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

Grinding Balls exported from The People’s Republic of China
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, 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:

Name:

Position:

Company:

ABN:

Date:
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, servant, 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**: 1300 884 159
- **Fax**: 1300 882 506
- **Email**: clientsupport@adcommission.gov.au

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

Important information

Small and medium enterprises (i.e., those with up to 200 employees) may obtain assistance, at no charge, from the International Trade Remedies Adviser, employed by Australian Industry Group and funded by the Australian government. To access this service, visit www.aigroup.com.au/traderemedies or telephone (03) 9867 0267.

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 (P₁, P₂…Pₙ) to evaluate industry trends and to correlate injury with dumped imports. The labels P₁…Pₙ 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 Commission 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 Commission 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, should be lodged with:

The National Manager - Operations
Anti-Dumping Commission
Customs House
1010 Latrobe St
Docklands VIC 3008

or

Sent by facsimile to 1300 882 506

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:   | 1300 884 159 |
| Fax:     | 1300 882 506 |
| Email:   | clientsupport@adcommission.gov.au |
A-1 Identity and communication.

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

The relevant contacts within Donhad Pty Ltd (“Donhad”) are as follows:

Contact Name: Mr Paul Shelley  
Company and position: Managing Director  
Address: 18-22 Jackson Street, Bassendean, W.A. 6054  
Telephone: (08) 9270 0100  
Facsimile: (08) 9270 0101  
E-mail address: paul.shelley@donhad.com.au  
ABN: 94 000 973 839

Alternative contact

Name: Mr Brad Kobus  
Position in company: Finance Director  
Address: 18-22 Jackson Street, Bassendean, W.A. 6054  
Telephone: (08) 9270 0100  
Facsimile: (08) 9270 0101  
E-mail address: brad.kobus@donhad.com.au

The relevant contacts within Moly-Cop Pty Ltd (“Moly-Cop”) are as follows:

Contact Name: Mr Matthew Voigt  
Company and position: Manager, Finance & Commercial Services  
Address: Maud Street, Waratah, NSW 2298  
Telephone: (02) 4974 0414  
Facsimile: (02) 4974 0490  
E-mail address: matthew.voigt@molycop.com  
ABN: 42 004 651 325

Alternative contact

Name:  
Position in company:  
Address:  
Telephone:  
Facsimile:  
E-mail address:

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

Donhad and Moly-Cop have 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.

Donhad Pty Ltd ("Donhad") and Commonwealth Steel Company Pty Limited (with sales of the grinding media conducted under the Moly-Cop brand ("Moly-Cop")) are the two Australian manufacturers of grinding balls.

Donhad Pty Ltd is a wholly owned subsidiary company of Valmont Industries Inc. It is a manufacturer of forged steel grinding media, engineering forgings and a range of specialised fasteners for use in the mining and mineral processing industry. Donhad operates three grinding media manufacturing operations in Perth, Newcastle and Townsville. Donhad is a member of the Valmont Industries (VMI) group of companies based in Omaha, USA and listed on the NYSE. Donhad manufactures and markets grinding balls under the Donhad company name.

The Commonwealth Steel Company Pty Ltd is part of the Arrium Mining Consumables Division within Arrium Limited. Grinding media is produced by the Commonwealth Steel Company Pty Ltd and sold under the brand name Moly-Cop. The Moly-Cop brand is recognised as a leading manufacturer of steel grinding balls.

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

Refer Donhad Confidential Attachment A-2.1.
Refer Moly-Cop Confidential Attachment A-2.1.

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

Donhad is a wholly owned subsidiary of Valmont Group Holdings Pty Ltd.

The Commonwealth Steel Company Pty Limited is a wholly owned operating company of Arrium Limited with a business reporting structure through to the Arrium Mining Consumables division. Commonwealth Steel Company Pty Ltd trades under the brand name Moly-Cop with the grinding media product sold as Moly-Cop branded goods.

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

Donhad is a subsidiary company of Valmont Group Holdings Pty Ltd which is a wholly owned subsidiary of Valmont Industries Inc, a company listed on the New York Stock Exchange in the USA. The Commonwealth Steel Company Pty Limited (producing and selling Moly-Cop grinding balls) is owned by Arrium Limited, a company listed on the Australian Stock Exchange ("ASX").

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

Valmont Industries Inc major shareholders are listed in the Company Annual Report.

The Commonwealth Steel Pty Limited (making Moly-Cop grinding balls), is a company owned by Arrium Limited, a company listed on the ASX. Arrium Limited’s top 20 shareholders are listed in the Arrium Annual Report.

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 Donhad Confidential Attachment A-2.6.

Please refer to Moly-Cop Confidential Attachment A-2.6.

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

Donhad does not pay any management fees. Corporate allocations are incurred for Donhad’s share of the cost of centralised administration services.

Moly-Cop has a corporate allocation charged to it from other Arrium entities.

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

Neither Donhad nor Moly-Cop have a relationship with exporters and/or importers of the goods the subject of this application exported from China. Moly-Cop has imported small quantities of grinding balls from its Indonesian business, but only to cover acute operational constraints.

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

Donhad is a subsidiary of Valmont Group Holdings Pty Ltd. A copy of Valmont Group Holdings Pty Ltd most recently lodged financial statements for 2014 are included at Donhad Confidential Attachment A-2.9.

Moly-Cop is a subsidiary of Arrium Limited. The Arrium Limited 2014 annual report is included at Non-Confidential Attachment A-2.9.

10. **Provide details of any relevant industry association.**

Donhad is a member of the Australian Steel Institute, Western Australian Chamber of Commerce and Industry (“WACCI”), Australian Industry Group, and Ausmine.

Arrium/OneSteel is a member of the Australian Industry Group (“AiGroup”), the Australian Steel Institute (“ASI”), the Bureau of Steel Manufacturers of Australia (“BOSMA”), the South East Asian Iron & Steel Institute (“SEAISI”).
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.

   The goods the subject of this application are as follows:

   "Ferrous grinding balls, whether or not containing alloys, cast or forged, with diameters in the range 22mm to 170mm (inclusive)"

   The goods covered by this application include all ferrous grinding balls, typically used for the comminution of metalliferous ores, meeting the above description of the goods regardless of the particular grade or alloy content.

   Goods excluded from this application include stainless steel balls, precision balls that have been machined and/or polished, and ball bearings.

   A copy of ME Elecmetal's product description for grinding balls (media) is enclosed at Non-Confidential Attachment A-3.1

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

   The grinding balls covered by this application are classified to the following subheadings:

   - 7325.91.00 statistical code 26 “Other cast articles of iron or steel, grinding balls and similar articles for mills”; and
   - 7326.11.00 statistical code 29 “Other articles of iron or steel, forged or stamped but not further worked, grinding balls and similar articles for mills”.

   Cast grinding balls are classified to 7325.91.00.26, whereas forged grinding balls are classified to 7326.11.00.29.

   The rate of duty applicable to goods exported from The People’s Republic of China (“China”) under the above classifications is currently 4 per cent.

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.

   Donhad produces a range of forged grinding balls, including the following sizes:

<table>
<thead>
<tr>
<th>Size (mm)</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>Roll Form</td>
</tr>
<tr>
<td>52</td>
<td>Roll Form</td>
</tr>
<tr>
<td>64</td>
<td>Roll Form</td>
</tr>
<tr>
<td>78</td>
<td>Roll Form</td>
</tr>
<tr>
<td>94</td>
<td>Roll Form</td>
</tr>
<tr>
<td>105</td>
<td>Roll Form</td>
</tr>
<tr>
<td>125</td>
<td>Upset Forge</td>
</tr>
</tbody>
</table>
Donhad can also manufacture other non-standard sizes including 133mm and 150mm. Donhad also produces “high carbon” products in the 52mm, 64mm, 78mm and 125mm product categories that provide for improved wear performance.

Moly-Cop’s forged steel grinding balls, are produced from a range of different grades of steel bars via either a roll-formed (for smaller diameter balls) or upset forge process. The balls are designed for maximum abrasion resistance through optimising chemistry and the forging process to achieve high hardness levels. Grinding balls are manufactured in the following size ranges, via the associated forming process:

<table>
<thead>
<tr>
<th>Size (mm)</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>140</td>
<td>Upset Forge</td>
</tr>
</tbody>
</table>

Please refer to Donhad Non-Confidential Attachment A-3.3 and Moly-Cop Non-Confidential Attachment A-3.3 for copies of specification sheets for identified product sizes.

The Australian industry’s grinding balls in varying size ranges (i.e. from 25mm to 150mm) compete with the imported grinding balls from China in the range 22mm to 170mm.

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

Donhad and Moly-Cop consider that the imported grinding balls have similar characteristics as the grinding balls manufactured by the Australian industry. The Australian industry 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 exporters are in similar grades, weights, and physical appearance;
- **commercial likeness** – the imported goods compete directly with the locally produced goods and are interchangeable. The selling prices of the imported goods are similar to the selling prices of the goods manufactured by the local industry.
- **functional likeness** – the imported goods and the locally produced goods are used to perform the same function and have the same end-uses; and
- **production likeness** – the imported and locally produced grinding balls are manufactured via similar production processes.

The imported grinding balls and locally produced grinding balls are used in the same end-use applications. Grinding balls are used in comminution processes for the size reduction of mineral ores, cement materials and/or coal. The essential purpose of the grinding balls is to reduce the particle size of the relevant material for further downstream processing. The main grinding ball characteristics required to perform this task is for the ball to be spherical in shape (to maximise surface area contact,
and to tumble effectively in the mills) and to be manufactured from a material with a high density and hardness, such as steel, for effective comminution.

Some imported products such as high chrome cast grinding media have different chemical specifications that alter the abrasion resistance of these products. This type of product will typically demonstrate superior wear performance in application compared to forged steel grinding media, however the higher price for this type of grinding media will generally negate the wear performance in an overall cost benefit analysis. As such high chrome grinding media and forged steel grinding media can be considered like for like in application based on the total cost to operate.

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

The ANZSIC applicable to grinding balls is 2121 – Basic Ferrous Metal product Manufacturing, Iron and Steel Casting.

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

The manufacture of Moly-Cop grinding balls involves the production of liquid steel through electric arc furnace steelmaking at the Waratah, Newcastle facility using steel scrap as the primary raw material. The liquid steel, once tapped from the furnace into a ladle, undergoes a degassing operation to remove impurities. The molten metal is then cast into billet form which provides the feed material into the rolling process. The appropriate grade of billet is reheated to above xxxx°C and rolled through a series of roll-stands in a bar mill to produce lengths of bar with a circular cross-section, referred to as “grinding bar”.

The grinding bar is used as the feed material for the grinding media production process which involves forging of grinding balls through either a roll-forming or upset forge process (depending on the size of ball required).

The roll-formed forging process involves feeding round (bar) feedstock through an induction heating process and then between two specially designed opposing rolls that rotate continuously. The round bar is fed into the rolls at the correct position in the roll’s revolution. The rolls turn, acting to pull the work into the gap. As the work piece is fed through the grooved portion of the roll’s revolution, the compressive forces form the material into the desired shape. The material is forged by each of the grooves in the rolls and emerges from the end as a metal ball where it is then fed into a quenching & heat treatment process prior to packaging.

The upset forging process involves reheating feed bar material to xxxx°C. The bars are then fed into the upset forger where they are cut into specified lengths called “slugs” & forged between 2 shaped dies into the finished ball shape. The balls follow a cooling process & are then fed into a quench drum where they cool further to a specified temperature. Further tempering & heat treatment are dependent on specific grade & desired properties. Once these relevant processes are complete, the finished product is transferred for packaging.

A processing flow diagram is included at Moly-Cop Confidential Attachment A-3.6.

The Donhad forging process is very similar to the Moly-Cop operation. Donhad does not however have steelmaking or hot-rolling facilities. The feed material for the Donhad grinding media production process is grinding bar purchased from OneSteel which has been produced from billet sourced from the Blast Furnace/BOF Steelmaking operation at Whyalla that has subsequently been rolled through the bar mill at Moly-Cop’s Waratah facility.

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).
Donhad primarily purchases alloyed bar from the local Australian manufacturer, OneSteel. The alloyed bar is heated and formed into grinding balls.

Moly-Cop Australia uses domestically sourced scrap steel, with addition of required alloys, to cast high carbon steel billets at their Waratah, Newcastle facility. These billets are then hot rolled into round section bar suitable for feed to the grinding media manufacturing plant, also located at Waratah.

The feed bar is then re-heated before forming into grinding balls, either via a roll forming process or an upset forge machine.

Donhad’s process of forming grinding balls from hot rolled round steel bar is considered a substantial process of manufacture as it involves re-heating and forging of alloyed steel via a capital-intensive forming process. Moly-Cop employs a high energy, capital intensive and vertically integrated manufacturing process involving the melting and refining of scrap steel to produce steel billets, hot rolling of the steel billet into round steel bar feedstock and then reheating and forging of the feedstock into finished grinding media product.

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

Grinding balls are not considered processed agricultural goods.

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

Donhad and Moly-Cop are the only two Australian manufacturers of grinding balls.

A-4 The Australian market.

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

Locally manufactured and imported grinding balls (sometimes referred to as grinding media) are used in comminution processes for the size reduction of mineral ores, cement materials and/or coal. The essential purpose of the grinding balls is to reduce the particle size of the relevant material for further downstream processing.

The grinding balls are placed into cylindrically shaped grinding mills that are rotated on the horizontal axis to generate a tumbling action of the grinding balls within the mill. Process material is fed in through one end of the mill and as it passes through the mill, the tumbling of the steel grinding balls through the process material will crush and/or grind the particles to a smaller size.

The majority of grinding balls in Australia are used to grind mineral ores as part of the process that recovers valuable metals such as gold and copper from the ore.

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.
(i) **Sources of product demand**

The major source of demand for grinding balls on the Australian market is the mining industry, accounting for approximately 90 per cent of total sales. A significant proportion of the mining industry demand is into magnetite, copper and gold mines. Remaining market demand is into coal pulverising, the building industry and cement industry. The market is serviced from local supply and imports.

Australian manufacturers supplied approximately 80 per cent of the Australian market with the balance supplied by imports. Major sources of supply are from China (mainly forged grinding balls) and Thailand (high chrome cast balls). The high chrome cast balls perform the same function has the forged steel balls however they tend to sell at a premium to forged balls given their higher wear resistance.

The majority of grinding balls are sold into Western Australia (approximately xx per cent of total sales) with the balance sold into the next largest volume states of New South Wales and Queensland.

High chrome cast balls (approximately xx-xx per cent of total Australian market) imported from generally either the producer Magotteaux Co., Ltd of Saraburi in Thailand or Vega (AIA Engineering Limited of India) are also generally sold direct to the customer operations. There are some suppliers of hi-chrome and low-chrome balls in China.

(ii) **Market and distribution arrangements**

Grinding ball sales from within Australia are generally made direct to the end-user. Stocking depots are strategically located close to major mining regions to minimise delivery lead times.

Chinese imports are more often sold via Australian based distributors such as Boliver International or Orica Australia Pty Ltd. The original manufacturers of grinding media from China include Chanshu Feifan Metalwork Co., Ltd (“Feifan”), ME Long Teng Co., Ltd (“MELT”), Minmetals, and Hebei Gold Pro Metals Product Co. Ltd (“Goldpro”). There have also been instances where mining operations in Australia have procured their grinding ball requirements direct from the Chinese manufacturer.

The following schematic summarizes the supply chain to the Australian market:
(iii) Typical customers/consumers/end users

As indicated the typical customers of grinding balls are in the mining industry, including for use in magnetite, copper and gold mine processing applications, coal pulverizing, building industry (grinding plaster), and in the cement industry (dry grinding only).

The typical Australian-based grinding ball consumers value the source of grinding media on the basis of "total-cost-ownership", that is, they will generally assess the total value of product taking into consideration price, consumption rate and supply chain costs. Supply security and technical support may also be taken into consideration. Forged steel balls are generally consumed at a higher rate than hi-chrome balls and the importers typically set their prices low to compensate for the higher consumption rate that will most likely arise.

The high chrome cast balls will typically result in a lower consumption rate than forged steel grinding balls, due to the more wear resistant microstructure of the product, however the significant component of chromium in the product inflates the manufacturing cost.

(iv) Market segmentation

The Australian market is divided by consumption in the mining states of W.A., NSW and Queensland. Approximately xx per cent of total imports of grinding balls from China in 2014/15 were imported into W.A, with the majority of the balance into NSW and Queensland.

(v) Demand variability

The decline in mining investment in 2015 has not generally impacted the demand for grinding balls as the customers are well-established mines that have continued operation at, or near, maximum production output.

(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 grinding balls (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.

Grinding balls are considered the most convenient and cost-competitive fit-for-purpose media for grinding applications. Cylindrical shaped, low chrome cast grinding media (typically referred to as "Cylpebs") may also be used in grinding applications. Currently this type of media only represents approximately 1% of the grinding media market.

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

The applicants have completed Confidential Appendix A1 for the 2014/15 year (July to June).

5. Complete appendix A2 (Australian market).

The applicants have completed Confidential Appendix A2 – Australian Market for grinding balls.

6. Use the data from appendix A2 (Australian market) to complete this table:
**Indexed table of sales quantities***

<table>
<thead>
<tr>
<th>Period</th>
<th>(a) Your Sales</th>
<th>(b) Other Aust* Sales</th>
<th>(c) Total Aust* Sales (a+b)</th>
<th>(d) Dumped Imports</th>
<th>(e) Other Imports</th>
<th>(f) Total Imports (d+e)</th>
<th>Total Market (c+f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<td>2012/13</td>
<td>100</td>
<td></td>
<td>122.1</td>
<td>121.0</td>
<td>121.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>100</td>
<td>103.7</td>
<td>122.2</td>
<td>113.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/15</td>
<td>100</td>
<td>134.7</td>
<td>90.9</td>
<td>110.7</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. Years are July to June.
2. Australian sales data is combined Donhad Pty Ltd and Moly-Cop sales data from respective Appendix A6 sales;
3. Import Data obtained from Australian Bureau of Statistics (ABS) for classifications 7325.91.00/26 and 7326.11.00/29.

Demand for grinding balls in Australia has remained stable across the four-year injury analysis period. Imports of grinding balls from China have increased to be 35 per cent above the levels of 2011/12. In the years subsequent to 2011/12 imports of grinding balls from all other sources have retracted, as has the Australian industry’s sales.

**A-5 Applicant’s sales.**

1. **Complete appendix A3 (sales turnover).**

   The applicant companies Donhad and Moly-Cop have completed Confidential Appendix A3 respectively. The individual company Appendix A3 data has not been aggregated for the purposes of this application.

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

   **Donhad Pty Ltd**

   **Indexed table of Applicant’s sales quantities***

<table>
<thead>
<tr>
<th>Quantity</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>All products</td>
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<tr>
<td>Australian market</td>
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</tr>
<tr>
<td>Export market</td>
<td>100</td>
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</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Like goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian market</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export market</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Indexed table of Applicant’s sales values***
Donhad’s domestic sales of grinding balls were lower in 2014/15 than in the base year.

**Moly-Cop Pty Ltd**

*Indexed table of Applicant’s sales quantities*

<table>
<thead>
<tr>
<th>Quantity</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian market</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export market</td>
<td>100</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Like goods</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Australian market</td>
<td>100</td>
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<td></td>
</tr>
<tr>
<td>Export market</td>
<td>100</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
1. Moly-Cop has not completed quantities for “All Products” as goods are sold in differing measurements e.g. no. of items, weights, etc.

*Indexed table of Applicant’s sales values*

<table>
<thead>
<tr>
<th>Value</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All products</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian market</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export market</td>
<td>100</td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>100</td>
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<tr>
<td><strong>Like goods</strong></td>
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</tr>
<tr>
<td>Australian market</td>
<td>100</td>
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</tr>
<tr>
<td>Export market</td>
<td>100</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Moly-Cop’s Confidential Appendix A3 data confirms that the company has experienced a decline in sales volumes and revenues for grinding balls on the Australian domestic market in 2014/15.
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.

Donhad and Moly-Cop do not have any internal transfers of grinding balls. Moly-Cop has imported minor volumes from Indonesia.

4. Complete **appendix A4** (domestic sales).

The applicants have completed Confidential Appendix A4 for the period 1 July 2014 to 30 June 2015.

Please refer to the respective schedules for each of the applicant companies.

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.

Donhad does not have any related party sales to associated companies. Moly-Cop sells grinding media to Arrium's Iron Duke Mining operation in South Australia.

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

The applicant companies do not sell via distributors or resellers. All sales are direct to end-user.

7. Provide copies of any price lists.

Donhad does not utilise price lists. Moly-Cop [*commercially sensitive pricing details*] has included price lists for eight customers – refer to Moly-Cop Confidential Attachment A-5.7. [*Commercially sensitive pricing details*].

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.

The sales in Confidential Appendix A4 for the respective applicant companies are net of any rebates and/or discounts.

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.

Donhad and Moly-Cop have each selected two separate domestic sales per quarter in their respective Confidential Appendix A4 and included all commercial documentation with this application. Please refer to Donhad Confidential Attachment A-5.9 and Moly-Cop Confidential Attachment A-5.9.
A-6 General accounting/administration information.

Donhad

1. Specify your accounting period.

Donhad’s accounting period is 1 January to 31 December.

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

The accounting records for Donhad are held at 18-22 Jackson St, Bassendean, Perth W.A.

The statutory accounts are held at Level 3, Building A, 11 Talavera Road, Macquarie Park, NSW 2113. Note that Donhad accounts are consolidated into the Valmont Industries ANZ accounts.

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

Donhad’s Chart of Accounts has been provided in electronic form along with this application. Donhad’s accounts are consolidated into Valmont Industries ANZ accounts. Donhad’s monthly management reports are referred to as “ScoreCards” and are included at Donhad 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.

Refer above.

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

The accounting practices of Donhad 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;

  In accordance with AFS.

- provisions for bad or doubtful debts;
In accordance with AFS.

- **the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods;**
  
  Production related general expenses are allocated to the cost of goods sold, but are not material. Interest is not allocated to the cost of production, and is also not material.

- **costing methods (eg by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes;**
  
  Costing is done per tonne per product per site and is based on tonnes of material in the case of material and production hours for overheads. Production costs are allocated to cost centres by production line and allocations are done on the basis of actual use.

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

- **valuation methods for scrap, by-products, or joint products;**
  
  Scrap is valued at the cost of raw materials net of scrap sales.

- **valuation methods for damaged or sub-standard goods generated at the various stages of production;**
  
  The cost of damaged goods are part of the cost of production of the goods.

- **valuation and revaluation of fixed assets;**
  
  Fixed assets are carried at cost less accumulated depreciation and are reviewed for useful life periodically.

- **average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;**
  
  Straight line depreciation method is used for all fixed assets.

- **treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items; and**
  
  In accordance with AFS.

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

### 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.
There have been no changes.

Moly-Cop

1. Specify your accounting period.

Moly-Cop’s accounting period is 1 July to 30 June.

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

The financial records for Moly-Cop are located at the premises nominated in Section A-1 above.

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

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

   4. the company overall.

   Moly-Cop’s Chart of Accounts has been provided in electronic form along with this application. Arrium Limited’s 2014 Annual Report is enclosed at Moly-Cop Non-Confidential Attachment A-2.9. Internal Management Reports for September and December 2014, and March and June 2015 are enclosed at Moly-Cop 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.

   The accounts of Arrium Limited (the parent company of Moly-Cop) are audited annually. This question is therefore not applicable.

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

   The accounting practices of Moly-Cop 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 the consolidated entity 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 costs.

• 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.

Donhad and Moly-Cop have each completed Confidential Appendices A6.1 (domestic sales) and Confidential Appendix A6.2 (export sales). Please refer to these schedules.

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.

It is estimated that the Australian industry manufacturing like goods to imported grinding balls from China (both cast and forged grinding balls) commenced to experience injury in 2013/14.

2. Using the data from appendix A6 (cost to make and sell), complete the following tables for each model and grade of your production.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Years are July to June;
2. Data from Line 8 of Industry CTM&S – Domestic Production (includes Moly-Cop export production) plus Donhad export production – Grinding Balls (Confidential Appendix A6.1).

The Australian industry has experienced a downturn in domestic production volumes of grinding balls in successive years 2013/14 and further again in 2014/15.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Years are July to June;
2. Data from Line 47 of Industry CTM&S – Domestic Sales – Grinding Balls (Confidential Appendix A6.1).

The Australian industry has reduced production costs to remain competitive with imports of grinding balls across the identified injury period. However in 2014/15, domestic selling prices have fallen at a much faster rate than the industry has been able to reduce costs.
### Index of price variations (model, type, grade of goods)

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
<td>100</td>
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</tr>
</tbody>
</table>

**Notes:**
1. Years are July to June;
2. Data from Line 54 of Industry CTM&S – Domestic Unit Selling Prices– Grinding Balls (Confidential Appendix A6.1).

The applicants have reduced domestic selling prices in response to increasing export volumes of Chinese cast and forged grinding balls in 2013/14 and 2014/15. Reductions in selling prices have been necessary to hold sales volumes at key customer accounts.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
<td>100</td>
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</tbody>
</table>

**Notes:**
1. Years are July to June;
2. Data from Line 58 of Industry CTM&S – Domestic unit profit – Grinding Balls (Confidential Appendix A6.1).

The Australian industry’s profit on domestic sales of grinding balls commenced to decline in 2013/14 and has reduced further in 2014/15 as export volumes of Chinese grinding balls to Australia have increased and the Australian industry has reduced selling prices at key customers to retain volumes.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
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<td></td>
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</tr>
</tbody>
</table>

**Notes:**
1. Years are July to June;
2. Data from Line 60 of Industry CTM&S – Domestic unit profitability – Grinding Balls (Confidential Appendix A6.1)

The unit profitability of the Australian industry reflects the trend in unit profit – declines are apparent in 2013/14 and 2014/15.
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.

**Donhad**

Donhad’s Confidential Appendix A7 identifies injury indicators for Revenue, return on investment, employment levels and capacity utilisation as all being significantly reduced in 2013/14 and 2014/15 versus the benchmark 2011/12 year.

Please refer to Donhad’s Confidential Appendix A7 data.

**Moly-Cop**

Moly-Cop is able to demonstrate a decline in a range of other economic indicators in 2014/15, including total revenues, returns on investment, capacity utilisation, and employment levels. Each of these indicators relate to the goods the subject of this application.

*Index of Revenues*

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
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<th>2013/14</th>
<th>2014/15</th>
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</thead>
<tbody>
<tr>
<td>Index*</td>
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<td></td>
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</tr>
</tbody>
</table>

**Notes:**

1. Years are July to June;
2. Data from Moly-Cop Confidential Appendix A7.

Moly-Cop’s revenues declined in 2014/15.

*Index of Return On Investment*

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
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<tbody>
<tr>
<td>Index*</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

1. Years are July to June;
2. Data from Moly-Cop Confidential Appendix A7.

Moly-Cop has experienced a deterioration of its return on investment in 2013/14 and 2014/15 due to the decline in margin on its domestic sales of grinding balls. Part of the significant reduction in 2013/14 can be attributed to restructuring of the business, however, the level in 2014/15 is down by 85 per cent of that achieved in 2011/12.

*Index of Capacity Utilisation*

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index*</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

1. Years are July to June;
2. Data from Moly-Cop Confidential Appendix A7.
### Index of Employment

<table>
<thead>
<tr>
<th>Period</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
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<tbody>
<tr>
<td>Index*</td>
<td>100</td>
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</tbody>
</table>

**Notes:**

1. Years are July to June;
2. Data from Moly-Cop Confidential Appendix A7.

Mol-Cop has reduced its employment levels in 2014/15.
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.

The Australian market for grinding balls has remained relatively stable across the four year injury analysis period from 2011/12. The Australian industry’s sales declined in 2012/13, remained at that level in 2013/14 and improved marginally in 2014/15.

The dumped imported grinding balls from China increased in 2012/13 (along with imports from other sources) and displaced sales of local production by the Australian industry. There was a retraction in Chinese imports in 2013/14, however, in 2014/15 there was a 30 per cent increase in grinding ball imports from China. The Chinese grinding balls were able to displace imports from other sources, however, as identified below, the increase in Chinese import volumes can be attributed to the reductions in selling prices that undercut the Australian industry’s selling prices (and, presumably, the selling prices for imported grinding balls from other source countries including, Thailand).

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 increase in dumped imports from China in 2014/15 can be attributed to instances of price cutting from Chinese suppliers of grinding balls that were observed in the 2013/14. Whereas the industry can demonstrate instances of price pressures from Chinese grinding ball suppliers in earlier years, the prevalence of price undercutting and responses from the Australian industry suppliers intensified from early 2014.

In 2014/15 the Australian industry members have reduced selling prices for grinding balls in response to competitive offers that have undercut the Australian industry. In some instances the price undercutting has been as much as xx per cent below an Australian industry participant (at xxxxxxxxxx, August 2014), and others the Australian industry has been advised that it is as much 20 to 40 per cent above the competitive Chinese offer (xxxxxxx, February 2015).

Donhad has summarised examples of where it has encountered pricing pressures from dumped imported Chinese grinding balls (refer Donhad Confidential Attachment A-9.2) where it is noted that the large Chinese exporter ME ElecMetal that sources grinding balls from ME Long Teng has displaced the incumbent supplier through price undercutting.

Moly-Cop has documented the revenue impact of its responses to pricing pressures from the dumped Chinese grinding balls (refer Moly-Cop Confidential Attachment A-9-2), where it lost volumes to certain Chinese producers (e.g. MinMetals and other Chinese exporters that includes ME Long Teng). The Australian industry has highlighted customers where it has reduced prices to retain volumes, in some instances by approximately xx per cent (i.e. xxxxxx).

Moly-Cop has also included detailed correspondence reflecting negotiations at key customers supporting the summary of pricing impacts from Chinese grinding balls in 2014/15. These documents are included at Moly-Cop Confidential Attachment A-9.2 also.

The pricing pressures experienced by the Australian industry – in light of the relative stability in size of the Australian market – can be attributed to an increase in import supply by 30 per cent for Chinese grinding balls in 2014/15. There has been a subsequent flow-on effect to the Australian industry’s profit and profitability in 2014/15, with the Australian industry’s profit retreating by more than xx per
cent since 2012/13 (with reductions in profitability on a parallel trend to industry profit).

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).**

   The reduced sales volumes on the Australian market and overall reduction in production utilisation in 2014/15 has contributed to an increase in costs from 2012/13 to 2014/15. The intervening year is influenced by restructuring costs undertaken by Moly-Cop, however, some of the benefits from the restructuring have aided an improvement in Moly-Cop’s cost-to-make-and-sell CTM&S in 2014/15. Despite this, the industry’s CTM&S grinding balls in 2014/15 is higher than that of 2012/13, and the Australian industry’s selling prices over this period have declined by 4.5 per cent.

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 applicant companies have also sustained injury in the form of economic indicators other than the more notable price and profit measures of economic performance. Donhad and Moly-Cop can demonstrate declines in each of the following indicators since 2011/12, namely:
   
   - revenues;
   - returns on investment;
   - capacity utilisation; and
   - employment levels.

   Please refer to the individual company Confidential Appendix A7 data in support of these trends.

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

   The applicant companies consider the 30 per cent growth in import volumes of grinding balls from China in 2014/15 – with ME Long Teng as a key supplier in 2015 – have had a demonstrable and “material” impact on the financial performance of the industry in 2014/15.

   The industry’s profit in 2014/15 has declined by approximately 57 per cent since 2011/12 as the local industry seeks to reduce selling prices to retain sales volumes. As represented in the Australian industry’s sales volumes this strategy has held volumes in 2014/15 at the prior year’s levels, however, it is unlikely that the Australian industry can continue to match falling prices (despite the devaluation of the Australian currency).

   The profit impact in 2014/15 is considered material in terms of both the total annual domestic sales revenue and the 57 per cent decline from the level of 2011/12. The actual profit decline in 2014/15 when contrasted with 2012/13 is greater than 57 per cent, increasing the “materiality” of the injury that can be attributed to the dumped imports.

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.**

   As indicated, the total size of the Australian market has remained relatively stable over the four-year injury period from 2011/12. It is the applicants’ view that there have been no other factors that can be attributed to the deterioration in the economic performance of the Australian grinding balls industry other than the competitive pricing pressures of the dumped imports (in a market of stable overall
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 appendix A2 (Australian market), appendix A6 (cost to make and sell), and appendix A7 (other economic factors) to support your analysis.

The applicant companies are requesting the imposition of anti-dumping and countervailing measures on exports of cast and forged grinding balls from China following the recent upsurge in Chinese export volumes to Australia in the 2014/15 year. The Australian industry members had encountered increased price pressures including price undercutting in 2014 and continuing in 2015, that necessitated responses to reduce local industry prices in order to retain domestic sales volumes. The applicants’ are able to demonstrate injury in the following forms in 2014/15: price depression, price suppression, reduced revenues, reduced profit and profitability. Additionally, the industry has experienced declines in return on investment, employment levels and capacity utilisation.

The recent pricing pressures associated with higher Chinese volumes have led to reduced import volumes from other supplying countries (e.g. Thailand). However, the 30 per cent increase in Chinese exports to Australia in 2014/15 accompanied with continued price undercutting will likely result in lost sales volumes and market share for the Australian industry in 2015/16. As it presently stands, the Australian industry has experienced a decline in profit of 57 per cent since 2011/12 (of greater magnitude when contrasted with 2012/13), declining returns on investment, and reduced employment levels directly involved in the industry.

It is the applicants’ position that the price undercutting by the Chinese exporters (in particular, ME Long Teng) have been made possible as the industry benefits from artificially low-priced raw material and energy inputs in China. This application establishes that the artificially low raw material and energy input prices are due to subsidies that benefit the steel billet/grinding ball manufacturers in China and as a result, the exports of Chinese grinding balls are at subsidised and dumped prices.

Chinese imports of grinding balls account for largest share of total imports in Australia in 2014/15 and this position is anticipated to grow further unless an investigation is commenced into the dumping and subsidisation of the goods exported from China.

By this application, Donhad and Moly-Cop request the Anti-Dumping Commission to formally commence an investigation into the dumping and subsidisation allegations in respect of exports of Chinese grinding balls. Relief from the injurious exported grinding balls is also requested from Day 60 of the investigation so that the Australian industry is not subjected to any further material injury.
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: 1300 884 159
Fax: 1300 882 506
Email: clientsupport@adcommission.gov.au
B-1 Source of exports.

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

The country the subject of the dumped and subsidised exports the subject of this application is the People’s Republic of China ("China").

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

The applicants understand that the country of export of the subject goods is also the country of origin.

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.

China is not considered a ‘non-market economy’ country or an ‘economy-in-transition’ country under Australia’s Anti-Dumping System.

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

- producers of the goods exported to Australia

The following companies are understood to be producers and exporters of grinding balls exported to Australia from China:

(i) Changshu Feifan Metalwork Co., Ltd
No 1, Beixin Road
Changkun Industrial Park, Changshu City
China Changshu 215542
Tel: 86 512 5235 5602
Fax: 86 512 5235 5602

Changshu Feifan Metalwork Co., Ltd has an annual sales turnover of up to US$75M. The company manufactures grinding balls in the size range 25mm to 125mm. The annual production capacity of the production facility is 150,000 tonnes.

(ii) Hebei Goldpro Metals Product Co., Ltd
Industry Zone
Handan, Hebei 057650 China
Tel: 86 58 31 530665
Fax: 86 310 8746020

Hebei Goldpro was established in 2010 and has a turnover of approximately US$24M. The company manufactures forged and cast grinding balls in the size range 30mm to 120mm. The company operates a 200,000 tonne production facility. The company’s website also indicates that Hebei Goldpro sells approximately 20 per cent of its products domestically.

(iii) ME Long Teng JV
Changshu, Suzhou, Jiangsu
China

Is a Joint Venture facility with ME Elecmetal and Changshu Longteng Special Steel Co., Ltd as JV partners.
(iv) Changshu Long Teng Special Steel Co., Ltd
No. 118 Hualain Road
Meili Town, Changshu
Jiangsu, China 215511
Tel: 86 512 5266 9255

The producers of the goods manufactured in China are understood to also be the exporters of the grinding balls to Australia.

- The applicants understand that some customers are importers of the dumped exports from China, along with the following known industry importers:

  (i) Boliver International
      P.O. Box 1222
      Booragoon W.A. 6954
      Tel: (08) 9316 2100

  (ii) Sino Grinding Industries
       799-807 Springvale Road
       Mulgrave Victoria 3170
       Tel: (03) 9545 0199

  (iii) Orica Australia Pty Ltd
        1 Nicholson Street
        Melbourne Victoria 3001
        Tel: (03) 9665 7111
        Fax: (03) 9665 7937

  (iv) Amtrade International Pty Ltd
       Level 6, 574 St Kilda Road
       Melbourne, Victoria 3004
       Tel: (03) 9229 9229
       Fax: (03) 9229 9290

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.

The following Table details the import volumes of grinding balls (forged and cast) into Australia during the most recent years 2011/12 to 2014/15.

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>% of Total in 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>21696</td>
<td>26493</td>
<td>22502</td>
<td>29213</td>
<td>54.9%</td>
</tr>
<tr>
<td>Thailand</td>
<td>22293</td>
<td>26913</td>
<td>27423</td>
<td>19031</td>
<td>35.8%</td>
</tr>
<tr>
<td>India</td>
<td>1646</td>
<td>2411</td>
<td>2011</td>
<td>2030</td>
<td>3.8%</td>
</tr>
<tr>
<td>Other</td>
<td>2410</td>
<td>2556</td>
<td>2762</td>
<td>2902</td>
<td>5.5%</td>
</tr>
<tr>
<td>Total</td>
<td>48045</td>
<td>58373</td>
<td>54698</td>
<td>53176</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ABS data – refer Confidential Attachment B-1.5.

The import volumes of grinding balls from China in 2014/15 exceed the 3 per cent negligible volume threshold.
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.

As this application does include an application for countervailing measures, the applicants have demonstrated that the volume of imports from China in 2014/15 exceeds the 4 per cent negligible volume threshold.

**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.**

   The ABS FOB prices of the imported grinding balls (forged balls and cast balls shown separately) during 2014/15 are detailed in Table B-2.1 below.

   **Table B-2.1 – Forged and cast balls FOB export price data ex China 2014/15**

<table>
<thead>
<tr>
<th>Month</th>
<th>Forged Balls</th>
<th>Cast Balls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>A$FOB Value</td>
</tr>
<tr>
<td>July 14</td>
<td>378</td>
<td>360444</td>
</tr>
<tr>
<td>Aug 14</td>
<td>92</td>
<td>76949</td>
</tr>
<tr>
<td>Sep 14</td>
<td>807</td>
<td>676395</td>
</tr>
<tr>
<td>Oct 14</td>
<td>385</td>
<td>393646</td>
</tr>
<tr>
<td>Nov 14</td>
<td>357</td>
<td>331530</td>
</tr>
<tr>
<td>Dec 14</td>
<td>279</td>
<td>276520</td>
</tr>
<tr>
<td>Jan 15</td>
<td>140</td>
<td>128205</td>
</tr>
<tr>
<td>Feb 15</td>
<td>513</td>
<td>535713</td>
</tr>
<tr>
<td>Mar 15</td>
<td>619</td>
<td>679160</td>
</tr>
<tr>
<td>Apr 15</td>
<td>855</td>
<td>1025778</td>
</tr>
<tr>
<td>May 15</td>
<td>1105</td>
<td>1279484</td>
</tr>
<tr>
<td>Jun 15</td>
<td>824</td>
<td>1048938</td>
</tr>
<tr>
<td>Jul 15</td>
<td>1031</td>
<td>1302723</td>
</tr>
<tr>
<td>Aug 15</td>
<td>9,250</td>
<td>9057773</td>
</tr>
</tbody>
</table>

Source: ABS

It is the applicant’s understanding that a significant proportion of forged grinding balls exported from China may be misclassified as cast balls. The import volumes for cast balls from China appear to be higher than is apparent in the market and the price of cast balls compared to forged balls reflected in the import statistics does not align with the applicants’ understanding of relative pricing for these goods.

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

   The FOB prices are Free-On-Board ship, inclusive of inland freight to wharf in country of export (i.e China).
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.

The applicants do not have any reason to believe that the export prices as declared in ABS import clearance data are unreliable (apart from potential misclassification between tariff codes for cast and forged balls).

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.

As the applicant companies are relying on published ABS data, this question is not applicable.

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.

Introduction

The applicants consider that the domestic prices of grinding balls in China are not suitable for the determination of normal values as selling prices in the local domestic industry are distorted due to the influence of Government of China (“GOC”) on key raw material and energy inputs used in the manufacture of grinding balls.

The Commission typically determines normal values for exported goods where there is a sufficient volume of domestic sales made in the ordinary course of trade in arm’s length transactions (subsection 269TAC(1) of the Customs Act 1901 refers). The Commission is also required to take account of the provisions contained in subsection 269TAC(2)(a) that establishes circumstances where the domestic selling prices under s.269TAC(1) may not be suitable for determining normal values. Subsection 269TAC(2)(a) states:

“…because of the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1)… the normal value of goods exported to Australia cannot be ascertained under subsection (1)”.

In considering whether domestic sales are not suitable for use in determining normal values under ss.269TAC(1) because of the situation in the market of the country of export, the Commission may have regard to:

(i) whether the domestic prices are artificially low; or
(ii) whether there are other conditions in the market that render the sales in the exporting market not suitable for determining prices under s.269TAC(1).

The Dumping and Subsidy Manual (at Section 7.3) indicates that government influence on prices and/or costs could be one cause of “artificially low pricing”. Government influence means influence from any level of government.

GOC influence on domestic steel industry

The Commission (and its predecessor Australian Customs and Border Protection Service (ACBPS)) has previously determined that the Chinese steel industry is subject to significant government
influence. ACBPS has previously determined in Investigation No. 177 that domestic selling prices for Hollow Structural Sections ("HSS") sold in China were artificially low due to the influence of GOC macroeconomic policies and certain "implementing measures" that enforce the intended policies and objectives for the Chinese steel industry.

ACBPS conducted subsequent investigations into Chinese steel industry products galvanized zinc coated steel and aluminium zinc coated steel (Report No. 190) and hot plate steel (Report No. 198) and similarly determined that the goods were sold at artificially low prices due to significant government influence.

The applicants note that the Commission has recently published Statement of Essential Facts ("SEF") No. 285 in respect of the review of measures applicable to a Chinese exporter of HSS, Dalian Steelforce Co., Ltd. In the Investigation No. 285 review, the exporter challenged whether the Commission could continue to consider suppliers of the raw material input into HSS production – hot rolled coil ("HRC") – as "public bodies". This issue arose following appeals made to the Anti-Dumping Review Panel ("ADRP") in respect of the findings in Report No. 190 on grounds that the HRC suppliers in China should not be considered public bodies due solely to ownership of the enterprises by State Invested Enterprises ("SIEs"). However, in SEF No. 285, the Commission has confirmed that the level of influence of the GOC on HRC producers in China extends beyond significant GOC ownership in the sector and extends to control of enterprises in the HRC sector.

The Commission’s views in SEF No. 285 are relevant to the current application on grinding balls. The raw material steel billet used in the bar rolling process immediately prior to the manufacture of grinding balls is the same raw material used predominantly in China in the manufacture of narrow strip. It is the selling prices for the steel billet produced within the Chinese Steel Industry that are significantly influenced by the GOC’s macroeconomic policies and implementing measures that result in artificially low steel billet prices in China. Where steel billet is used as a raw material in the manufacture of subsequent products (including grinding balls) the domestic selling prices for these further value-added steel manufactured goods is also artificially low.

The steel billet accounts for as much as 80 per cent of the production cost of grinding balls in China.

Macroeconomic policies of the GOC

In its assessment of the GOC influences on the Chinese Iron and Steel Industry – which includes the mining of steel raw materials through to the manufacture of HSS and other metal products – the ACBPS examined:

1. Broad, overarching GOC macroeconomic policies and plans that outline aims and objectives for the Chinese iron and steel industries; and
2. More specific ‘implementing measures’ that go towards actively executing the aims and objectives of these policies and plans.

The Broad Macroeconomic Policies examined by ACBPS are detailed in Trade Measures Report No. 177. These include the following:

- the National Steel Policy – NSP (promulgated on 8 July 2005);
- the National Five Year Plans, including the specific 12th Five Year Plan for the Iron and Steel Industry;
- Regional Five Year Plans; and
- the BluePrint for Steel Industry Adjustment and Revitalisation (the Revitalisation Plan).

ACBPS concluded that the 11th Five Year Plan, the NSP and the Revitalisation Plan “comprehensively and collectively outline the GOC’s macroeconomic policy for the Chinese iron and steel industry from 2005-2011.” Importantly, however, the GOC’s plans for the sector extended beyond 2011 with the 12th National Five-Year Plan and the 12th Five-Year Plan of the Iron and Steel Industry.

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1 Trade Measures Report No. 177, Appendix A, Part II, P. 118.
2 Trade Measures Report No. 177, Appendix A, Part II, P. 118, 129
The ACBPS also identified “multiple GOC policies, plans and measures issued prior to the NSP in 2005 have similar goals and objectives to the NSP, 11th National FYP and Revitalisation Plan”. These programs are listed in Trade Measures Report No. 177 at P. 126.

It was noted by the ACBPS that the iron and steel industry had been the focus of the GOC since the 1990s. The importance of the iron and steel industry to the Chinese economy cannot be understated, with the macroeconomic plans and policies tailored to aggressively expand the industry. The Revitalisation Plan identifies the iron and steel industry as a “pillar industry”:

“Steel industry is an important mainstay industry for national economy which is widely influenced to the whole society, highly interrelated between industries, and significantly stimulated the consumption, and plays a crucial role in the economy, social development, finance and taxation, national defense (sic) construction and employment stability.”

The GOC identified the iron and steel industry as a critical sector that aids the growth of the Chinese economy.

Implementing measures of the GOC

In Trade Measures Report No. 177 the ACBPS was satisfied that the aims, objectives and intent of the macroeconomic policies applicable to the Chinese iron and steel industry were “actively implemented and monitored by the GOC, and adhered to by Chinese steel enterprises”.

ACBPS also observed that:

“...the GOC has issued numerous sub-policies, directives, notices, etc. and imposed multiple measures since the promulgation of the NSP, the 11th National FYP and the revitalization Plan that appear to go towards achieving at least some of the goals and aims (of the GOC) in these documents. These include:

• measures to eliminate backwards production capacity and encourage technical and environmental improvement;
• market entry criteria and industry operating conditions;
• measures to curb “production capacity redundancy”;
• guiding industry mergers and restructuring;
• import and export measures on coke; and
• subsidies in the iron and steel industry.”

The ACBPS identified a range of “implementing measures” pursued by the GOC to deliver on the identified macroeconomic policies. These are detailed at Section II(III) of Appendix A to Trade Measures Report No. 177. Additional implementation by State Invested Enterprises (“SIEs”) was also examined by ACBPS with reference made to Article 6 of the Law of the People’s Republic of China on the State-Owned Assets of Enterprise which requires:

A state-invested enterprise making investment shall comply with the national industrial policies, and conduct feasibility studies according to state provisions; and shall conduct a transaction on a fair and paid basis, and obtain a reasonable consideration (emphasis added).

ACBPS confirmed that publicly available evidence confirmed that large Chinese SIEs in the iron and steel sector complied with the above Article, and played a leading role in implementing the aims and objectives of the GOC’s macroeconomic policies and directives including the NSP, the Revitalisation Plan and other GOC policies. ACBPS identified confirmation of the implementation of the GOC policies in the SIE BaoSteel’s 2006 annual report.

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3 Trade Measures Report No. 177, P.126.
4 Trade Measures Report No. 177, P. 128
5 Trade Measures Report No. 177, P. 129.
6 Trade Measures Report No. 177, P.129 to 154.
ACBPS concluded in its assessment of the GOC’s macroeconomic policies and directives, and the implementation of the policies that it considered “...there is extensive evidence on the record to show that the GOC plays a significant role in the iron and steel industry in China, through its various policies, plans and implementing measures (including through the implementation of these policies by iron and steel industry SIEs as public bodies”).

It is further noted that the ACBPS’s comments in Trade Measures Report No. 190 (dated April 2013) that investigated exports of zinc coated (galvanized) steel and aluminium zinc coated steel exported from China. In report No. 190, the ACBPS found that the price of HRC (the substrate used in the coated steel products) and other major raw materials (i.e. coking coal, coal, iron ore, scrap metal) in China was influenced by the GOC throughout the investigation period (1 July 2011 to 30 June 2012). ACBPS stated:7

“Direct intervention by the GOC in the form of imposition of taxes, tariffs, export quotas and other indirect measures including the GOC’s overarching macroeconomic policies and plans, such as the National Steel policy, a Blueprint for Steel Industry Adjustment and Revitalisation Directory Catalogue and 12th Five Year Plan have impacted on the supply and distorted the cost of the raw materials coke, coking coal, iron ore and scrap metal, which in turn distorted the price of HRC.

(ACBPS) considers that the most influential factors were the” 40% export tax on coke and scrap metal; and the 0% VAT rebates on HRC, coke, coking coal and iron ore. These factors have led to increase in the domestic supply (of) those goods, moving the supply curve to the right by distorting the costs of upstream raw materials to produce HRC. As such the price of HRC used in the production of galvanized steel and aluminium zinc coated steel in China was also distorted.”

The impact of these measures is to suppress domestic selling prices for steel in China so that the selling prices are lower than they otherwise would be when contrasted with the selling prices of steel manufactured in a non-intervention based economy.

Evidence of GOC intervention in Chinese Iron and Steel Industry

The GOC influences and intervenes in the Chinese iron and steel industry via the issuance of a broad range of macroeconomic polices that develop the shape and form of the industry in China. The key macroeconomic policies include;

(i) the National Steel Policy (NSP)

Referred to by ACBPS in Report No. 177 – Appendix A – Assessment of Market Situation, Part II – and reflects the GOC’s promulgations included in Order No 35 of the National Development and Reform Commission detailing Policies for Development of Iron and Steel Industry8. The NSP outlines the aims and objectives for reforming the iron and steel industry, including maintaining production capacity, increasing industry concentration through mergers and acquisitions, technological upgrading with new standards for the steel industry, measures to reduce material and energy consumption and improve environmental protection, and government supervision and management in the steel industry.

(ii) Blueprint for the Steel Industry Adjustment and Revitalisation

The BluePrint for the Chinese Iron and steel industry was promulgated on 20 March 2009 as the “Blueprint for the Adjustment and Revitalisation of the Steel Industry ("2009 Steel Revitalisation/Rescue Plan")9 and was issued by the State Council of the People’s Republic of China. This Plan was the GOC’s

“Response to the international financial crisis, the implementation of the CPC Central Committee and State Council to maintain growth, expand domestic demand, readjusting the structure of the overall requirements, to ensure the smooth operation of the steel industry, speed up structural adjustment, promote industrial upgrading, especially the preparation of planning and as iron and steel industry comprehensive response to the action program/The planning period of 2009-2011.”

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7 Trade Measures Report No. 190, P. 161.
8 Refer Non-Confidential Attachment B-3.1.1.
9 Refer Non-Confidential Attachment B 3.1.2.
It is clear from the objectives of the Revitalisation Plan that it was intended to build on the objectives of the 2005 promulgated NSP and to aid China in the period of the global financial crisis.

The applicants understand that there are also provincial versions of the 2009 Steel Revitalisation Plan. For example, the *Shandong Province Iron and Steel Industry Restructuring and Revitalisation Plan*\(^{10}\) reflects the objectives of the GOC’s 2009 Revitalisation Plan and reflects the requirements of the Shandong Province’s iron and steel industry.

(iii) National and regional five year plans and guidelines

At the central government level, the GOC develops and issues five-year plans (FYPs) for the economic and social development of the Chinese economy. China’s National Development Reform Commission (“NDRC”) plays a primary role in the development of these FYPs and “they are debated and given final approval by the National People’s Congress (NPC), the Chinese legislature and highest GOC body. Each FYP incorporates the ‘suggestions’ of the Central Committee of the Communist Party of China.

The Guidelines of the 12\(^{\text{th}}\) Five-Year (2011-2015) Plan of the People’s Republic of China for the National Economic and Social Development (the 12\(^{\text{th}}\) National FYP) was approved by the NPC in March 2011 and applies to the iron and steel industry for the current application. The FYPs contain principles and objectives for the development of the Chinese economy for the subsequent five-year period, as well as for the specific development aims for regions, social groups and industries/sectors in China.

The 12\(^{\text{th}}\) Five-Year Plan of the Iron and Steel Industry\(^{11}\) operates in conjunction with the 12\(^{\text{th}}\) National FYP, identifying specific key objectives including the acceleration of products upgrading and the elimination of backward production capacity. The FYPs are also enacted at the provincial level and also reflect the GOCs objectives of the national FYP as they apply to specific regions/provinces.

Report No. 177 identifies the provincial FYPs for Hebei Province, Shandong Province\(^{12}\), Jilin Province and Tianjin City. In respect of the Shandong Province, the Eleventh FYP for the Economic and Social Development of Shandong Province requires that it will:

> “Strictly execute the state iron and steel policies, encourage combination and restructuring, enhance industrial concentration, develop high-efficiency steel products, consolidate large-scale iron and steel bases, strengthen market competiveness, and by 2010, the sales revenue of the material industry will reach 760 billion.”

The Statements of the provinces concerning their FYPs align with those of the National Government.

(iv) Value added tax (VAT)

The GOC provides various VAT export rebates on various steel products to encourage/discourage exports. The applicable VAT export rebate is dependent upon the GOC’s determination. For encouraged exports, the VAT is high – e.g. 13 per cent. For discouraged products, there is a zero VAT rebate, and it is possible that export taxes may be applied.

The GOC’s export VAT policies impact the export prices of grinding balls. ACBPS\(^{13}\) has previously determined that the GOC varies import duties, VAT export rebates, quotas on certain raw material inputs into steel production that directly impact the raw material price of billet, the key raw material input in the manufacture of grinding balls. Key inputs that are influenced by the GOC measures include the following:

(i) coking coal;
(ii) coke;
(iii) iron ore; and

\(^{10}\) Refer Non-Confidential Attachment B-3.1.3

\(^{11}\) See Non-Confidential Attachment B-3.1.4.

\(^{12}\) Refer Non-Confidential Attachment B-3.1.5.

\(^{13}\) Most recently in Report No. 198  Hot Rolled Plate Steel.
The GOC applies varying rates of tariff and taxes on coke and coking coal, summarized in the following tables.

Table 1: Summary of taxes and tariff rates applicable to coke between January 2008 and December 2012.

<table>
<thead>
<tr>
<th></th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export VAT Rebates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coke</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Export Tariff Rates</td>
<td>Jan to Aug 2008 (%)</td>
<td>Aug to Dec 2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
</tr>
<tr>
<td>Coke</td>
<td>25</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Import Tariff Rates</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
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<tr>
<td>Coke</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Export Quotas</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
</tr>
<tr>
<td>Coke</td>
<td>Do Apply</td>
<td>Do Apply</td>
<td>Do Apply</td>
<td>Do Apply</td>
<td>Do Apply</td>
</tr>
<tr>
<td>Corporate Tax Rate</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
</tr>
<tr>
<td>Coke</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>


Table 2: Summary of taxes and tariff rates applicable to coking coal between January 2008 and December 2012.

<table>
<thead>
<tr>
<th></th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export VAT Rebates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coking Coal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Tariff Rates</td>
<td>Jan to Aug 2008 (%)</td>
<td>Aug to Dec 2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
</tr>
<tr>
<td>Coking Coal</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Import Tariff Rates</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
</tr>
<tr>
<td>Coking Coal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Export Quotas</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
</tr>
<tr>
<td>Coking Coal</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Corporate Tax Rate</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
</tr>
<tr>
<td>Coking Coal</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>


The Commission considered that the imposition of a high export tax and no import tax on coke and coking coal suggests that the GOC’s policies were intended to restrict the export of the goods. It was also noted by the Commission in Report No. 198 in 2011 and 2012, China exported 8.4 and 9 million tonnes of coke (under export quota) which accounted for approximately 2 per cent of China’s total coke annual production. The Commission considered that this further evidenced that the supply of coke “was restricted to domestic downstream users of coke”.

The effect of the export, import and VAT policies on the supply of coke and coking coal that discouraged exports and encouraged imports included:

- reduced coke availability on the international market;
- increased supply of coke on the Chinese domestic market; and
- the increased supply led to downward pressure on Chinese domestic prices for coke.

As a result, a price differential existed between the price charges to Chinese domestic processors (lower) and the price charged to foreign processors (higher). In Investigations No. 193 and 193a, the Commission established that the Chinese domestic price for coke was approximately 38 per cent lower than the coke.
export price. In Report No. 198, the Commission determined that the domestic price for coking coal was 16 per cent lower than the export price on comparable terms of trade.

The applicants understand that the GOC has removed the 40 per cent export tax on coke, however, the remaining tariffs and taxes remain unchanged. There continues to be a significant price differential between the domestic selling price for coke and coking coal in China and the export prices for these raw materials.

In respect of iron ore and scrap steel, Report No. 198 confirmed the following applicable taxes, tariffs and quotas.

Table 3 – Import and export tax rates applicable to iron ore between January 2008 and December 2012.

<table>
<thead>
<tr>
<th>Export VAT Rebates</th>
<th>Jan to Dec 2008 (%)</th>
<th>Jan to Mar 2009 (%)</th>
<th>Apr to May 2009 (%)</th>
<th>Jun to Dec 2009 (%)</th>
<th>Jan to mid Jul 2010 (%)</th>
<th>Jul to Dec 2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Export Tariff Rates

<table>
<thead>
<tr>
<th>Iron Ore</th>
<th>Jan to Aug 2008 (%)</th>
<th>Aug to Nov 2008 (%)</th>
<th>Dec 2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Corporate Tax Rate</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron Ore</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import Tariff Rates</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron ore</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Quotas</td>
<td>2008 (%)</td>
<td>2009 (%)</td>
<td>2010 (%)</td>
<td>2011 (%)</td>
<td>2012 (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron Ore</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Report No. 198, Appendix 1, P.16.

It was the Commission’s view that the imposition of export tax, together with no VAT rebate on exports, restricted the export of iron ore. The absence of no import tax on iron ore also encourages the importation of iron ore. This increases the domestic supply of iron ore and provides greater access to the downstream industries for the manufacture and supply of value added product.

The Commission further established that only a minor quantity of iron ore was exported in 2012.

Table 4 – Import and export tax rates applicable to scrap steel between January 2008 and December 2012.

<table>
<thead>
<tr>
<th>Export VAT Rebates</th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap Metal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Export Tariff Rates

| Scrap Metal        | 40       | 40       | 40       | 40       | 40       |

Corporate Tax Rate

| Scrap Metal        | 25       | 25       | 25       | 25       | 25       |

Import Tariff Rates

| Scrap Metal        | 0        | 0        | 0        | 0        | 0        |

Export Quotas

| Scrap Metal        | NA       | NA       | NA       | NA       | NA       |

Source: Report No. 198, Appendix 1, P.17.

The Commission considered that the application of the high rate of export tax, no VAT rebate and no import taxes indicates that the GOC restricts the export of scrap metal. The net effect is that exports of scrap metal are discouraged by the GOC.

In addition to influencing the raw material input prices in the manufacture of the key ingredient (i.e. steel billet) in grinding balls, the GOC is also influencing the supply of billet on the Chinese domestic market. This is achieved by altering the export rebates on steel billet. The GOC does not provide any
export rebate for steel billets. Steel billet is subject to a 15 per cent export tax. Consistent with the conclusions of the Commission concerning the use of VAT rates, tariffs and taxes on coke and coking coal, the applicants consider that the GOC’s intention is to discourage the export of steel billet from China, and encourage the domestic consumption of the product. Additionally, via the use of the VAT and export tax, steel billet prices in China are lower than comparative domestic prices for steel billet in other market trading countries.

Steel billet accounts for a significant proportion of the total production cost of grinding balls. The following Graph B-3.1 demonstrates that Chinese domestic billet prices are lower than domestic prices for billet in certain market-economy countries, e.g. India and Turkey. The average monthly differential between the domestic Northern China Tangshan domestic billet ex-works price and the Indian domestic billet ex-works price during 2014/15 was US$102 per metric tonne. The applicants submit that the GOC’s policies and regulations influence the domestic selling price for billet rendering the prices “artificially low”. Domestic selling prices in China for grinding balls that are based upon artificially low billet prices (billet being the principal raw material input into grinding ball manufacture accounting for in excess of 80 per cent of production cost) are unsuitable for normal value purposes.

Graph B-3.1 – Domestic steel billet prices – China, India and Turkey

In addition to the influence on the billet prices in China, the GOC influences the prices of “alloyed” steel sold in China, including alloy bar that is used in grinding ball manufacture. The GOC achieves this level of influence through its varying VAT tax policies that encourage further value-adding in China, including the “alloying” of steel billet used in grinding media.

It is understood that the GOC does not provide a VAT rebate on exports of non-alloy bar, whereas, a 9 per cent VAT tax rebate is available to alloyed bar. Non-alloy bar also attracts a 15 per cent export tax, thereby discouraging exports of non-alloyed bar. Hence domestic prices in China are encouraged by GOC intervention to be artificially low. These policies discourage exports of non-alloyed bar and encourage the export of alloyed steel at reduced prices (including “steel grinding balls” that are alloyed).
The GOC intervention has resulted in domestic prices for grinding balls in China to have not been determined in a competitive manner, with domestic prices being lower than they otherwise would have been in the absence of the GOC intervention. Chinese domestic selling prices for grinding balls are therefore unsuitable for normal value purposes.

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

The applicants have relied upon a constructed selling price as the basis for normal values in China. Please refer to Section B-4.1 below.

3. Provide supporting documentary evidence.

Please refer to 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 applicants have nominated a number of producers/sellers (that are also exporters) on the Chinese domestic market at Section B-2.4 above.

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);
- 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).

Methodology

Donhad and Moly-Cop have determined prima facie normal values for grinding balls sold in China on the basis of a constructed selling price methodology. This method has been utilised as selling prices for grinding balls in China are the subject of GOC influence and are considered unreliable.

The applicants have determined normal values for grinding balls sold in China on the basis of a constructed cost-to-make-and-sell (“CTM&S”) methodology, using a Chinese domestic producer’s costs (where available), adjusted for some elements (e.g. depreciation) not separately identified. The constructed selling price methodology also includes amounts for selling and general administrative costs based upon the Australian industry’s costs, plus an amount for profit.

As indicated at Section B-3.1 above, the applicants contend that the selling prices (and input costs) for grinding balls in China are artificially low and influenced by the GOC. Specifically, raw material billet prices in China are the subject of GOC influence due to a range of policies and government decisions that influence prevailing prices. The applicants have surrogated a benchmark price for alloyed billet that is used in the grinding ball cost data. In the absence of published domestic prices for raw material alloy billet (and any other reliable source), the applicants have used monthly domestic selling prices for billet in India sourced from an independent Steel industry publication (company). This price is an ex-factory price. An alloying charge based upon OneSteel’s Whyalla cost in 2014/15 has been applied to the monthly Indian domestic billet price. The “alloyed” billet cost is then input into the constructed cost model to provide a cost to produce grinding balls. Please refer to Moly-Cop
Confidential B-4.2 for detailed costing breakdowns.

A profit of 10 per cent has been applied to the constructed cost value – an amount that is considered an adequate return on investment (and less than the 17 per cent recommended by McKinsey & Co in the Canadian Rebar investigation as an adequate re-investment return14).

Table B-4.1 – Constructed selling price normal values for grinding balls in China – 2014/15

<table>
<thead>
<tr>
<th>Month – 2014/15 year</th>
<th>Normal Value A$/MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 2014</td>
<td>1049</td>
</tr>
<tr>
<td>Jul 2014</td>
<td>1049</td>
</tr>
<tr>
<td>Aug 2014</td>
<td>1038</td>
</tr>
<tr>
<td>Sep 2014</td>
<td>1052</td>
</tr>
<tr>
<td>Oct 2014</td>
<td>1068</td>
</tr>
<tr>
<td>Nov 2014</td>
<td>1037</td>
</tr>
<tr>
<td>Dec 2014</td>
<td>1047</td>
</tr>
<tr>
<td>Jan 2015</td>
<td>1059</td>
</tr>
<tr>
<td>Feb 2015</td>
<td>1085</td>
</tr>
<tr>
<td>Mar 2015</td>
<td>1060</td>
</tr>
<tr>
<td>Apr 2015</td>
<td>1051</td>
</tr>
<tr>
<td>May 2015</td>
<td>998</td>
</tr>
<tr>
<td>Jun 2015</td>
<td>998</td>
</tr>
</tbody>
</table>

Notes:
1. Normal values include a 10 per cent profit.

2. Provide supporting documentary evidence.

Please refer to Moly-Cop Confidential Attachment B-4.2 for the constructed selling price methodology, which includes details of normal values based upon domestic billet prices as the primary raw material input cost.

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.

   The ABS export prices for grinding balls are published at the FOB level and include domestic inland freight and handling and loading charges in port of export. Normal values are determined at factory, hence an upward adjustment for domestic inland freight and handling and loading charges is required. An amount of A$25 per metric tonne has been applied as an uplift to the constructed selling price normal value.

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.

   Refer B-5.1 above.

---

14 Refer Non-Confidential Attachment B-4.1
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).

The following table confirms dumping margins for grinding balls exported to Australia during 2014/15. For fair comparison purposes, the constructed selling price for the previous month to ABS recorded import date has been used.

Table B-6.1 – Grinding balls ex China dumping margins – 2014/15

<table>
<thead>
<tr>
<th>Month</th>
<th>Adjusted Normal Value A$/MT</th>
<th>Weighted average Export price A$/MT</th>
<th>Dumping Margin A$/MT</th>
<th>Dumping Margin As % of Export Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 2014</td>
<td>1074</td>
<td>940</td>
<td>134</td>
<td>14.3%</td>
</tr>
<tr>
<td>Aug 2014</td>
<td>1074</td>
<td>888</td>
<td>186</td>
<td>21.0%</td>
</tr>
<tr>
<td>Sep 2014</td>
<td>1063</td>
<td>837</td>
<td>226</td>
<td>27.1%</td>
</tr>
<tr>
<td>Oct 2014</td>
<td>1077</td>
<td>899</td>
<td>178</td>
<td>19.7%</td>
</tr>
<tr>
<td>Nov 2014</td>
<td>1093</td>
<td>906</td>
<td>187</td>
<td>20.7%</td>
</tr>
<tr>
<td>Dec 2014</td>
<td>1062</td>
<td>964</td>
<td>99</td>
<td>10.2%</td>
</tr>
<tr>
<td>Jan 2015</td>
<td>1072</td>
<td>1003</td>
<td>69</td>
<td>6.9%</td>
</tr>
<tr>
<td>Feb 2015</td>
<td>1084</td>
<td>955</td>
<td>129</td>
<td>13.6%</td>
</tr>
<tr>
<td>Mar 2015</td>
<td>1085</td>
<td>982</td>
<td>128</td>
<td>13.0%</td>
</tr>
<tr>
<td>Apr 2015</td>
<td>1076</td>
<td>1023</td>
<td>62</td>
<td>6.1%</td>
</tr>
<tr>
<td>May 2015</td>
<td>1023</td>
<td>1021</td>
<td>55</td>
<td>5.4%</td>
</tr>
<tr>
<td>Jun 2015</td>
<td>1023</td>
<td>820</td>
<td>203</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

Source: Refer to Moly-Cop Confidential Attachment B-4.2 containing constructed normal values.

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

Dumping margins as a percentage of weighted-average export prices, by month, are disclosed in Table B-6.1

The weighted-average dumping margin as a percentage of export price during 2014/15 was A$146 per metric tonne or 15.8 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: 1300 884 159
Fax: 1300 882 506
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.

Introduction

Steel producers in the Chinese Steel Industry benefit from a range of subsidies that assist in minimizing production costs and selling prices in China. The benefits conferred via the range of subsidies are considered to be countervailable subsidy programs. The applicants consider that the subsidy programs fall into the following categories:

   (i) Taxation exemptions/reductions;
   (ii) Grants; and
   (iii) Raw materials/energy inputs at less than adequate remuneration.

In Report No. 198, the Commission identified 41 subsidy programs that provided a benefit to Chinese steel producers involved in the manufacture and export of steel plate. The Chinese manufacturers of steel billet (raw material used in the production of alloyed bar for grinding balls) would benefit under the same programs that are generally applicable to participants across all of the Chinese steel industry (whether producing steel plate, steel slab, hot rolled coil or steel billet).

A number of the programs were due to cease at the end of 2012, so these programs have not been considered in this application. There are some additional programs that also should be considered as providing a benefit to Chinese steel billet, bar and grinding ball manufacturers.

The applicants have identified the following programs as countervailable programs to recipients in the Chinese steel billet, bar and grinding ball industries.

Program 1 – steel billet at less than adequate remuneration

Under this program, a benefit in respect of exported grinding balls is conferred by steel billet (whether or not alloyed) being provided by the GOC (through SIEs) at an amount reflecting less than adequate remuneration, having regard to prevailing market conditions in China.

Is there a subsidy?

At Section 3.1 above, the applicants have demonstrated that domestic selling prices for steel billet in China are sold at prices below equivalent domestic selling prices in India. During 2014/15, Chinese steel billet prices were on average US$102 per tonne below the average Indian domestic steel price (as published by company). In 2014/15, Chinese domestic steel billet prices were between 22 and 35 per cent below Indian domestic billet prices. The benefit conferred amounts to the difference between the purchase price for the steel billet domestically in China by the producer/exporter and the adequate remuneration (i.e. the ‘benchmark’ Indian domestic price for steel billet).
Legal Basis

The applicants have not identified any specific or known legal basis for this program (i.e. no specific law, regulation, or other GOC document has been identified that details the program). The absence of any known legal basis is similar to programs identified for HRC (Report No. 177), and aluminium (Report No. 181).

WTO Notification

The applicants are unaware of any WTO notification of this program.

Eligibility criteria

There are no articulated eligibility criteria for enterprises receiving steel billet at less than adequate remuneration.

Program 2 – electricity at less than adequate remuneration

Steel billet production is an energy intensive process that consumes significant electricity. Report No. 237 (Silicon Metal exported from P R China) identified that Chinese producers of silicon metal (also a significant electricity consuming process) received benefits in the form of electricity at less than adequate remuneration. In Investigation No. 181 the then ACBPS was provided with a document “Catalog of Price Regulated by the State Development Planning Commission and Other Department under the State Council” confirming that electric power is one of the goods or services in China that is subject to GOC price regulation. The Commission identified that China’s “Electric Power Law of the People’s Republic of China (Electric Power Law)” provided details that electricity is administered by the State Council via the electric power administration. The Commission further concluded in Report No 237 this “to be evidence of a significant degree of meaningful control and authority by the Government over the provision of electricity and regulation of prices.”15

Legal basis

The applicants have not identified any specific or known legal basis for this program (i.e. no specific law, regulation, or other GOC document has been identified that details the program).

WTO Notification

The applicants are unaware of any WTO notification of this program.

Eligibility criteria

There are no articulated eligibility criteria for enterprises receiving steel billet at less than adequate remuneration.

Is there a subsidy?

As the electricity is consumed in the manufacture of steel billet, alloyed bar and grinding balls, it is considered by the applicants that this financial contribution is made in respect of the production, manufacture or export of the goods, and is provided by a public body that is controlled and influenced by the GOC.

The benefit afforded to the grinding ball producers in China is an amount equal to the difference between the purchase price and the adequate remuneration.

15 Report No. 237, P.100.
Other Programs considered to have conferred benefits

In Report No. 237 (recently published in June 2015), the Commission referred to subsidy programs that have previously been investigated by the Commission (or its predecessor, ACBPS). The Commission has determined that the programs provided countervailable subsidies. The details of each subsidy program is available on the Commission’s website. The applicants consider that the programs are equally likely to afford a benefit to producers of grinding balls in China as the sector is a key value-add downstream sector of the Chinese iron and steel industry – an industry that is recognised as a “mainstay” of the Chinese economy (i.e. an “Encouraged” industry).

The applicants are therefore requesting the Commission to investigate whether benefits accrue to Chinese grinding ball manufacturers/exporters under the following programs:

Table C-1 – Additional subsidy programs previously determined as having provided a benefit, and requiring investigation in respect of grinding balls (as a minimum)

<table>
<thead>
<tr>
<th>Program Number</th>
<th>Program Name</th>
<th>Program Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Preferential Tax Policies in the Western Regions</td>
<td>Income Tax</td>
</tr>
<tr>
<td>4</td>
<td>Land Use Tax deduction</td>
<td>Income Tax</td>
</tr>
<tr>
<td>5</td>
<td>Preferential Tax Policies for High and New Technology Enterprises</td>
<td>Income Tax</td>
</tr>
<tr>
<td>6</td>
<td>Tariff and VAT Exemptions on Imported Materials and Equipment</td>
<td>Tariff &amp; VAT</td>
</tr>
<tr>
<td>7</td>
<td>One-Time Awards to Enterprises Whos Products Qualify for “Well-Known TradeMarks of China” and “Famous Brands of China”</td>
<td>Grant</td>
</tr>
<tr>
<td>8</td>
<td>Matching Funds for International Market Development for Small and Medium Enterprises</td>
<td>Grant</td>
</tr>
<tr>
<td>9</td>
<td>Superstar Enterprise Grant</td>
<td>Grant</td>
</tr>
<tr>
<td>10</td>
<td>Research &amp; Development (“R&amp;D”) Grant</td>
<td>Grant</td>
</tr>
<tr>
<td>11</td>
<td>Innovative Experimental Enterprise Grant</td>
<td>Grant</td>
</tr>
<tr>
<td>12</td>
<td>Special Support Fund for Non-State Owned Enterprises</td>
<td>Grants</td>
</tr>
<tr>
<td>13</td>
<td>Venture Investment Fund of Hi-Tech Industry</td>
<td>Grant</td>
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<td>14</td>
<td>Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment</td>
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<tr>
<td>15</td>
<td>Grant for key enterprises in equipment manufacturing industry of Zhongshan</td>
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<td>16</td>
<td>Water Conservancy Fund Deduction</td>
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<td>17</td>
<td>Anti-Dumping Respondent assistance</td>
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<td>18</td>
<td>Technology Project assistance</td>
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<td>19</td>
<td>Capital Injections</td>
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<td>20</td>
<td>Environmental Protection Grant</td>
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<tr>
<td>21</td>
<td>High and New Technology Grant</td>
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<tr>
<td>22</td>
<td>Independent Innovation and High-Tech Industrialisation Program</td>
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<td>23</td>
<td>Environmental Prize</td>
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<tr>
<td>24</td>
<td>Provincial emerging industry and key industry development special fund</td>
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</tr>
<tr>
<td>25</td>
<td>Environmental Protection Fund</td>
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<td>26</td>
<td>Intellectual Property licensing</td>
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</tr>
<tr>
<td>27</td>
<td>Financial resources construction special fund</td>
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</tr>
<tr>
<td>28</td>
<td>Reducing pollution discharging and environmental improvement assessment award</td>
<td>Grant</td>
</tr>
</tbody>
</table>
The above 29 programs have been verified by the Commission as being countervailable subsidy programs and have afforded a benefit to recipients. The Commission is requested to investigate whether Chinese grinding ball producers/exporters have received benefits under each of the verified subsidy programs listed at 3 to 31 above.

It is considered that the cumulative value of the identified subsidy programs that afford benefits to Chinese manufacturers of grinding balls exceed negligible levels and are therefore actionable under the subsidy provisions.

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 for dumping and countervailing measures is not based solely upon a threat of material injury. The Applicant industry has experienced material injury from the dumped and subsidised grinding balls exports from China in the 2014/15 year.

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.

This question is not applicable as the applicant industry has sustained material injury from the dumped and subsidised exports in 2014/15.

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.

Grinding balls are not raw 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.

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

   This question is not applicable.

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.

### 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 is not considered an “economy-in-transition” for the purposes of Australia’s Anti-Dumping and Countervailing System.

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

   Not applicable.

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

   Not applicable.

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.

   Not applicable.
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 is not considered an “economy-in-transition” for the purposes of Australia’s Anti-Dumping and Countervailing System.

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.

   Not applicable.

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.

   Not Applicable

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

   Not Applicable.

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).

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity</th>
<th>%</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
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</tbody>
</table>

* 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 goods the subject of this application exported from China exceed 4 per cent of the total import volume into Australia in 2014/15.
## APPENDICES

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