



Australian Industry Verification Report

Verification & Case Details

Initiation Date	2/12/2020	ADN:	2020/137
Case Number	568		
The goods under consideration	Chrome-plated steel bar		
Case type	Continuation Inquiry		
Australian Industry	Milltech Pty Ltd		
Verification from	1/03/2021	to	4/04/2021
Inquiry Period	1/10/2019	to	30/09/2020

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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2. PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

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

¹ Reference to any sections in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

3. COMPANY BACKGROUND

3.1. Corporate structure and ownership

Milltech Martin Bright Pty Ltd (Milltech) is a proprietary company that commenced trading in 1992. Milltech is owned by a small number of shareholders whose ownership is classified in several tiers. In 2008, the company acquired a chrome-plated steel bar (chrome bar) manufacturer, Martin Bright Steels.

3.2. Accounting structure and system

Milltech's financial year is 1 July to 30 June. The company's accounts are prepared in accordance with Australia's generally accepted accounting principles. The accounts are held at its Head Office in Tomago, NSW.

Milltech is not required to have its financial statements audited. In support of its application, Milltech provided an unaudited financial statements and tax returns for year ending 2020² as well as audited financial statements for years ending 2017, 2018 and 2019.

During the verification, Milltech provided an overview of its accounting systems for recording sales and cost information. The verification team observed these systems during verification of the sales and cost data provided by Milltech.

3.3. Related parties

In relation to the production and sale of chrome bar during the inquiry period, the verification team found that Milltech did not have any related party customers or suppliers.

3.3.1. Suppliers

In relation to the production of chrome bar during the inquiry period, Milltech advised that it did not have any related suppliers of goods and services.

Milltech advised that there are two main raw materials used in the production of chrome bar, being carbon or low alloy steel bar and chromic acid.

During the inquiry period, Milltech sourced carbon and low alloy steel bar from an Australian supplier. Where a certain stock item was not made available by an Australian supplier, Milltech sourced that steel from an overseas supplier. Milltech exclusively purchased chromic acid from Australian suppliers.

In verifying Milltech's information, the verification team did not identify any related suppliers.

² References to years are to the financial years, unless otherwise stated.

3.3.2. Customers

In verifying Milltech's information the verification team did not identify any related customers and concluded that Milltech sells chrome bar to unrelated parties on the Australian and export markets.

4. THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

4.1. Manufacturing in Australia

Milltech claims that it is the sole producer of chrome bar in Australia. Based on a desktop search of chrome bar suppliers in the Australian market, the verification team did not identify any other entities that produce chrome bar.

In addition to chrome bar, Milltech produces a range of processed steel bar products, including bright bar, precision ground bar, heat treated alloy bar and induction hardened bar.

Milltech produces chrome bar at its production facility in Laverton, Victoria. Milltech manufactures other processed steel bar products at two production facilities located Tomago and Hexham in New South Wales.

4.2. Verification of model control codes

Milltech provided sales and cost data for chrome bar by steel grade. While Milltech did not provide sales and cost data by model control code, the verification team considers that the information provided captures the price and cost drivers of Milltech's sales, and is sufficient for the assessment of Milltech's financial performance in the context of this continuation inquiry.

Milltech produced and sold chrome bar in the following steel grades:

- SAE/AISI 1045; and
- SAE/AISI 4140.

4.3. Like goods

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

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

The verification team considers that the like goods manufactured by Milltech are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- **Physical likeness** - the physical characteristics of the goods and locally produced goods are similar, notwithstanding variations in individual customer / technical specifications such as differences in chrome thickness, diameter and length.
- **Production likeness** - based on the information provided by Milltech and the verification team's understanding of the Romanian chrome bar producers, the goods and locally produced goods are produced using the same raw material

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input, being processed steel bar, and similar manufacturing processes, including continuous chrome plating lines and immersion tank methods. The verification team notes that Romanian exporters did not provide a response to exporter questionnaires and therefore, the verification team does not have details on chrome bar production by Romanian producers during the inquiry period.

- **Commercial likeness** - based on the information provided by Milltech and the verification team's understanding of the Australian market, the goods and locally produced goods compete in similar market sectors, are interchangeable/substitutable and use similar distribution channels. Chrome bar is typically sold as an intermediate good by the manufacturer to distributors, who sell to the end users that manufacture hydraulic cylinders, machinery or machine components.
- **Discuss functional likeness** - the goods and locally produced goods can be considered functionally alike, as they have similar end uses in hydraulics, machinery and machine components predominantly within the mining, agricultural and construction industries.

4.4. Preliminary like goods assessment

The verification team is satisfied that:

- chrome bar manufactured by Milltech are like to the goods;³
- at least one substantial process of manufacture of chrome bar is carried out in Australia;⁴
- the like goods were wholly in Australia by Milltech;⁵ and
- there is an Australian industry, comprising Milltech, which produces like goods in Australia.⁶

³ Section 269T(1).

⁴ Section 269T(3).

⁵ Section 269T(2).

⁶ Section 269T(4).

5. AUSTRALIAN MARKET

5.1. Background

Milltech advised that it is the only large scale commercial manufacturer and seller of chrome bars in Australia. Milltech advised that some hydraulic cylinder manufactures may produce chrome bar in small volumes.

The Commission did not find any information to suggest there are any other chrome bar manufacturers in Australia during the original investigation and this inquiry.

Milltech considered that there may be moderate volumes of chrome bar, both the goods and non-goods,⁷ being imported into Australia from Europe (including Italy and Romania) and Asia (including China and Taiwan).

5.2. Market structure

Milltech advised that the chrome bar market in Australia is driven by three main segments, being mining, and agriculture and construction industries.

Milltech claimed that locally produced and imported chrome bar can be used interchangeably across a variety of applications in the Australian market and that chrome bar is not significantly differentiated in the market.

Milltech advised that there has been consolidation of distributors and that some of the trading names of their distribution customers have changed as a result of acquisitions and mergers.

Milltech advised that a private equity firm had entered the Australian market and acquired a number of end users in the hydraulics industry. Milltech advised that this has meant that end users have consolidated and placed downwards price pressure in the market.

Milltech stated that one of its large end user customers was acquired by the private equity firm and did not renew its supply contract with Milltech. Milltech understands that this end user customer is now sourcing chrome bar from Europe via a trader.

Milltech advised that the market is quite transparent, with customers at times informing Milltech about the source of supply and pricing.

5.2.1. Marketing and distribution

Milltech's customers are steel distributors who supply to large end users in the hydraulic machinery industry. Milltech understands that these distributors also import the goods from overseas.

⁷ Such as chrome bar that exceeds 8 metres in length.

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Milltech believes that a large distributor which was found to have exclusively purchased from ASO Cromsteel S.A. (Cromsteel) during the original investigation has maintained active distribution channels and links for importing chrome bar, including distribution warehouses in Australia. Milltech claims that if measures were to expire, this distributor would likely commence or continue (in larger volumes) importing chrome bar from Romania.

5.2.2. Demand

Milltech considers that market demand has been fairly stable since 2015, but considers there has been some recent growth due to demand from mining and construction industries.

Milltech stated the price of chrome bar in the market is driven by the price of the steel feed, which is influenced by global markets and, in particular, Chinese production and demand.

Milltech stated that the first six months of 2020 saw a decline in demand, but the demand recovered in the latter part of 2020 and the market has been relatively stable since.

Milltech considers the predominant demand driver of chrome bar is price and Australian customers are able to readily change supplier.

5.2.3. Pricing

Milltech consider themselves to be a price taker in the market, with distributors and end users initiating prices offers and negotiations. Milltech considers that there are no significant barriers for overseas suppliers entering the Australian market.

Milltech consider that the pricing in the Australian market is relatively transparent.

Milltech advised that they price with reference to their cost of production, as well as international steel feed prices.

5.2.4. Market size

Milltech estimates that the size of the Australian market during the inquiry period is at least 3,000 metric tonnes. Milltech considers that the size has not changed significantly since 2015.

6. VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings submitted to the Commission by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

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

- As Milltech's financial statements were unaudited for 2020, the verification team reconciled the total revenue in these statements to the amount in Milltech's tax returns for the period. As such, the verification team is satisfied that the financial statements are reliable.
- The verification team reconciled the total revenue in the financial statements to the amount in Milltech's trial balance for 2020.
- Using Milltech's trial balance, the verification team identified the total revenue to be relevant to the inquiry period.
- The verification team reconciled the total revenue in the inquiry period to the amount in Milltech's sales accounting system. Using this information, the sales revenue and quantities for each product category were identified, including the amounts for chrome bar.
- Using the sales accounting information for chrome bar, the verification team identified the sales revenue and quantity for Milltech's domestic Australian sales and export sales.
- The verification team reconciled the sales revenue and quantity for chrome bar sold on the Australian market to the total amounts in the Australian sales listing.

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

The Australian sales listing is at **Confidential Attachment 2**.

6.1. Import sales by applicant

Milltech advised that it did not import chrome bar during the inquiry period. In verifying the sales information, the verification team did not find any information to suggest otherwise.

6.2. Export sales by applicant

Milltech exported chrome bar during the inquiry period. The sales revenue and quantity for export sales of chrome bar were verified during the verification process. The verification team are satisfied with the accuracy of this information.

6.3. Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Milltech is complete and relevant.

7. VERIFICATION OF SALES ACCURACY

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the Australian sales listings submitted to the Commission by reconciling these to source documents in accordance with ADN No. 2016/30.

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

7.1. Sales accuracy finding

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

Accordingly, the verification team considers that Milltech's sales data is suitable for analysing the economic performance of sales of chrome bar from 2016 to 2020.

8. VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information submitted to the Commission by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

- As Milltech's financial statements were unaudited for 2020, the verification team reconciled the total costs in these statements to the amount in Milltech's tax returns for the period. As such, the verification team is satisfied that the financial statements are reliable.
- The verification team reconciled the total cost of goods sold (COGS) in the financial statements to the amount in Milltech's trial balance for 2020.
- Using Milltech's trial balance, the verification team identified the total COGS to be relevant to the inquiry period.
- Using Milltech's trial balance, the verification team identified the total COGS in the inquiry period to the total cost of production by factoring in the change in finished goods inventory.
- The verification team reconciled the cost of production and production quantity for chrome bar in the inquiry period from the trial balance to the CTMS data using Milltech's costs records, including stock reports.

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

- The verification team verified the cost for each SG&A item from Milltech's trial balance to the CTMS data.
- Further, in relation to delivery expenses, the verification team reconciled the total cost in the CTMS data to the total amount identified in the Australian sales listing.

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

The data for CTMS is at **Confidential Attachment 3**.

8.1. CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided by Milltech is complete and relevant.

9. VERIFICATION OF CTMS ACCURACY

9.1. Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

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

Table 1 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are attributed to each grade of chrome bar based on the consumption cost of the relevant steel grade as a function of quarterly production quantity. Milltech provided its cost accounting records, purchase ledgers and stock reports to substantiate the allocation of the raw material cost.
Scrap	Milltech incorporated the scrap offset into its calculations of the cost of converting the black steel bar to a processed bar that is ready for chrome plating.
Manufacturing overheads	Manufacturing overheads were allocated to each grade of chrome bar based on the total variable and fixed manufacturing overheads cost for the chrome plating facility as a function of quarterly production quantity.
Direct labour	Direct labour was allocated to each grade of chrome bar based on the total direct labour cost for the chrome plating facility as a function of quarterly production quantity.
Depreciation	Depreciation was allocated to each grade of chrome bar based on the total depreciation cost for the chrome plating facility as a function of quarterly production quantity.
Variance	As Milltech provided the actual cost of producing chrome bar, no amounts for variance needed to be accounted for.

Table 1 Cost calculation method

9.2. Verification of accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the

volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 2016/30.

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

9.3. Exceptions during verification of other injurious factors

No.	Exception	Resolution
1	The verification team identified that the total value of capital investment for the company did not reconcile to the amounts in the financial statements for 2018 and 2020.	Milltech advised that the amounts should be based on the property, plant and equipment amount in the financial statements and that the error may have occurred due to relying on draft financials. The verification team revised the amounts to be based on the financial statements.

Table 2 Exceptions during verification of other injurious factors

9.4. Related party suppliers

Milltech advised that it did not purchase from related suppliers. In verifying Milltech's CTMS data, the verification team did not identify any information to suggest otherwise.

9.5. CTMS verification finding

The verification team is satisfied that the CTMS data provided in the application by the applicant, including the required amendment as outlined in the exception table above, is complete, relevant and accurate.

Accordingly, the verification team considers that Milltech's CTMS data is suitable for analysing the economic performance of its production and sale of chrome bar from 2016 to 2020.

10. ECONOMIC CONDITION

10.1. Background

Dumping measures were first imposed for chrome bar exported to Australia from Romania on 7 September 2016 (ADN No. 2016/79 refers).

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 2016 onwards.

Milltech claims that its financial performance in relation to chrome bar has significantly improved since the measures were imposed on 7 September 2016. In *Anti-Dumping Commission Report No. 319*, the Commission found that during the injury analysis period⁸ Milltech suffered injury in the form of:

- price depression;
- price suppression;
- reduced sales volumes;
- reduced profits;
- reduced profitability;
- reduced revenue;
- reduced capacity utilisation; and
- reduced employment.

10.2. Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by Milltech and data from the Australian Border Force import database.

The verification team has assessed the economic condition of the Australian industry from 2016 to 2020 using the information provided by Milltech. This preliminary assessment is at **Confidential Attachment 1**.

10.3. Volume effects

10.3.1. Sales volume

Figure 1 shows that Milltech's sales volume of chrome bar in the Australian market increased each year from 2016 to 2019, before decreasing in 2020.

⁸ 1 July 2011 to 30 September 2015.

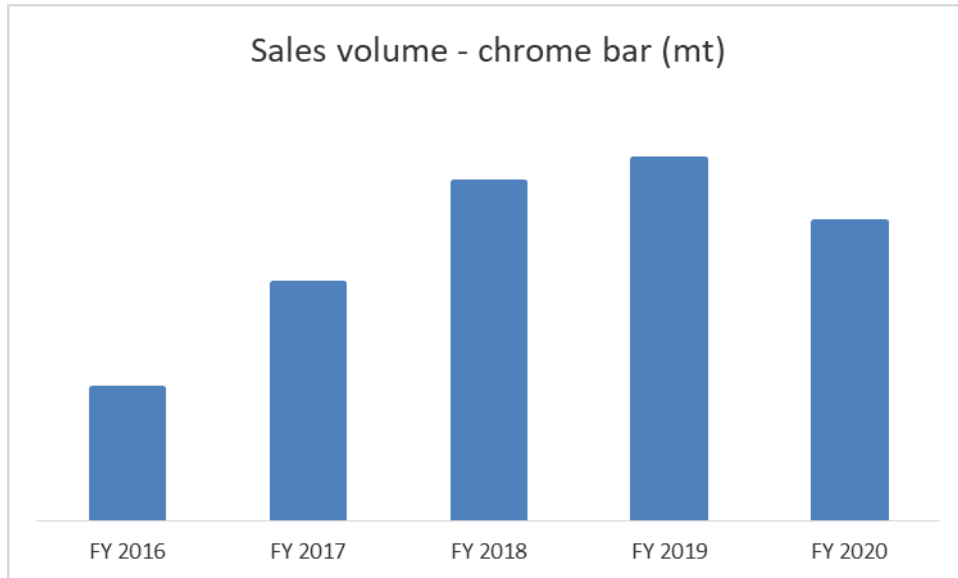


Figure 1 - Sales volume

The measures were imposed in September 2016, after which Milltech’s sales volume increases year-on-year until 2019. Milltech claimed that sales volume declined in 2020 as a result of COVID-19, which impacted demand in the steel market generally.

10.3.2. Market share

Figure 2 demonstrates Australian market share for chrome bar between 2016 and 2020 using information from Milltech’s sales data and import data sourced from the Australian Border Force (ABF) import database. Since 2016, Milltech’s Australian market share for sales of chrome bar has increased significantly. Both imports of chrome bar from Romania, which were subject to measures, and those from countries other than Romania, which weren’t subject to measures, decreased significantly.

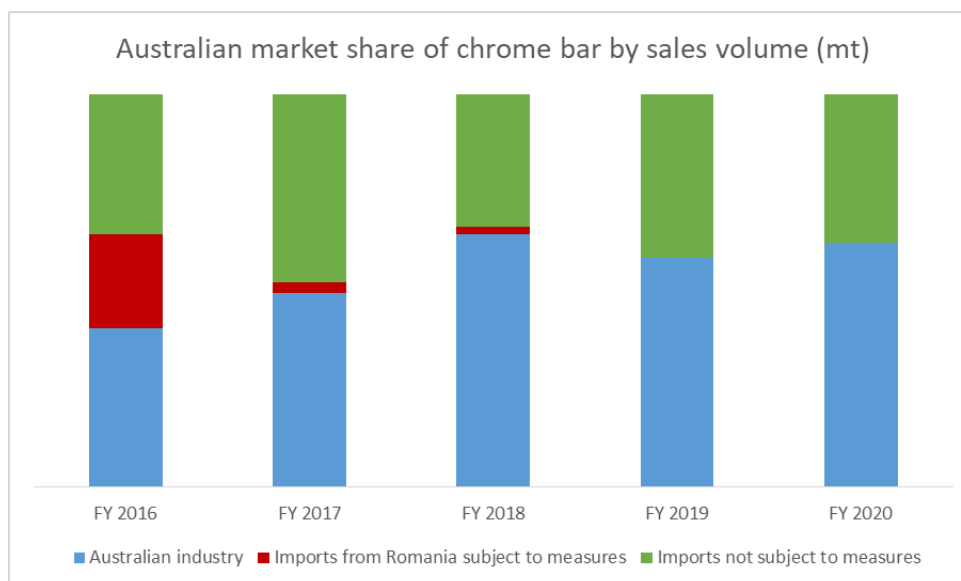


Figure 2 - market share

10.4. Price effects

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

Figure 3 shows that since 2016 in relation to chrome bar in the Australian market, Milltech's unit price increased and unit CTMS decreased. Since 2017 following the imposition of the measures,⁹ Milltech's unit price has exceeded its unit CTMS and the price has increased at a similar rate to the CTMS. Prior to the imposition of the measures, in 2016 Milltech was experiencing price suppression as the unit CTMS exceeded the unit price.

The prices used in the analysis are Australian dollar (AUD).

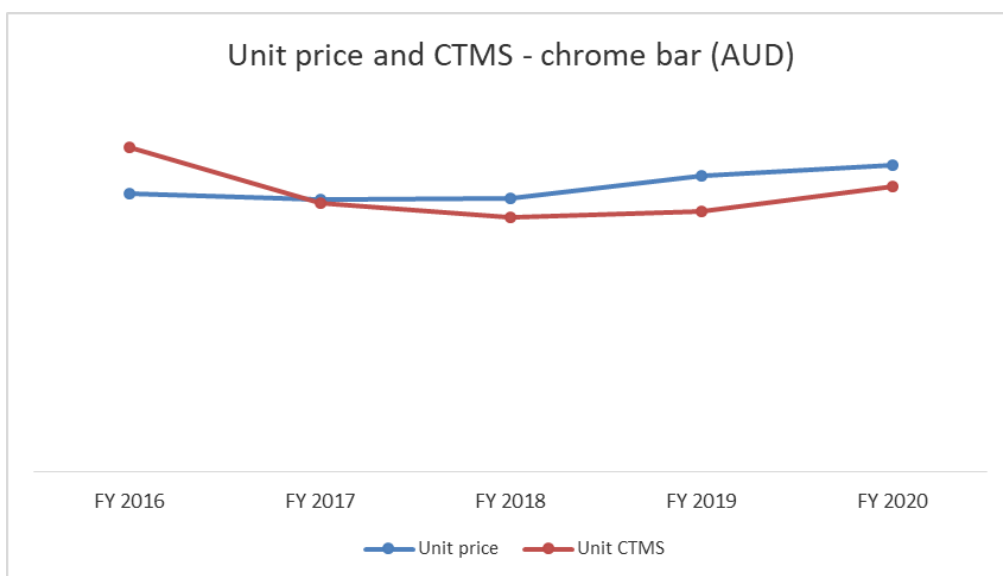


Figure 3 - Unit price and CTMS

10.5. Profit and profitability

Figure 4 shows that over the inquiry period, Milltech's total profit (in AUD) and profitability (%) increased year-on-year for chrome bar, before decreasing in 2020. The trend in total profit and profitability is similar to the trend in Milltech's sales volume. Milltech reported a loss for chrome bar in 2016, which is caused by the unit CTMS exceeding the unit price in that year. Milltech's profit and profitability decreased in 2020, which appears to be driven by a decline in sales volume in that year.

⁹ Anti-dumping measures were imposed in September 2016.

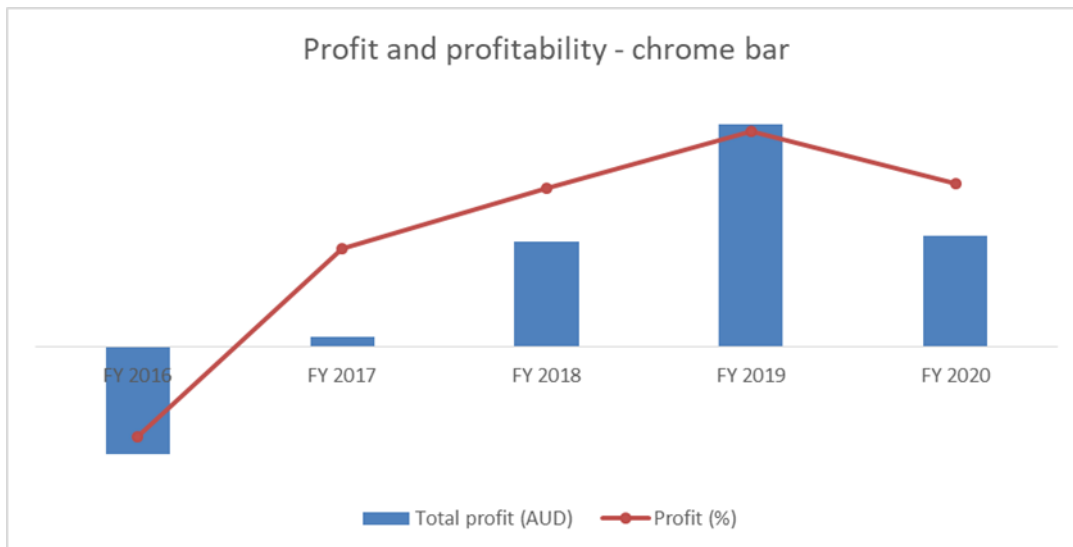


Figure 4 - Profit and profitability

10.6. Other economic factors

The verification team verified the data provided by Milltech relating to other economic factors, including:

- assets
- capital investment
- return on investment
- production capacity and utilisation
- employment
- productivity
- stocks
- cash flow
- wages

The data for other injury factors is at **Confidential Attachment 4**.

10.6.1. Assets

Figure 5 shows that Milltech's total asset value increased between 2016 and 2020, with a decrease in 2020.

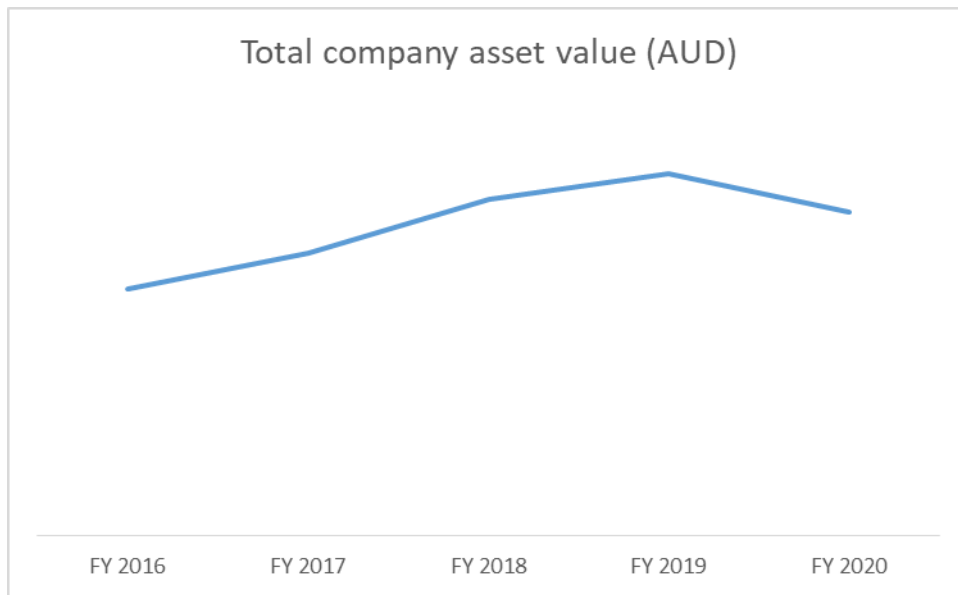


Figure 5 - Assets

10.6.2. Capital investment

Figure 6 shows that Milltech’s capital investment value in total and for chrome bar declined between 2016 and 2020. In relation to chrome bar, the decline was to a lesser degree.

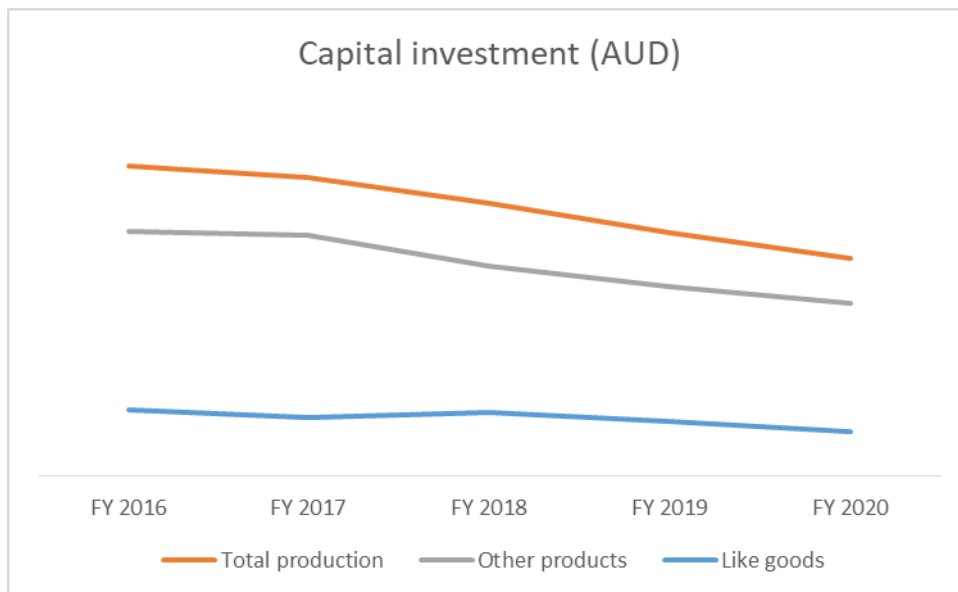


Figure 6 - Capital investment

10.6.3. Production capacity and utilisation

Figure 7 shows that Milltech’s production capacity in total and for chrome bar has not changed between 2016 and 2020.

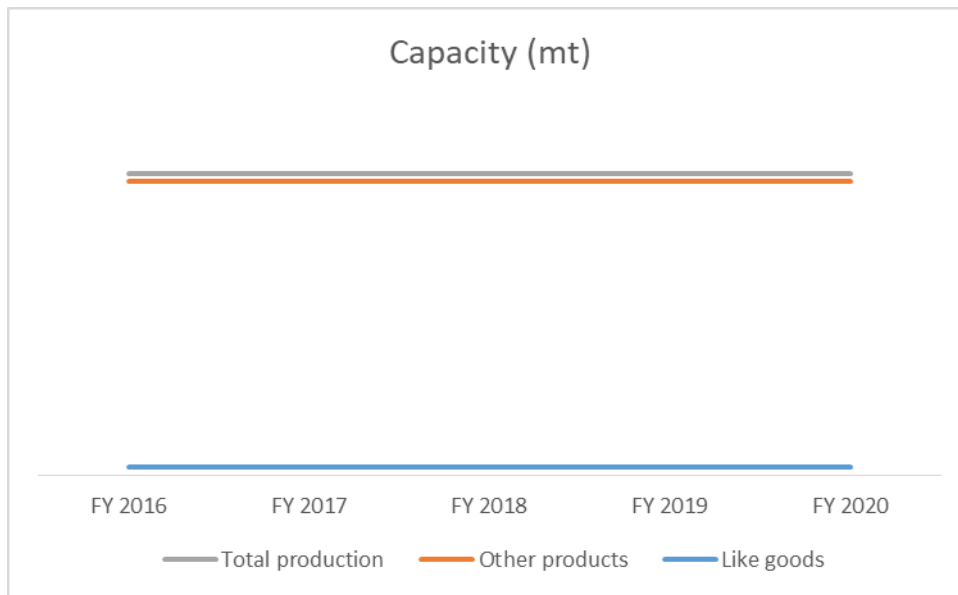


Figure 7 - Production capacity

Figure 8 shows that Milltech’s production capacity utilisation in total and for chrome bar increased between 2016 and 2020, with chrome bar increasing to a significantly greater extent.

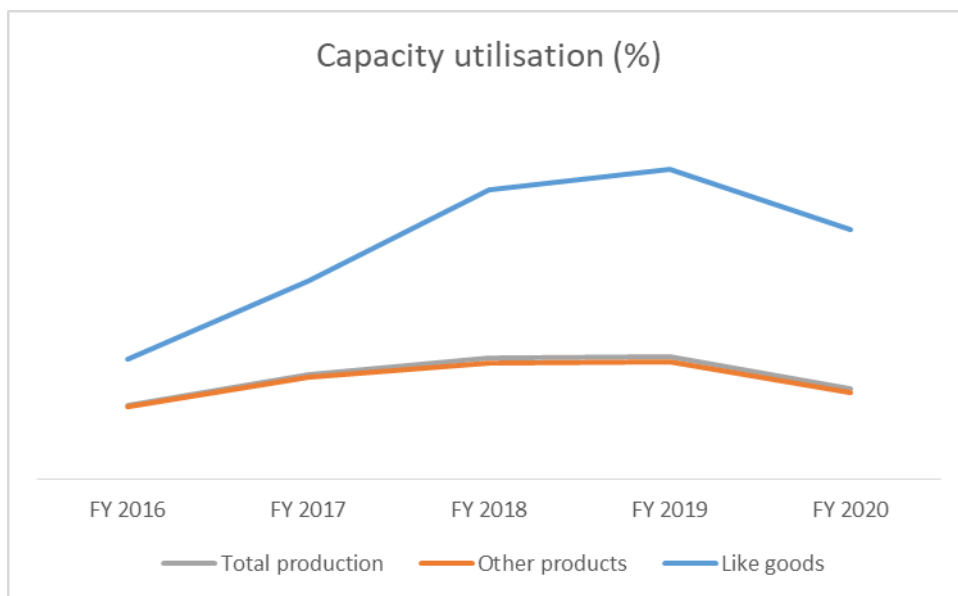


Figure 8 - Production capacity utilisation

10.6.4. Employment

Figure 9 and Figure 10 show that Milltech’s employment with respect to persons and hours worked in total and for chrome bar increased between 2016 and 2020.

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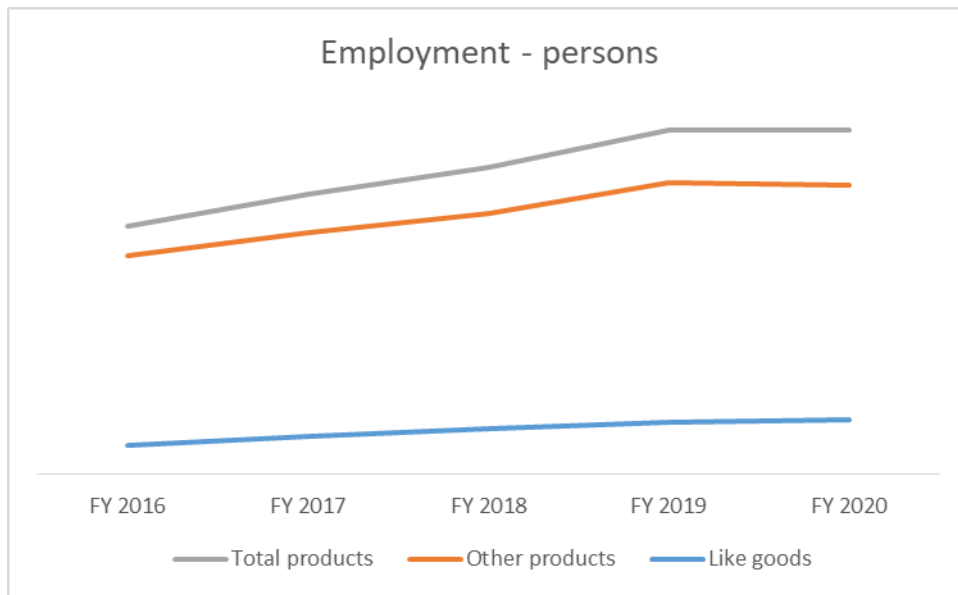


Figure 9 - Employment by persons

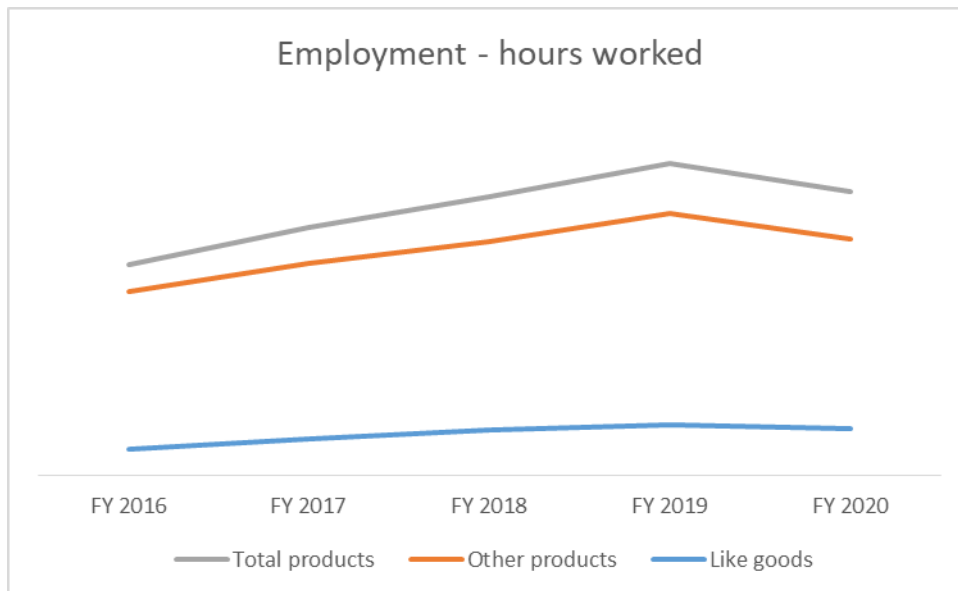


Figure 10 - Employment by hours worked

10.6.5. Productivity

Figure 11 shows that Milltech's productivity increased between 2016 and 2018, before decreasing in 2019 and 2020. Over the whole period, productivity in relation to all products declined, while it increased for chrome bar. Productivity is measured as production quantity per person.

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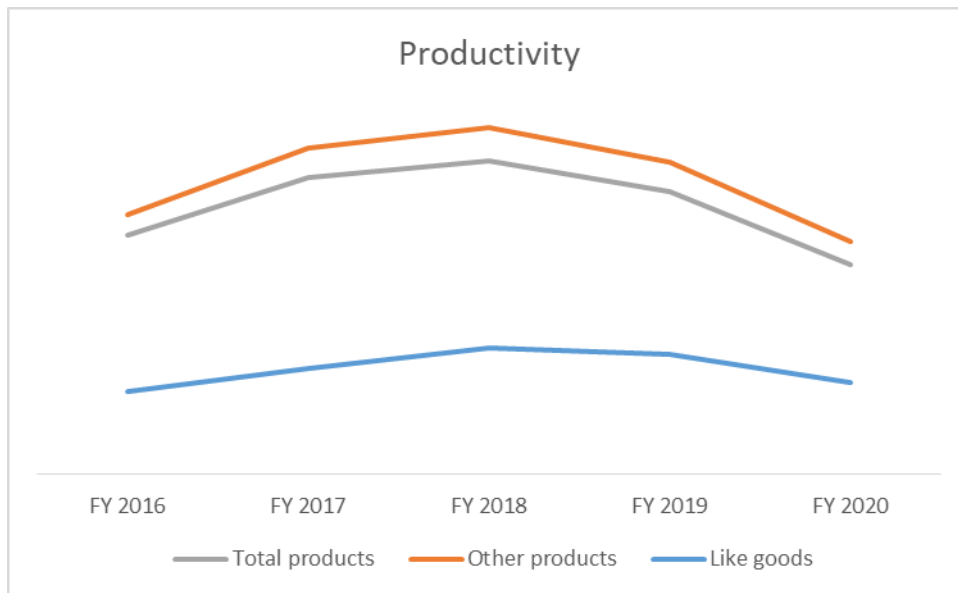


Figure 11 - Productivity (production quantity per person)

10.6.6. Stocks

Figure 12 shows that Milltech's closing stock has exceeded its opening stock in relation to all products for each year from 2016 to 2020.

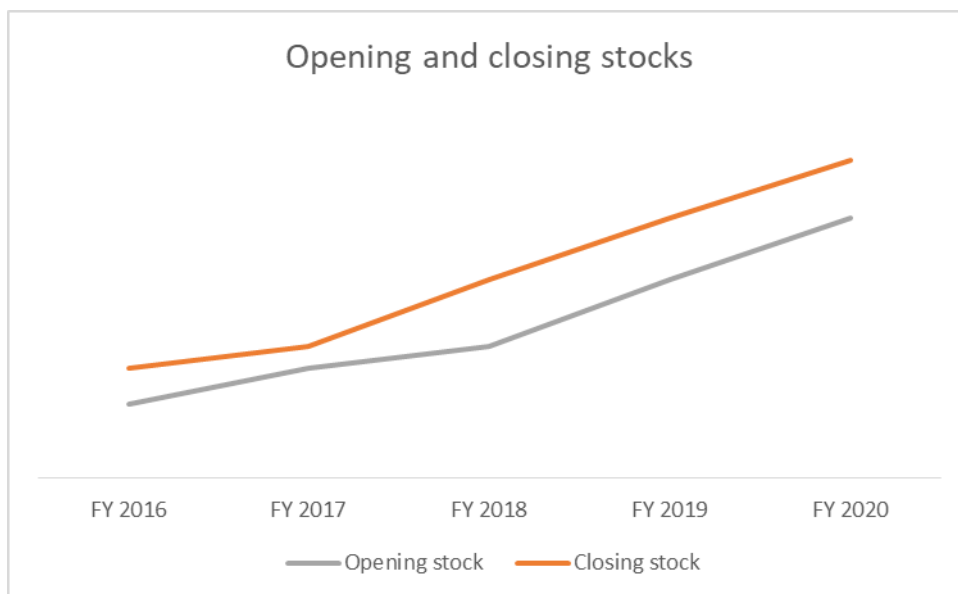


Figure 12 - Stocks

10.6.7. Cash flow

Figure 13 shows that Milltech's total cash flow decreased between 2016 and 2020. Cash flow increased between 2016 and 2018, before decreasing in 2019 and 2020.

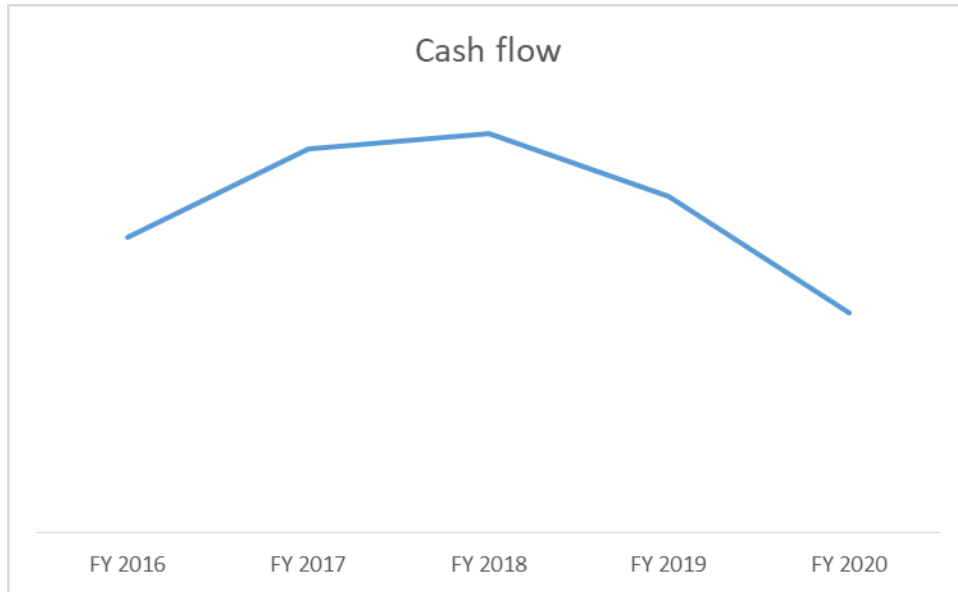


Figure 13 - Cash flow

10.6.8. Wages

Figure 14 and Figure 15 show that Milltech’s total wages and average wages increased in total and for chrome bar between 2016 and 2020. Total wages and averages wages decreased in 2020.

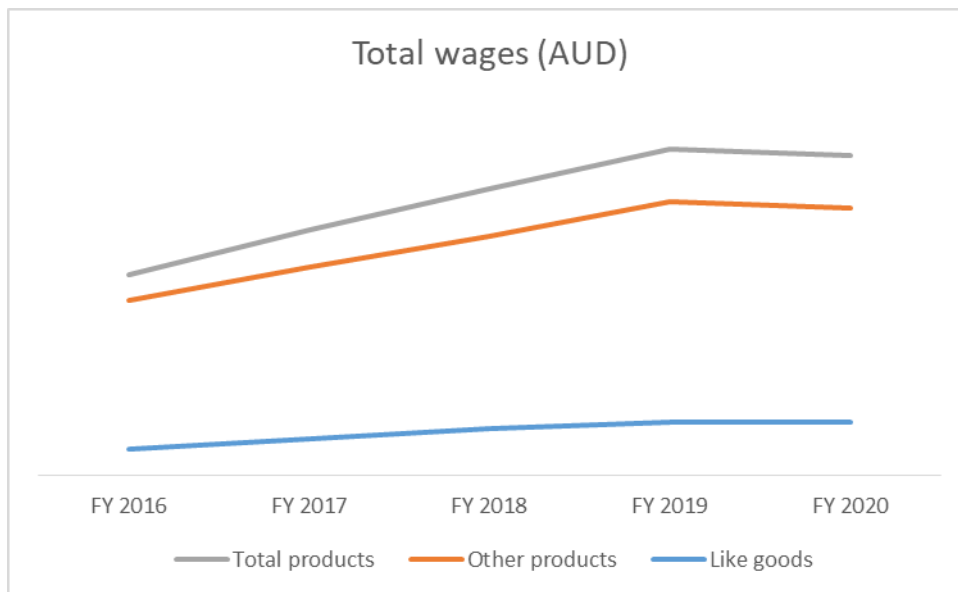


Figure 14 - Total wages

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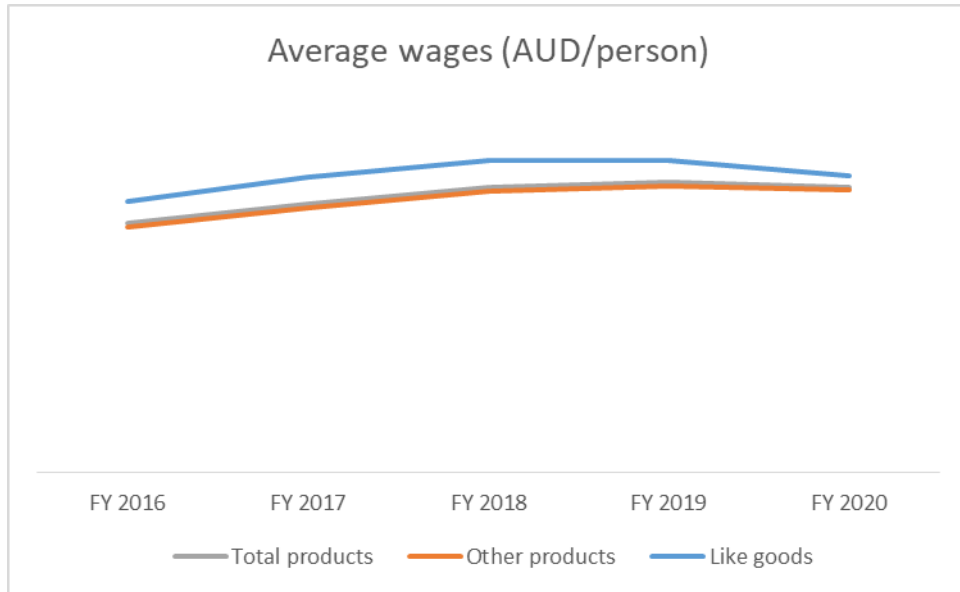


Figure 15 - Average wages

11. IMPACT OF EXPIRY OF MEASURES

11.1. Background and approach to analysis

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

- dumping and/or subsidisation; and
- the material injury

that the anti-dumping measure is intended to prevent.

Accordingly the verification team sought Milltech's views on these matters, collected evidence to support those claims that dumping of chrome bar from Romania would continue or recur and material injury to the Australian industry would occur. This evidence from Milltech will be considered further during the course of the inquiry.

Milltech believes that the expiration of the measures would likely result in recurrence, or continuation at higher volumes, of dumping by Romanian producers, and as a consequence, material injury to the Australian industry is 'foreseeable and imminent'.

11.2. Continuation or recurrence of dumping

Milltech alleges that predatory pricing continues to be a part of Romanian exporters' expansionary strategy and dumping would likely continue should the current measures expire. Milltech provided a translated document of the annual report¹⁰ for Stelmi S.p.A. (Stelmi), an Italian chrome bar manufacture, and based on information in that report, Milltech expressed its view that Stelmi suffered from predatory pricing by Romanian producers who supply the European chrome bar market below the cost of production to gain market share.

Milltech considers that the market consolidation for chrome bar production in Europe has increased the capacity, ability and coordination for Romanian-produced goods to be exported to Australia and at dumped prices.

As evidence for market consolidation in Europe, Milltech provided an internet search result that demonstrates Stelmi has formed a joint venture with Romanian producer Nimet S.r.l.¹¹ Milltech also provided website information from ASP H&P, an Italian-based company, which acquired Cromsteel in 2014 and acquired Stelmi in 2019.¹²

¹⁰ This information is contained in **Confidential Attachment 1**.

¹¹ Ibid.

¹² <https://www.asohp.com/en/products/#a-chrome>

Milltech provided a price comparison¹³ based on a price list of Cromsteel at the time of the original investigation period in 2015 and asserted that the low price of Romanian goods is the main factor for attracting customers to import.

Milltech advised that in December 2020, one of their major end user customers did not renew their 12 month contract with Milltech given that Milltech were not competitive in price compared to another supply offer. Milltech believes that the source of supply was from Europe, and specifically from Romania; however, Milltech was unable to provide evidence for the source of supply.

Milltech advised that the major end user customer is now sourcing its chrome bar supplies from overseas via a trader.

11.3. Continuation or recurrence of material injury

Milltech considers that chrome bar exported from Romania to Australia at dumped prices would result in a continuation, or recurrence, of material injury for Milltech.

Milltech expressed the view that the imposition of the measures in September 2016 had significantly improved its financial performance.

Milltech believes that the financial injury to Stelmi (discussed in section 11.2) is a clear indication that Romanian producers have been successful in gaining control of the chrome bar market by eliminating competitors using its predatory pricing strategy. Milltech emphasised that should the measures expire, Milltech would be in the same situation of being priced out of the chrome bar market in Australia.

Milltech referred to the Commission's finding that prior to the imposition of the measures, it had suffered injury in the form of a range of financial indicators, which are outlined in section 10. The verification team's assessment of Milltech's economic condition since 2016 is set out in section 10.

Milltech noted that the Commission found significant price undercutting by Romanian exporters in the original investigation and considers that a recurrence or continuation (in larger volumes) of undercutting by Romanian producers would lead to Milltech's sales volume and prices decreasing significantly. This would result in Milltech being in a loss-making position where its chrome bar operations would no longer be financially viable. Milltech claimed that this would ultimately result in the closure of the Melbourne chrome bar plant.

11.4. Injury caused by factors other than dumping

Milltech advised that price is the most significant factor in the purchasing decisions of chrome bar in the Australian market. Milltech advised that shorter lead times may be valued by customers making small-sized or urgent orders, however this only represents a small proportion of chrome bar sales.

¹³ This information is contained in **Confidential Attachment 1**.

PUBLIC RECORD

Milltech claimed that a private equity firm entered the end user market (Australian hydraulic machinery/repair/maintenance) with an intention to acquire end users of chrome bar in the hydraulics industry, which results in market consolidation and downwards price pressures.

Milltech also claimed that penetration of low priced imports of chrome bar from Romania via Italy into Australian market would likely result in further downwards pressure on pricing in the Australian market.

12. APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Attachment 2	Australian sales listing
Confidential Attachment 3	CTMS
Confidential Attachment 4	Other injury factors