[3] "*could not reliably ascertain the volume and value of imports of billet into China, and the volume and value of exports of billet from China*". It further noted that "*all cooperating exporters of rebar and RIC are vertically integrated and produce their own billets*".

Masteel manufactures its own billet for use in the production of iron ore railway wheels exported to Australia.

In light of the Commission being satisfied that Chinese domestic billet prices were influenced and distorted by the GOC, the Commission sought to establish an appropriate benchmark for billet in China. The Commission considers three options when determining a benchmark, based upon previous WTO Appellate findings that include:

(i) Private domestic prices;
(ii) Import prices; and
(iii) External benchmarks.

In earlier investigations 322 and 331 the Commission found that all cooperating exporters were fully integrated (as is the case with Masteel in this application for measures). The Commission recognised that the integrated producers do not purchase billet, but manufacture it themselves from raw materials including iron ore, coke or coking coal and scrap steel.

However, taking account of this, the Commission was nevertheless satisfied that the GOC influences in the iron and steel industry in China "*are wide ranging and affect competitive market supply*".

In respect of private domestic selling prices in China, therefore, the Commission was satisfied that private prices of billets in China are affected by government influence and therefore not suitable for use as production input prices for raw material billet. Comsteel concurs with the Commission's findings in Reports 322, 331 and 384 that private domestic prices of billets in China "are not suitable for determining a competitive market price free from government influences" and should not be used as a 'benchmark' as a raw material input in the constructed selling price for iron ore railway wheels in China.

In the absence of cooperation from the GOC it is not possible to rely upon import and export prices for billet in China.

The Commission, therefore, relied upon external benchmarks for billet pricing. In earlier investigations (i.e. Reports 300, 301, 322, 331, and 384) the Commission has utilised the Latin American steel billet export prices at FOB level as the best available information for the competitive market costs of steel billets, sourced from Platts.

Comsteel notes that the Commission found that certain of the raw materials used by integrated producers were also influenced and distorted by the GOC including (but not limited to) coke and coking coal.

In conclusion, the Commission was satisfied that steel billet prices in China are the subject of influence and distortion by the GOC. Comsteel submits that the same distortions and influences continue to impact steel raw material product (including billet and bar, as appropriate) used in the manufacture of iron ore railway wheels in China. It is therefore contended that a particular market situation for iron ore railway wheels exists in China and that domestic selling prices for these goods are lower than they otherwise would be due to the GOC's influence.

- ***Iron ore railway wheels***

In the Commission's earlier investigations, China was the only country the subject of investigation. In respect of injurious exports to Australia of iron ore railway wheels, source countries include China and France. For the purpose of establishing normal values for iron ore railway wheels in China, Comsteel has obtained [*company*] monthly steel billet price which is an average of domestic selling prices in Hebei, Liaoning and Shanxi provinces, used on a quarterly basis. Comsteel has observed Chinese billet prices have increased in

[3] Report No. 322 – Steel Reinforcing Bar – China, P. 79.

late 2016 and throughout 2017 to close the gap with European billet prices[4]. For example, in 2016 the average price differential for billet sold domestically in China (exclusive of 17 per cent VAT) was A$67 per tonne lower than European domestic prices. relied upon a constructed normal value methodology that includes a prevailing steel billet price for billet sold in Europe (sourced from *company*). In 2017, this differential has reduced to A$43 per tonne. Nevertheless, it appears the Chinese domestic billet prices continue to be influenced by the GOC during the 2017 investigation period.

For the purposes of Chinese normal values, Comsteel has not surrogated a monthly European billet price into the constructed normal value model for iron ore railway wheels produced in China. Rather, Comsteel has used the quoted [*company*] domestic price (average of the three provinces) to calculate prevailing normal values.

Comsteel does not detract from its viewpoint that Chinese steel billet prices are influenced by the GOC. The Commission may, during the conduct of on-site verifications in China, confirm that the integrated manufacturer in China transfers billet into railway way manufacture at a lower, GOC-influenced price, than what is published for reference by [*company*].

The remaining variable and fixed costs have been sourced from Comsteel's 2017 manufacturing and selling expenses.

In respect of selling, general administration and finance (included as S, G&A) and profit, Comsteel has utilised values from Masteel's 2016 annual report. An amount for S, G&A of 6.77 per cent of sales has been used and for profit an amount of 7.38 per cent has been applied which represents Masteel's return on net assets excluding non-recurring gains or losses in its 2016 year[5].

Table B-4.1 – China normal values for iron ore railway wheels

Period	Normal Value A$ per wheel
Quarter 1, 2017	$1177
Quarter 2, 2017	$1290
Quarter 3, 2017	$1310
Quarter 4, 2017	$1319

Notes: Please refer to Confidential Appendix B-2 – China for constructed cost workings.

[4] [*Company*] monitors Chinese domestic billet prices and European domestic billet prices. Refer Confidential Appendices "Billet Prices" worksheet.
[5] Refer Maanshan Iron and Steel Company Limited 2016 Annual Report, P.7 at Non-Confidential Attachment C-1.1.

II. France

As indicated, Comsteel does not have access to any domestic selling price information for iron ore railway wheels in France. It is understood that the goods are unlikely to be sold in France on the home market, hence a constructed normal value under subsection 269TAC(2)(c) will likely be required.

In the absence of domestic selling price information, Comsteel has constructed a selling price for iron role railway wheels based upon published Europe steel billet prices (sourced from *company*), incorporated into a constructed normal value model for iron ore railway wheels derived from Comsteel's 2017 production, selling and administration costs. An amount of profit as achieved by Valdunes parent company, the Maanshan Iron and Steel Co., Ltd in 2016 has been applied to the production costs.

The constructed normal values for iron ore railway wheels in France in 2017 are included in Table B-4.2 below.

Table B-4.2 – France normal values for iron ore railway wheels

Period	Normal Value A$ per wheel
Quarter 1, 2017	N/A
Quarter 2, 2017	$1413
Quarter 3, 2017	$1448
Quarter 4, 2017	N/A

Notes: Please refer to Confidential Appendix B-2 – France for constructed cost workings.

2. Provide supporting documentary evidence.

Please refer to Confidential Appendix b-2 for detailed workings and supporting information for normal values for China and France.

B-5 Adjustments.

A fair comparison must be made between the export price and the normal value. Adjustments should be made for differences in the terms and circumstances of the sales such as the level of trade, physical characteristics, taxes or other factors that affect price comparability.

1. Provide details of any known differences between the export price and the normal value. Include supporting information, including the basis of estimates.

Comsteel understands that published ABS import data is for goods at wharf, country of export (i.e. inclusive of domestic inland freight). Constructed normal values for China and France are at the ex-factory level (exclusive of any domestic freight).

An upwards adjustment to normal values in China and France is required for the domestic inland freight that is included in FOB export prices (and not included in normal values).

2. State the amount of adjustment required for each and apply the adjustments to the domestic prices to calculate normal values. Include supporting information, including the basis of estimates.

Comsteel has not included an amount for domestic inland freight as the value is not known to the applicant. Comsteel recognises that an upward adjustment to the normal values for China and France would further increase determined dumping margins.

B-6 Dumping margin.

1. Subtract the export price from the normal value for each grade, model or type of the goods (after adjusting for any differences affecting price comparability).

Comsteel has calculated weighted average dumping margins for iron ore railway wheels exported to Australia, on a month-by-month basis during 2017.

The weighted average dumping margins for the goods the subject of this application during 2017 are:

- China – A$ 207 per wheel;
- France – A$ 292 per wheel.

Please refer to Confidential Appendix B-2 – Dumping Margins.

2. Show dumping margins as a percentage of the export price.

The weighted average dumping margins as a percentage of export price in 2017 are:

- China – 19.3 per cent;
- France – 25.9 per cent.

PART C

SUPPLEMENTARY SECTION

IMPORTANT

Replies to questions in Part C are not mandatory in all instances, but may be essential for certain applications.

For advice about completing this part please contact the Commission's client support section on:

Phone: 13 28 46
Fax: (03) 8539 2499
Email: clientsupport@adcommission.gov.au

C-1 Subsidy

This section must be completed where countervailing duties are sought to offset foreign government assistance through subsidies to exporters or producers.

If the application is for countervailing duty alone, the domestic price information required by Part B of the application need not be supplied.

Responses to questions A-9 will need to identify the link between subsidisation and injury.

1. **Identify the subsidy paid in the country of export or origin. Provide supporting evidence including details of:**
   - **(i) the nature and title of the subsidy;**
   - **(ii) the government agency responsible for administering the subsidy;**
   - **(iii) the recipients of the subsidy; and**
   - **(iv) the amount of the subsidy.**

The goods the subject of this application are exported from China and France. The goods exported from China are understood to benefit from a range of subsidies that provide the exporter with benefits that aid in the reduction of selling prices for the exported goods. Comsteel is not alleging that exports from France are subsidised.

Government of China Subsidies

The applicant notes that the Commission has identified a range of subsidy programs applicable to producers in the Chinese aluminium and steel industries. As the exported goods are products of the Chinese steel industry, and the Commission has previously concluded that goods manufactured from billet in the Chinese steel industry attract a broad range of subsidies, it is reasonable to conclude that the identified programs below also afford benefits to Chinese exporters of the goods the subject of this application.

The following summary of countervailable subsidy programs identifies those examined by the Commission in Reports No 322 and 331 in the investigations into rebar and rod in coil exported from China. The applicant submits that billet used in rebar and rod in coil production is the same billet that can be converted to cast rounds, used in the manufacture of railway wheels, and it is therefore reasonable to consider that the Government of China's ("GOC's") support of the steel industry also flows to benefits received by Chinese producers/exporters of railway wheels.

The identified subsidy programs were categorised by the Commission as follows:

CATEGORY ONE: PROVISION OF GOODS

Program 1: Billet provided by government at less than adequate remuneration
Program 2: Coking coal provided by government at less than adequate remuneration
Program 3: Coke provided by government at less than adequate remuneration
Program 4: Electricity provided by Government at less than adequate remuneration

Comsteel has included a breakdown of the first subsidy program (i.e. Programs 1 – Billet at LTAR) as listed above at Non-Confidential Attachment C-1.1.1.

CATEGORY TWO: PREFERENTIAL TAX POLICIES

Program 5: Preferential Tax Policies for High and New Technology Enterprises
Program 6: Preferential Tax Policies in Western Regions
Program 7: Land Use Deduction
Program 8: Tariff and VAT Exemptions on Imported Materials and Equipment

Program 9: VAT refund on comprehensive utilization of resources

CATEGORY THREE: Financial Grants

Program 10: One-time Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” and “Famous Brands of China”
Program 11: Matching Funds for International Market Development for small and medium size enterprises (SMEs)
Program 12: Superstar Enterprise Grant
Program 13: Research and Development (R&D) Assistance Grant
Program 14: Patent Award of Guangdong Province
Program 15: Innovative Experimental Enterprise Grant
Program 16: Special Support Fund for Non-State-Owned Enterprises
Program 17: Venture Investment Fund of Hi-Tech Industry
Program18: Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment
Program 19: Grant for Key Enterprises in Equipment Manufacturing Industry of Zhongshan
Program 20: Water Conservancy Fund Deduction
Program 21: Wuxing District Freight Assistance
Program 22: Huzhou City Public Listing Grant
Program 23: Huzhou City Quality Award
Program 24: Huzhou Industry Enterprise Transformation & Upgrade Development Fund
Program 25: Wuxing District Public List Grant
Program 26: Anti-dumping Respondent Assistance
Program 27: Technology Project Assistance
Program 28: Transformation technique grant for rolling machine
Program 29: Grant for Industrial enterprise energy management - centre construction demonstration project Year 2009
Program 30: Key industry revitalization infrastructure spending in 2010
Program 31: Provincial emerging industry and key industry development special fund Environmental protection grant
Program 32: Environmental protection grant
Program 33: Environmental Protection Fund
Program 34: Intellectual property licensing
Program 35: Financial resources construction - special fund
Program 36: Reducing pollution discharging and environment improvement assessment award
Program 37: Grant for elimination of out dated capacity
Program 38: Grant from Technology Bureau
Program 39: High and New technology Enterprise Grant
Program 40: Independent Innovation and High-Tech Industrialization Program
Program 41: Environmental Prize
Program 42: Jinzhou District Research and Development Assistance Program

CATEGORY FOUR: Equity Programs

Program 43: Debt for equity swaps
Program 44: Equity infusions
Program 45: Unpaid dividends

In investigation No. 322 the Commission did not find that Chinese exporters received benefits under Programs 43, 44 and 45. Comsteel submits that even though there was a no subsidies finding for these programs for rebar, it does not rule out that the state-owned Chinese exporter Masteel has received benefits under the identified equity programs.

Chinese exporter-specific subsidies

The following additional programs appear in the Maanshan Iron and Steel Company 2016 annual report (refer Non-Confidential Attachment C-1.1.1). The programs afford the producer with a benefit that enables it to compete at reduced cost to non-Chinese producers on the global market.

CATEGORY FIVE: PREFERENTIAL LOANS AND INTEREST RATES TO PRODUCERS/EXPORTERS OF RAILWAY WHEELS

Program 46: Preferential loans and interest rates. Maanshan Iron & Steel Company Limited ("Maanshan") has an overdue amount of RMB 100,257,036 that is payable by the group's subsidiary, Masteel Shanghai Trading ("MST"). As at 31 December 2016, MST was in liquidation and the loan amounts remained outstanding.

CATEGORY SIX: MISCELLANEOUS PROGRAMS DISCLOSED IN THE 2016 ANNUAL REPORT OF MAANSHAN IRON & STEEL COMPANY LIMITED.

Maanshan received government grants in 2016 totalling RMB 103,844,476. The programs identified at Note 35 to the Maanshan Financial Statements identified carrying balances and changes in 2016 and included:

Program 47: Compensation for land purchasing and storage

Program 48: Technological transformation fund for Phase II Silicon Steel Project

Program 49: Subsidy for land use rights in the new zone (Block No. 31836 & 31837)

Program 50: Subsidy for developing emerging strategic industries in Anhui Province

Program 51: New-zone Thermal Power Plant CCPP system engineering

Program 52: EMU Steel wheel production line project

Program 53: Cold-rolled sheet project

Program 54: Relocation compensation for transportation company

Program 55: Exhaust gas power generation projects of
- Steel blast furnace
- 1# - 4# coke dry quenching

Program 56: Dezincification engineering of zinc dust and mud rotary hearth furnace for 3rd iron plant

Program 57: National subsidy for slag muck processing and recycling engineering (AD201050406)

Program 58: Subsidy for construction by Wuhu Technique

Program 59: 6# full burning blast furnace gas boiler works

Program 60: Municipal environmental protection subsidies for desulfurisation engineering of 3rd iron plant's sintering flue gas

Program 61: 5# and 6# coke dust removal project

Program 62: Fix assets subsidy for thin plate project

Program 63: Flue gas curtailment project for 1st iron plant's blast furnace

Program 64: Subsidy for technology advancement from open-hearth furnace to converter for 1st steel plant

Program 65: Rolled wheel works

Program 66: Pulse clarifier anti-pollution

Program 67: Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)

Program 68: National environmental fund for flue gas treatment by 3rd steel plant (AI201150304)

Program 69: Subsidies for environmental protection funds of smoke desulfurisation plant

Program 70: No. 3 general factory thermoelectricity plant 135MW generators

Program 71: New zone coking-field project

Program 72: Comprehensive utilisation of water resources

Program 73: Subsidy for Masteel new-zone CDQ project

Program 74: Subsidy for material modification of high-speed wheel and axle

Program 75: Environmental protection subsidy for the thermal power plant Dentrification

Program 76: Subsidies for environmental protection funds of smoke desulfurisation project No. 2 iron general factory 2# sintering machine

Program 77: Subsidies for environmental protection funds of smoke desulfurisation project No. 2 iron general factory 3# sintering machine

Program 78: Interest subsidy for rail industrialisation project of Masteel

Program 79: Development and reform subsidy

Program 80: Development fund of efficient and economical construction steel technology

Program 81: Technology development fund by Ministry of science and technology

Program 82: Intelligent manufacturing fund for Ma-steel Rail Transportation

Program 83: Subsidy for Maanshan railway industry

Program 84: Comprehensive utilisation of gas for power generation of a thermal power plant

Program 85: Environmental subsidy for biochemical water upgrade project of coke old area upgration project of coke old

Program 86: Government subsidy for desulphurisation and denitrification of gases project of a thermal power plant

Program 87: Government subsidy for dust elimination of hot mental pouring on converter roof

Program 88: Others

It is noted that Programs 52, 65, 74, 78, 82 and 83 are related to railway activities and are considered by Comsteel to impact the manufacture of railway wheels by Maanshan.

Please refer to Maanshan Annual Report Note 35 for identification of listed subsidy programs applicable to the Chinese producer (at Non-Confidential Attachment C-1.1).

C-2. Threat of material injury

Address this section if the application relies solely on threat of material injury (ie where material injury to an Australian industry is not yet evident).

1. **Identify the change in circumstances that has created a situation where threat of material injury to an Australian industry from dumping/subsidisation is foreseeable and imminent, for example by having regard to:**
    1. **the rate of increase of dumped/subsidised imports;**
    2. **changes to the available capacity of the exporter(s);**
    3. **the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports;**
    4. **inventories of the product to be investigated; or**
    5. **any other relevant factor(s).**

This application is not based solely on a threat of material injury. The Australian industry has experienced increasing imports of heavy haulage railway wheels that have been at dumped (and subsidised) prices which undercut the selling prices of the locally-produced like goods. The price undercutting has resulted in the loss of sales volumes and reduced prices, impacting profit and profitability in 2017.

2. **If appropriate, include an analysis of trends (or a projection of trends) and market conditions illustrating that the threat is both foreseeable and imminent.**

In the absence of anti-dumping measures, Comsteel contends that all sales of iron ore railway wheels will be supplied by dumped imports sourced from China and France. The threat of future material injury to the Australian industry manufacturing like goods is therefore foreseeable and imminent.

C-3. Close processed agricultural goods

Where it is established that the like (processed) goods are closely related to the locally produced (unprocessed) raw agricultural goods, then – for the purposes of injury assessment – the producers of the raw agricultural goods form part of the Australian industry. This section is to be completed only where processed agricultural goods are the subject of the application**. Applicants are advised to contact the Commission's client support section before completing this section**.

1. **Fully describe the locally produced raw agricultural goods.**

    The goods the subject of this application are not close processed agricultural goods.

2. **Provide details showing that the raw agricultural goods are devoted substantially or completely to the processed agricultural goods.**

This question is not applicable to the goods the subject of this application.

3. **Provide details showing that the processed agricultural goods are derived substantially or completely from the raw agricultural goods**.

This question is not applicable to the goods the subject of this application.

4. Provide information to establish either:

- **a close relationship between the price of the raw agricultural goods and the processed agricultural goods; or**
- **that the cost of the raw agricultural goods is a significant part of the production cost of the processed agricultural goods.**

This question is not applicable to the goods the subject of this application.

C-4. Exports from a non-market economy

Complete this section only if exports from a non-market economy are covered by the application. The domestic price information required by Part B of the application need not be supplied if this question is answered.

Normal values for non-market economies may be established by reference to selling prices or to costs to make and sell the goods in a comparable market economy country.

1. Provide evidence the country of export is a non-market economy. A non-market economy exists where the government has a monopoly, or a substantial monopoly, of trade in the country of export and determines (or substantially influences) the domestic price of like goods in that country.

China and France are not considered 'non-market economy' countries for the purposes of Australia's Anti-Dumping and Countervailing provisions. This question therefore does not apply to the goods the subject of this application.

2. **Nominate a comparable market economy to establish selling prices**.

This question does not apply to the goods the subject of this application.

3. Explain the basis for selection of the comparable market economy country.

This question does not apply to the goods the subject of this application.

4. Indicate the selling price (or the cost to make and sell) for each grade, model or type of the goods sold in the comparable market economy country. Provide supporting evidence.

This question does not apply to the goods the subject of this application.

C-5 Exports from an 'economy in transition'

An 'economy in transition' exists where the government of the country of export had a monopoly, or substantial monopoly, on the trade of that country (such as per question C-4) and that situation no longer applies.

Complete this section only if exports from an 'economy in transition' are covered by the application. **Applicants are advised to contact the Commission's client support section before completing this section**

1. **Provide information establishing that the country of export is an 'economy in transition'.**

   China and France are not considered 'economy-in-transition' countries for the purposes of Australia's Anti-Dumping and Countervailing provisions. This question therefore does not apply to the goods the subject of this application.

2. **A price control situation exists where the price of the goods is controlled or substantially controlled by a government in the country of export. Provide evidence that a price control situation exists in the country of export in respect of like goods.**

   This question does not apply to the goods the subject of this application.

3. **Provide information (reasonably available to you) that raw material inputs used in manufacturing/producing the exported goods are supplied by an enterprise wholly owned by a government, at any level, of the country of export.**

   This question does not apply to the goods the subject of this application.

4. **Estimate a 'normal value' for the goods in the country of export for comparison with export price. Provide evidence to support your estimate.**

   This question does not apply to the goods the subject of this application.

C-6 Aggregation of Volumes of dumped goods

Only answer this question if required by question B-1.5 of the application and action is sought against countries that individually account for less than 3% of total imports from all countries (or 4% in the case of subsidised goods from developing countries). To be included in an investigation, they must collectively account for more than 7% of the total (or 9% in the case of subsidised goods from developing countries).

	Quantity	%	Value	%
All imports into Australia		100%		100%
Country A*				
Country B*				
etc*				
Total				

* Only include countries that account for less than 3% of all imports (or 4% in the case of subsidised goods from developing countries). Use the data at Appendix A.2 (Australian Market) to complete the table.

The imports from China of iron ore railway wheels exceed the four per cent threshold of the total import volume of 'like goods' in 2017.

APPENDICES

Appendix A1	Australian Production
Appendix A2	Australian Market
Appendix A3	Sales Turnover
Appendix A4	Domestic Sales
Appendix A5	Sales of Other Production (Not Applicable)
Appendix A6.1	Cost to Make and Sell (& profit) Domestic Sales
Appendix A6.2	Cost to Make and Sell (& profit) Export Sales
Appendix A7	Other Injury Factors
Appendix A8	Authority to Deal With Representative
Appendix B1	Deductive Export Price
Appendix B2	Constructed Normal Value