PUBLIC RECORD

Australian Government
Department of Industry, Science and Resources

Anti-Dumping Commission

Australian industry verification report

Verification and case details

Initiation date	2/07/2024	**ADN**	2024/042
Case number	651		
The goods under consideration	Silicon Metal		
Case type	Continuation Inquiry		
Australian industry	Simcoa Operations Pty Ltd		
Location	973 Marriott Road, Wellesley WA 6233		
Verification from	29/10/2024	to	31/10/2024
Inquiry period	1/07/2023	to	30/06/2024

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

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

Contents

Introduction

Simcoa Operations Pty Ltd (Simcoa) provided data to the Anti-Dumping Commission (the commission) in relation to Continuation Inquiry 651 (case 651) into Silicon Metal from the People's Republic of China (China).

A verification team (the team) has verified whether the data Simcoa submitted is complete, relevant and accurate for use in case 651. Anti-Dumping Notice (ADN) 2016/30 describes the commission's verification procedure.

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

The commission prepared this report to publish on the electronic public record for case 651.

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

[1] All legal citations in this report are to the Act unless otherwise stated.

1 Company background

1.1 Corporate structure and ownership

Simcoa produces silicon metal at its manufacturing and warehousing facilities at Wellesley Western Australia. Simcoa is the sole producer of silicon metal in Australia.

Simcoa was founded in late 1987 when the former owner, Barrack Mines Ltd, acquired the Western Australian Silicon Project. Construction of the silicon smelter began in 1988 and was completed in 1989. The following year two additional furnaces were commissioned.

In 1996 Simcoa was purchased by Shin-Etsu Chemical Co., Ltd (Shin-Etsu), a company based in Tokyo, Japan. Shin-Etsu remains as the parent company of Simcoa, with the immediate parent company in Australia being Silicon Metal Company of Australia Pty Ltd (Silmet). Silmet is also the parent company of two other related Australian companies, Microsilica Pty Ltd (Microsilica) and Simcoa Mines Pty Ltd (Simcoa Mines).

Microsilica markets and sells silica fume, a by-product from Simcoa's silicon production. It has no employees; with all employment and administration conducted by Simcoa. Simcoa Mines owns and mines a quartz deposit near Moora in Western Australia. The quartz is used for production of Simcoa's silicon metal.

1.2 Related parties

The team examined the relationships between Simcoa and parties involved in the production and sale of the goods.

1.2.1 Related suppliers

Simcoa receives quartz from the related party Simcoa Mines. Simcoa Mines is also a fully owned subsidiary of Silmet. Quartz is sold from Simcoa Mines to Simcoa at a transfer price at cost recovery.

1.2.2 Related customers

Simcoa stated that none of its domestic sales are to related customers. An examination of the domestic sales data confirmed this.

The team found that Simcoa did make export sales to related customers during the inquiry period, including its parent company, and other related parties. Simcoa utilise related party Shintech Incorporated (Shintech) as an agent for its sales into the United States of America (US). Shintech is a producer of polyvinyl chloride (PVC), however its sales team facilitate Simcoa's sales into the US. Simcoa also sell goods to Shin-Etsu who act as an agent for raw material supply into Shin-Etsu's silicon operations and for some export sales to the global market.

There exists no agreement or commitment by Shin-Etsu or Shintech to take any specific volumes produced by Simcoa. Simcoa advised that offers are made to purchase at a certain price, which Simcoa is free to reject if there are more attractive alternatives in the market.

The team analysed the prices for unrelated and related export customers and did not find evidence of price discrimination between related and unrelated customers and consider the sales to related customers to be arms length (see section 5.1).

2 Like goods manufactured in Australia

2.1 Manufacturing in Australia

Simcoa is the sole manufacturer of silicon metal in Australia. The company has three furnaces at its manufacturing site in Wellesley, Western Australia.

Simcoa's core business is selling silicon metal on both export and domestic markets. Simcoa also sells silica fume and charcoal, both are by-products from Simcoa's silicon metal production process. Silica fume is used as an additive to concrete, while a small amount of charcoal is sold for producing briquettes and other products.

Simcoa was also recognised as the sole manufacturer of silicon metal in the original investigation. The commission has not found any evidence to suggest that there are other manufacturers of like goods in Australia, and no other parties have made submissions claiming the existence of other industry members. The commission remains satisfied that there is an Australian industry consisting only of Simcoa that produces like goods in Australia.

2.1.1 Production process

Simcoa explained that the production process has not changed since the original investigation. Silicon metal is produced by the carbothermic reduction of silica, presented as quartz or quartzite.

The team undertook a tour of Simcoa's manufacturing plant, observing the production process as follows:

- A mix of quartz, carbonaceous reducing agents (being charcoal, coal, petroleum coke) and wood chips are prepared and placed in a furnace.
- A high electrical current is passed through electrodes within the furnace creating extreme heat.
- The heat causes the raw materials to combine into a liquid silicon metal.
- The liquid silicon metal is poured into a mould to cool and set.
- The solid silicon metal is broken down into lumps, granules or powder.
- The silicon metal is packed for sale.

2.2 Model control codes

Exception 1: MCC cost data

Description: The cost data was not broken down by MCC.

Resolution: Simcoa explained that it does not record costs by MCC and are not able to do so. After reviewing the data, the team is satisfied that the costs data as presented is sufficient for the purposes of the inquiry.

The team is satisfied, noting the exception above, that the sales and costs data Simcoa submitted complies with the model control code (MCC) structure detailed in ADN 2024/042.

2.2.1 Amendments to model control codes

After comparing the prices of various models of the goods, the team does not recommend any amendments to the MCC structure.

2.3 Verification of model control codes

Table 1: MCC sub-category determination

below provides detail on the model control code (MCC) sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Grade	The commission established that the grade of the silicon metal is one of the key attributes of the goods. Simcoa outlined how the grade can be identified on commercial invoices and purchase orders.
Packaging	The commission identified the specifications required by Australian customers. The package size is outlined in the commercial invoice (and associated documents).

Table 1: MCC sub-category determination

Category	Sub-category	Identifier	Sales data	Cost data
Grade	441	A	Mandatory	Optional
	2202	B		
	3303	C		
	3301	D		
	1101	E		
Packaging	10kg (box/bag)	1	Mandatory	Optional
	250kg bag	2		
	500kg bag	3		
	1000kg bag	4		
	1250kg bag	5		

below displays the MCC categories that have been applied by Simcoa.

Category	Sub-category	Identifier	Sales data	Cost data
Grade	441	A	Mandatory	Optional
	2202	B		
	3303	C		
	3301	D		
	1101	E		
Packaging	10kg (box/bag)	1	Mandatory	Optional
	250kg bag	2		
	500kg bag	3		
	1000kg bag	4		
	1250kg bag	5		

Table 2: MCC structure

2.4 Like goods

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

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

The team considers that the like goods manufactured by Simcoa are identical to, or have characteristics closely resembling, the goods exported to Australia in prior cases and the current inquiry period, as they:

- **Physical likeness:** The goods and locally produced goods have identical physical characteristics, notwithstanding slight variations in technical specifications based on customer needs (i.e. in lump, powder form, grade and/or packaging).
- **Production likeness:** The goods and locally produced goods are produced in the same manner, using the same raw material inputs and manufacturing processes. Silicon metal is manufactured from inputs including quartz or silica, charcoal, coal and wood chips involving a high endothermic process.
- **Commercial likeness:** The goods and locally produced goods compete in the same market sector, are interchangeable and use similar distribution channels. Silicon metal is sold and distributed across Australia, sourced either from Simcoa or imports. There is no geographic segmentation for silicon metal, nor is there product segmentation other than identifying whether product is sold to primary or secondary aluminium end-users.
- **Functional likeness:** The goods and locally produced goods are functionally alike as they have similar end-uses. Silicon metal is sold to primary aluminium and secondary aluminium end-users as an alloying agent and by the chemical industry to produce silicones and photovoltaics.

2.5 Like goods assessment

The team is satisfied that:

- silicon metal produced by Simcoa are like to the goods[2]
- at least one substantial process of manufacture of silicon metal is carried out in Australia[3]
- the like goods were, therefore, wholly or partly manufactured in Australia by Simcoa[4]
- there is an Australian industry, consisting of Simcoa, which produce like goods in Australia.[5]

[2] Section 269T(1) (definition of 'like goods').
[3] Section 269T(3).
[4] Section 269T(2).
[5] Section 269T(4).

3 Australian market

3.1 Australian market background

The team understands that the Australian market for silicon metal is supplied predominantly by Simcoa. A relatively small volume imported from China and other countries during the inquiry period also contributed to supplying the Australian market.

The volume exported from China was subject to both dumping and countervailing duties following investigation 237 (INV 237), and continuation inquiry 524 (CON 524). Exports from other countries are not subject to the measures.

3.2 Australian market structure

3.2.1 Marketing segmentation and end uses

Silicon metal is sold to primary and secondary aluminium end users in Australia.

Silicon metal used in primary aluminium applications is combined with other elements to produce foundry and extrusion alloys which are used in the manufacture of goods such as car and truck wheels, window frames and door frames. Silicon metal used in these applications requires higher purity levels.

Silicon metal used in secondary aluminium applications generally requires lower quality inputs and is used in the manufacture of die casting alloys used for automotive parts, including manifolds, crank cases and other engine components.

The majority (90%) of silicon metal in the Australian market is sold for primary aluminium production.

3.2.2 Distribution arrangements

Simcoa outlined that it sells silicon metal directly to Australian end users and not via distributors or retailers. Simcoa explained that silicon metal is transported to its major customer by a combination of rail and road. Simcoa arranges transport from its production facility to the rail terminal in Perth. Its major customer then arranges its own freight to its facilities on the east coast of Australia.

3.2.3 Supply

Simcoa does not maintain price lists or provide the goods on a contract basis. It negotiates pricing with customers based on a number of factors including considering global market index prices, the specifications, and quantity of the order. The actual price negotiated is reflected in the customer invoice.

3.2.4 Demand

As most silicon metal sold by Simcoa into the Australian market is into the aluminium market, the demand for silicon metal in Australia is driven predominately by the demand for aluminium products. The number of aluminium companies that continue to operate in Australia is determined by electricity availability and price, along with labour and technical expertise.

3.3 Australian market pricing

Simcoa explained that the majority of its domestic sales in Australia are made to one key customer. A price and supply agreement is entered into with this customer that outlines pricing and forecast volumes for the following year. However, there are no set quantities that the customer is required to purchase, nor restrictions on sourcing silicon metal from other suppliers.

Being a globally traded metal, Simcoa review market index prices from several global sources. Considering these prices, Simcoa adjusts its pricing based on the specification and quantity of orders to reach a target price. Being aware of the published data, the key customer considers this during its negotiations.

For other customers in the Australian market, Simcoa outlined that sales prices are determined on a sale-by-sale basis, subject to market conditions at the time of sale.

3.4 Australian market size and share

The commission has utilised the Australian Border Force (ABF) import database and data from Simcoa to estimate the size of the Australian silicon metal market.

Figure 1 below shows that annual volume of silicon metal sold in the Australian market has remained reasonably steady (albeit with yearly fluctuations) since a major decline from 1 July 2010 to 30 June 2013. From when measures were imposed in June 2015, a majority of the Australian market has been supplied by Australian industry (Simcoa). The remainder of the Australian market has been supplied by exports from China and a small volume from other countries.

There has been a further slight decline in the overall market size from when measures were last continued in June 2020. In addition, exports from China and other countries were almost at zero during in the year 1 July 2023 to 30 June 2024 (inquiry period), and the entire size of the Australian market also shrunk.

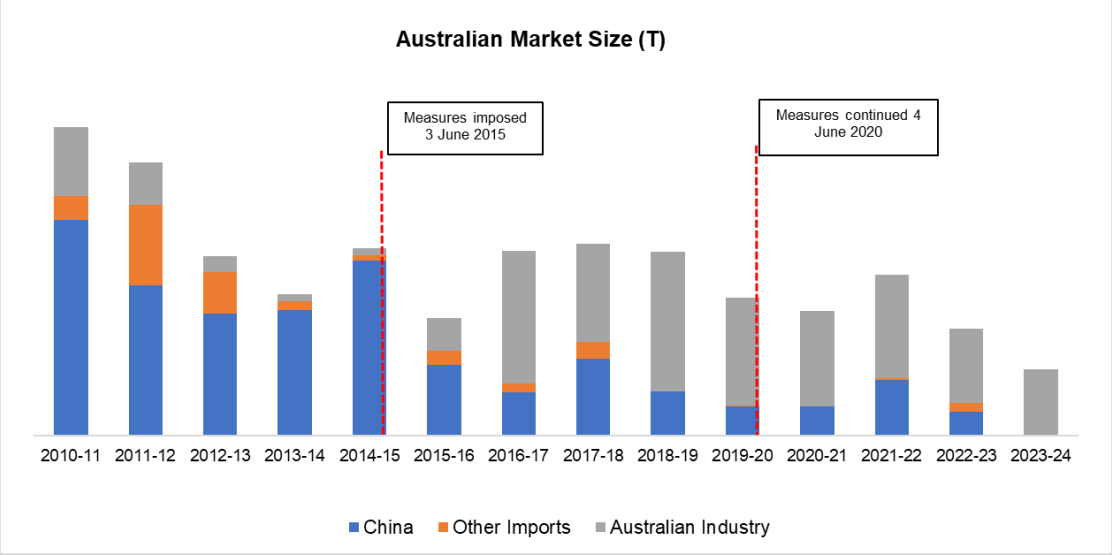

Figure 1: Australian market size[6]

[6] Based on financial years ending 30 June.

Figure 2 below shows that Simcoa experienced a large increase in its market share, which coincided with the the increase in volumes sold by Simcoa in Australia following the implementation of measures in 2015 (shown in Figure 1). Simcoa has experienced the majority of market share in the Australian market since the measures were implemented. This follows a period of having a minority precentage of market share from 2010 to 2015.

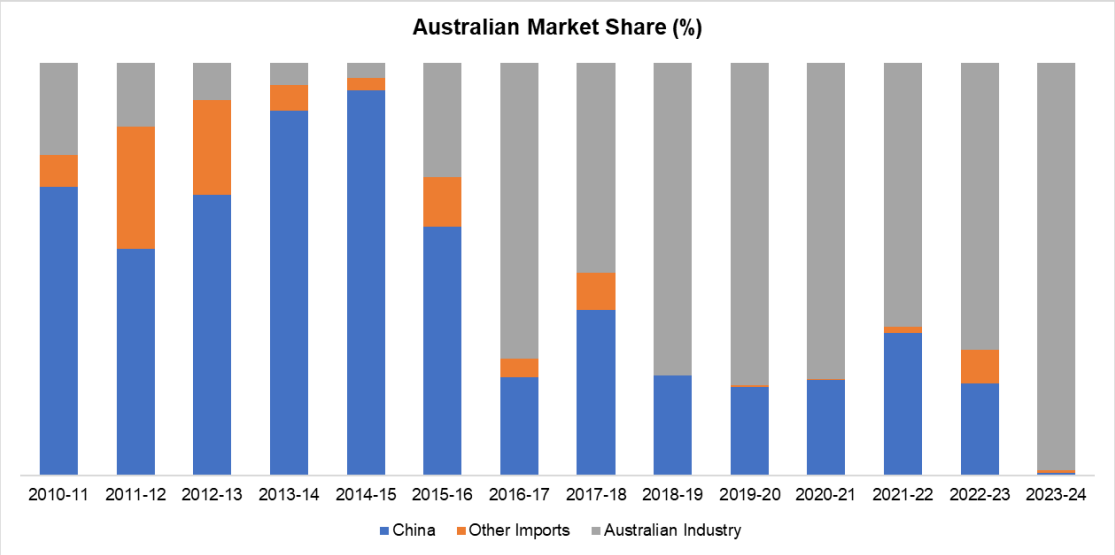

Figure 2: Australian market share

4 Verification of sales completeness and relevance

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

The team assessed whether the sales listings Simcoa submitted are complete and relevant by reconciling them to the audited financial statements, consistent with the approach outlined in ADN 2016/30.

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

1. Revenue Reconciliation:
   Reconciled the reported revenue in Simcoa's audited financial statement for 2023 to the trial balance for 2023.
2. Exclusion of by-products and internal sales:
   Excluded sales for by-products and internal sales to Microsilica for 2023 using the trial balance. These exclusions were cross-referenced with revenue breakdown in the audited financial statements for 2023.
3. Alignment with the inquiry period:
   Used the monthly trial balance to remove sales revenue for the first half of 2023, and added sales revenue for the first half of 2024, ensuring the revenue data corresponded to the inquiry period (1 July 2023 to 30 June 2024).
4. Reconciliation to sales listings:
   Reconciled the adjusted revenue amount to the revenue reported in the sales listings.
5. Verification of sales quantity:
   Reconciled the sales quantities in the sales listings with management reports for the inquiry period.

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

4.1 Import sales by company

Simcoa did not import the goods during the inquiry period. However, it has imported a small amount of the goods in the years prior to the inquiry period. Simcoa advised that these goods were for use in the silicon metal production process. Simcoa uses the imported silicon metal as a coolant to protect the casting tables. These imports were not resold in the Australian market.

4.2 Export sales by company

A significant portion of Simcoa's total sales are directed to the export market. These sales are primarily to the metallurgical (aluminium), silicones and polysilicon industries. The team confirmed these sales as part of the upwards sales verification process and are excluded from the sales data analysis for this inquiry unless specified.

4.3 Sales completeness and relevance finding

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

5 Verification of sales accuracy

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

The team verified whether the export and domestic sales listings Simcoa submitted are accurate by reconciling them to source documents, consistent with the methodology outlined in ADN 2016/30.

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

5.1 Related party customers

As outlined in section 1.2.2 the team observed that Simcoa sold silicon metal to related export customers during the inquiry period. However, the team found no evidence that Simcoa sold silicon metal to related customers in the domestic market. The only domestic transactions with related parties involved the internal transfer of silica fume, a by-product to its subsidiary Microsilica.

Simcoa uses related party Shintech as an agent for sales to US customers, paying commissions for logistics activities. Simcoa also sells goods to Shin-Etsu who act as an agent for raw material supply into its silicone operations and for some export sales to the global market.

There exists no formal agreement or commitment between Simoca and Shin-Etsu or Shintech regarding volumes or prices. Each year Shin-Etsu issues an expression of interest to global suppliers of silicon metal. Simcoa is then asked to match the price offer(s) received. If more attractive market alternatives exist, Simcoa will pursue these opportunities.

The team reviewed pricing data for sales to related and unrelated customers. The analysis indicates that prices to related entities are not lower than prices to unrelated export customers.

The team did not find evidence of price discrimination between related and unrelated customers and consider the sales to related customers to be arms length.

The team is satisfied that Simcoa's selling prices for goods to related customers can be relied upon in the assessment of the economic condition of the Australian industry.

5.2 Sales accuracy finding

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

Accordingly, the team considers Simcoa's sales data suitable for analysing the economic performance of its silicon metal operations for the inquiry period.

6 Verification of CTMS completeness and relevance

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

The team verified whether the CTM and SG&A listings Simcoa submitted are complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30.

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

1. Reconciled the cost of goods sold in the audited profit and loss statement for 2023 to the total cost of goods for domestic and export sales in the provided cost spreadsheets.
2. Total amount for the cost of goods sold in 2023 in the costs spreadsheets was reconciled to the financial statement by removing the costs for by-products produced in the process.
3. Reconciled the audited profit and loss statement to the trial balance for 2023.
4. Reviewed the trial balance with year-to-date totals for each quarter, ranging from 1 July 2023 to 30 June 2024. The data was reconciled to the costs for the inquiry period (1 July 2023 to 30 June 2024).

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

1. Reconciled the SG&A listing to the audited profit and loss statement and trial balance for 2023.
2. Reconciled the trial balance for 2023 through to the trial balance for the inquiry period.
3. Verified that the SG&A expenses had been correctly allocated in accordance with the commission's preferred methodology.
4. Verified that SG&A expenses specific to domestic or export sales had been accurately allocated.

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

6.1 CTMS completeness and relevance finding

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

7 Verification of cost to make and sell accuracy

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

The team verified whether the CTM and SG&A listings Simcoa submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

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

7.1 Cost allocation method

Table 3 outlines how the team allocated each cost component.

Cost component	Method applied
Raw materials	Simcoa explained its raw material requirements for silicon metal production, which include both locally sourced and imported inputs. Local materials include quartz, woodchips and woodblocks, imported inputs include coal and electrodes. Additionally, electricity costs for the furnaces are categorised as part of raw materials. Simcoa records actual costs for these raw materials and allocates them based on the production volumes for the domestic and export market. Evidence supporting this process were: • Production and costs spreadsheets • Trial Balance • Source invoices
Direct labour	Actual costs allocated by production quantity. Verified to trial balance and production cost worksheets.
Manufacturing overheads	Actual costs allocated by production quantity. Verified to trial balance and production cost worksheets.
Depreciation	Actual costs allocated by production quantity. Verified to trial balance and production cost worksheets.
Inventory change	Weighted average value using the inventory ledger and silicon stock movement ledger.

Table 3: Cost allocation method

7.2 Related party suppliers

During the inquiry period, Simcoa purchased from its related party, Simcoa Mines. Like Simcoa, Simcoa Mines is also a fully owned subsidiary of Silmet.

Simcoa explained that it sources mined quartz from Simcoa Mines at a transfer price based on cost recovery. All incoming quartz passes through a weigh bridge on site to ensure quantities are accurately recorded and paid for. Simcoa exclusively sources all quartz used in its silicon metal production from Simcoa Mines and does not purchase from other mines.

7.3 Cost to make and sell accuracy finding

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

8 Economic condition

8.1 Background

Dumping and countervailing measures were first applied to silicon metal exported to Australia from China on 3 June 2015 (ADN No. 2015/71 refers).[7] The subsidy margin for uncooperative and other exporters were subsequently amended on 25 November 2015, following a variation of the notice under section 10(3B) of the *Customs Tariff (Anti-Dumping) Act 1975*.[8] The measures were further amended on 12 May 2020, as a result of CON 524.[9]

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent, involves a consideration of future outcomes, based on an evaluation of the present position. To assist with that assessment, this chapter examines the economic condition of the Australian industry from 1 July 2010 onward.

8.2 Applicant's injury claims

The applicant claims that the expiration of the measures would likely lead to a recurrence of the material injury that the anti-dumping measures are intended to prevent. Simcoa is not claiming that it is currently experiencing injury, rather it contends that should the measures be allowed to expire, it would experience a recurrence of injury.

Simcoa asserts that the expiration of measures would likely lead to increased volumes of dumped goods which will result in injury in the form of reduced sales and market share, price depression and suppression, loss of profits and productivity, and a reduced return on investment and capacity utilisation. These injury factors would then have a negative effect on other areas such as employment, wages, growth, and investment.

8.3 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by Simcoa and data from the ABF import database. The team has also combined Simcoa's verified data from this inquiry with previously verified data used by the commission in CON 524 and INV 237. This is to support Simcoa's claims in relation to the continuation or recurrence of injury.

In the original INV 237 (REP 237), the Commissioner found that, during the investigation period, the Australian industry had experienced injury in the form of:

- lost sales volume
- reduced market share
- reduced revenue
- price depression
- price suppression
- reduced profit

[7] Investigation 237 Anti-Dumping Commission Report No 237 (REP 237)
[8] Electronic Public Record (EPR) 237, document no. 47
[9] New variable factors active from the date the continuation of measures took affect, 4 June 2020.

- reduced profitability

The team has assessed the economic condition of the Australian industry from 1 July 2010 using the information provided by Simcoa. The commission has compiled the figures presented on an annual basis for years ending 30 June. This preliminary assessment is at **Confidential Appendix 1**.

8.4 Volume effects

8.4.1 Sales volume

Figure 3 below illustrates Simcoa's total Australian sales of silicon metal from 2010 onwards. Following the imposition of measures on 3 June 2015, domestic sales of silicon metal increased significantly. This increase coincided with a reduction in exports from China (shown in Figure 1). Sale volumes in the Australian domestic market continued to be strong in the years following the continuation of measures on 4 June 2020. However, Simcoa has experienced a reduction in domestic sales volume in the years ending 30 June 2023 and 30 June 2024, which coincides with an overall reduction in the market size.

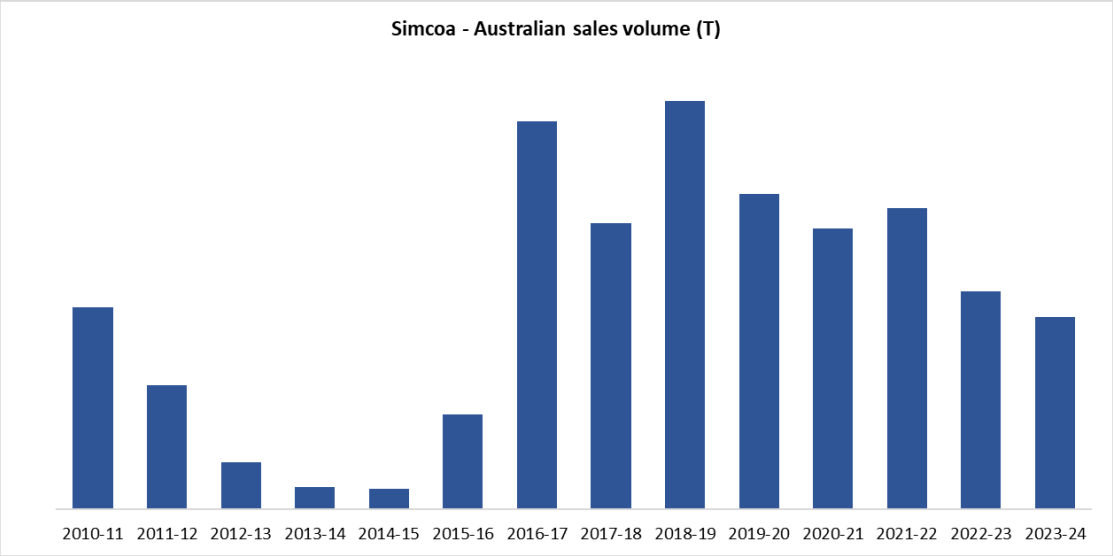

Figure 3: Simcoa's domestic (Australian) sales volume of silicon metal

Simcoa outlined that in addition to selling silicon metal in the Australian market, it continues to export silicon metal. As shown below in Figure 4, export sales of silicon metal represent the majority of Simcoa's business. Overall Simcoa's sales of silicon metal has been declining slightly since year ending 30 June 2018.

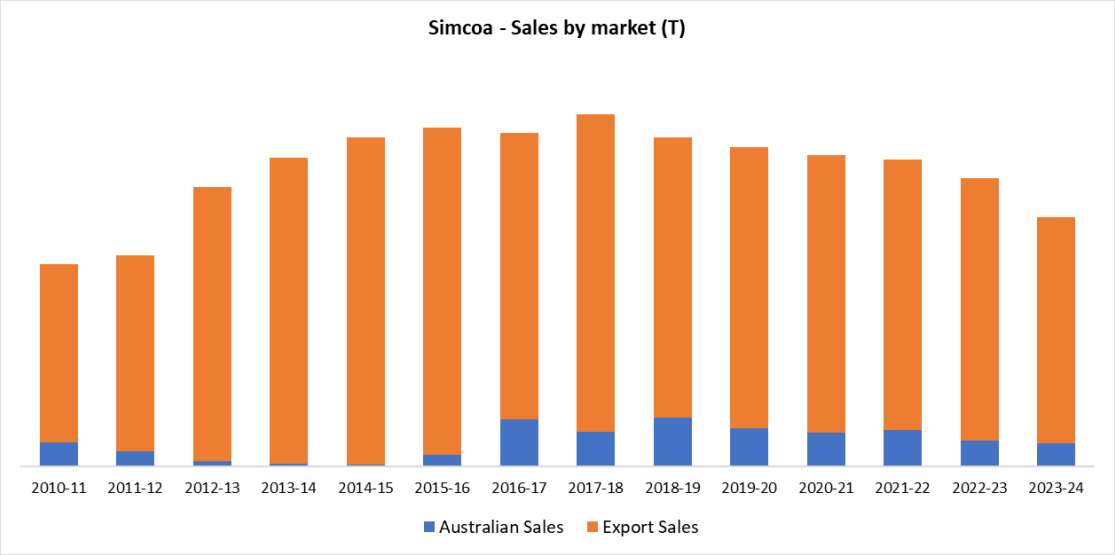

Figure 4: Simcoa sales volume by market

8.4.2 Market share

Simcoa's Australian market share is shown below in Figure 5. Coinciding with an increase in sales volume following the imposition of measures on the 3 June 2015, Simcoa experienced a large increase in market share, and it has remained relatively stable in the following years. However, during the year ending 30 June 2023, Simcoa's market share declined, which appears to be a result of an increase in imports from countries not subject to the measures. This period also saw a reduction in Simcoa's sales volumes. Simcoa has been able to recapture its market share in the year ending 30 June 2024, even though its sales volume decreased in the same year, indicating a total reduction in the overall market size.

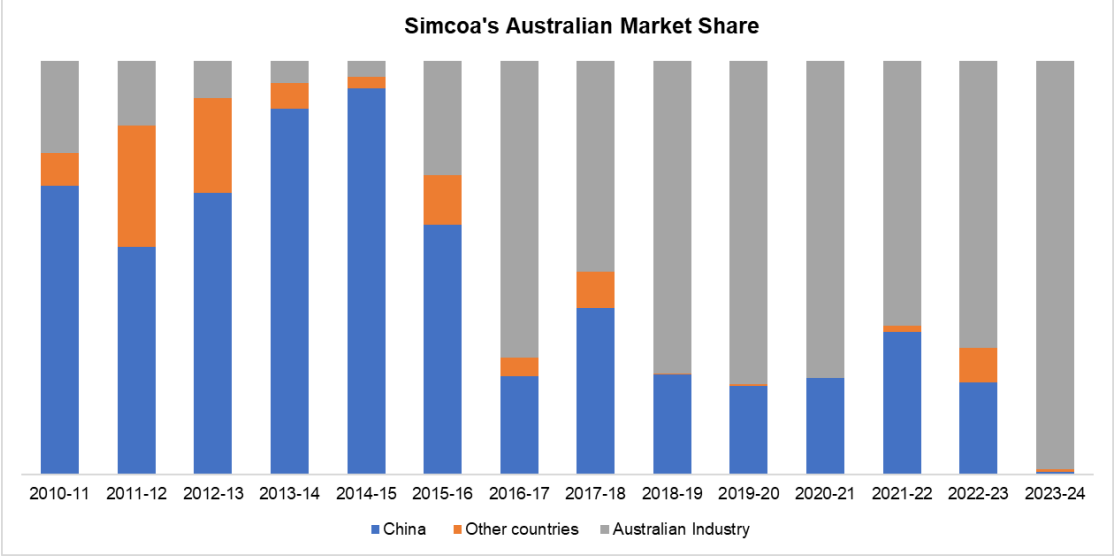

Figure 5: Estimated Australian market share for silicon metal

8.5 Price effects

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

Figure 6 below shows the trends between Simcoa's unit price and its CTMS for domestic sales from 2010. Following the imposition of measures in June 2015 until 30 June 2021, Simcoa has been able to adjust prices in response to price fluctuations. After a slight drop in price in 2020/21, where prices fell below costs, Simcoa was able to increase prices substantially more than cost increases in the years ending 30 June 2022 and 2023, before a reduction in price in the year ending 30 June 2024.

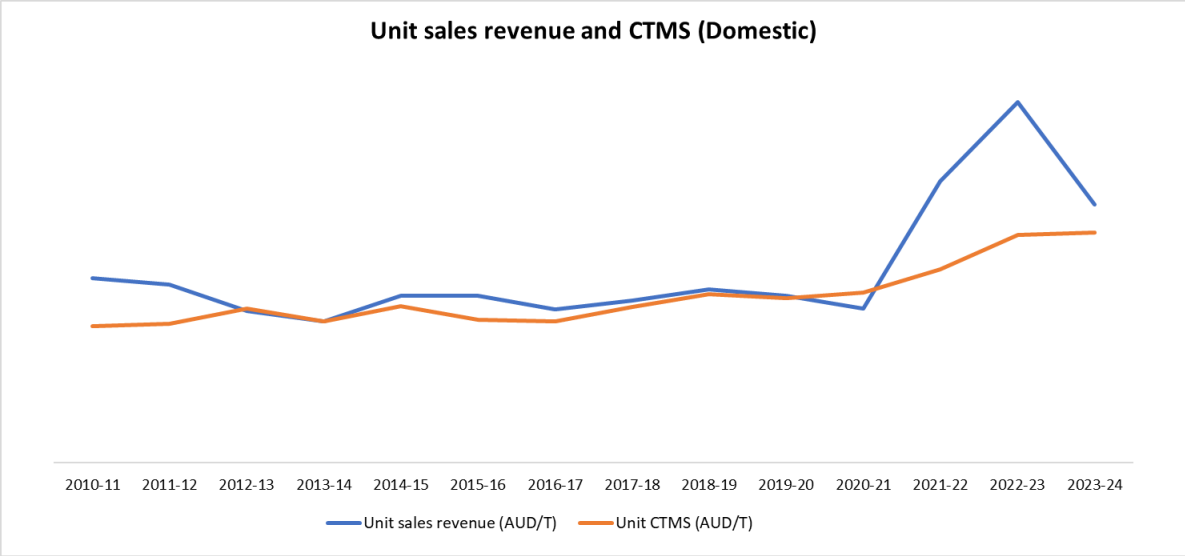

Figure 6: Australian unit sales revenue and CTMS

The increase in unit price in the years 2021/22 and 2022/23 coincided with the period that Simcoa claims was disrupted by global shipping constraints stemming from Covid-19 and other factors.

8.6 Profit and profitability

Figure 7 below outlines Simcoa's profit and profitability on domestic sales from 2010 onwards. Simcoa's profit and profitability declined significantly following the expiry of the previous measures on silicon metal from China in February 2010. However, profits and profitability rebounded around the time the current measures were imposed in June 2015 and were sustained until just after the period when measures were last continued (year ending 30 June 2021).

On the back of the price increases demonstrated in Figure 6, Simcoa was able to increase profit and profitability in the years ending 30 June 2022 and 30 June 2023, despite declining sales volumes during this period.

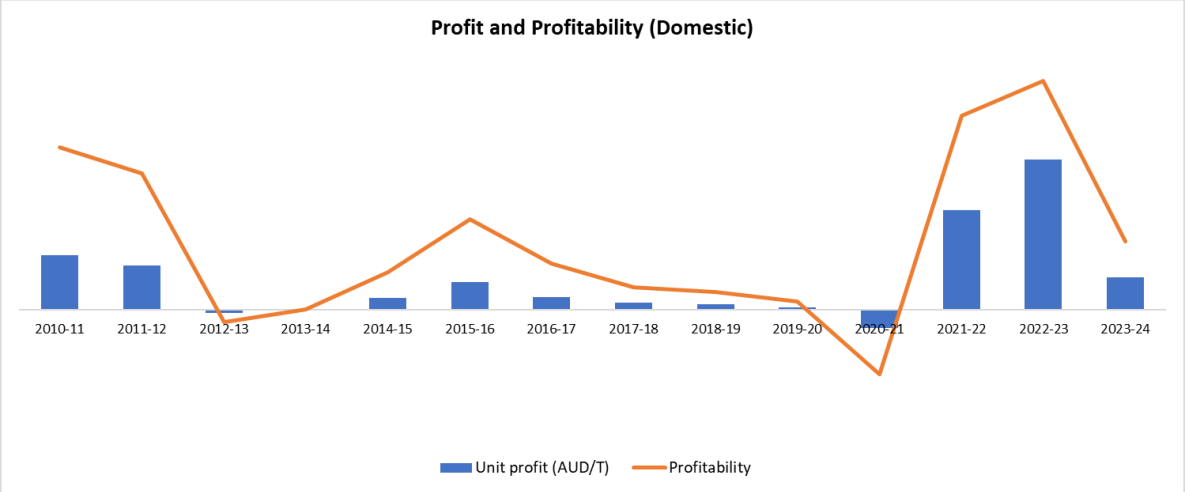

Figure 7: Profit and profitability

8.7 Other economic factors

At the request of the commission, Simcoa provided data in relation to a range of other economic factors that may also be indicative of injury to its business. This data covers the period 1 July 2019 to 30 June 2024:

- the value of assets employed in the production of like goods
- capital investment
- R&D expense
- revenue relating to the sales of like goods and at a company level
- production capacity utilisation
- employment
- stock levels
- cash flow
- wages

In relation to other economic factors, in its application Simcoa did not claim other economic factors had adversely affected its performance. However, the commission examined the data provided by Simcoa and made the following observations for the period from 1 July 2019 onwards:[10]

[10] Confidential Appendix 1

- The value of assets employed in the production of like goods has increased from July 2021 to its highest level in the year ending 30 June 2024
- Capital investment also increased in same period (albeit with a slight reduction in year ending 30 June 2024
- R&D expenses increased from 1 July 2020 until the year ending 30 June 2023, before a marked drop off in the final year reported
- Following a large increase in revenue from year ending 30 June 2021 to year ending June 2022, revenue has slightly reduced year on year
- Capacity utilisation has fluctuated, with an initial reduction in the year ending 30 June 2021 before increasing over the next 2 years
- The number of employees has increased year on year over the past 3 years from year ending 30 June 2022 to 30 June 2024. This has resulted in increase in wages over the same period.

9 Impact of expiry of measures

9.1 Background and approach to analysis

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

- dumping and/or subsidisation
- the material injury

that the anti-dumping measure is intended to prevent.

The team sought Simcoa's views on these matters and collected evidence to support these claims. The commission will consider this evidence further during the course of the inquiry.

9.2 Continuation or recurrence of dumping and/or subsidisation

The commission notes that during the inquiry period, exports from China were minimal, and their volumes have declined significantly since the imposition and continuation of measures.

Simcoa stated, both in its application and during discussions, that when the measures last lapsed in 2010, dumping of exports from China recommenced almost immediately. It also pointed to anti-dumping measures, both dumping and countervailing, by other jurisdictions on silicon metal from China, as an indication that dumping and subsidisation are likely to continue or recur in Australia if the measures were to expire.

Simcoa also stated in its application that Government of China (GOC) policies specific to silicon metal have remained unchanged since the publication of REP 524, and that a market situation continues to persist. Simcoa also stated that China remains the world's largest producer of silicon metal, and its capacity and production continues to increase. Sources provided by Simcoa in its application also show that China's capacity utilisation is low.

Simcoa outlined that the existence of exports from China, albeit in small volumes, indicates the presence of well-established distribution links. These links provide an opportunity to quickly increase sales volumes of dumped and injurious silicon metal exports should the measures expire. Simcoa stated during the visit that its large customers have maintained distribution links with China, evidenced by continued imports from China during the inquiry period. This is supported by data the team has retrieved from the ABF import database.

Simcoa asserted that the small volume of Chinese exports during the inquiry period highlighted the effectiveness the measures have had on imports of silicon metal from China.

9.3 Continuation or recurrence of material injury

Simcoa states that the expiration of the measures will likely lead to a recurrence of the material injury that the measures are intended to prevent. In its application, and reiterated at the verification visit, Simcoa pointed to the period between February 2010 (when previous measures on silicon metal exported from China expired), and January 2014 when Simcoa's application that led to measures in REP 237. During this period, Simcoa suffered material injury due to dumped and subsidised imports. It also lost major customers including its largest current customer.

Simcoa claim that a similar pattern would occur if the current measures were to expire. China with its large excess capacity and inventory, would be able to redirect exports to Australia. Simcoa also pointed to trade measures on silicon metal exported from China to other countries would likely make the Australian market attractive should the measures expire. As an example, Simcoa pointed to the impact of the United Kingdom's (UK) exit from the European Union (EU) and measures no longer applied to silicon metal exported to the UK from China. It is claimed that exports of silicon metal from China to the UK increased.

Simcoa expect that an expiration of the measures will likely lead to increased volumes of dumped goods which would result in material injury in the form of:

- reduced sales
- reduced market share
- price depression and suppression
- loss of profits
- loss of productivity
- reduced return on investment and capacity utilisation.

Simcoa claim that these injury factors will have negative effect on other areas of Simcoa's business such as employment, wages, growth, and investment.

Simcoa also pointed to the pricing mechanisms of its major Australian customer, who endeavour to negotiate Simcoa down to a price as close to a Chinese export price as they can. They are aggressive in price negotiations and its customer often refers to the Asian metals index price in negotiations.

In addition to the evidence presented in its application, Simcoa provided confidential price offers with its questionnaire response. These were Chinese pricing offers which substantially undersell Australian industry pricing. Simcoa claim that, without the existing measures, these prices would drop even lower, causing greater material injury.

Simcoa highlighted that the grade of silicon metal which forms the majority of its domestic sales aligns with the grade produced and exported from China. It contends that silicon metal from China can easily be redirected to the Australian market should the measures expire.

While Simcoa's domestic sales volumes are relatively small compared to its export sales, Simcoa claim that those sales are an important sales stream for the company. Domestic sales enable Simcoa to have a market for silicon metal that has been downgraded from a higher-grade product and ensures production levels maintain near capacity.

9.3.1 Injury caused by factors other than dumping

Simcoa raised the other general economic factors that may cause injury in its questionnaire response:

- Australian power energy policy which discourages industry in heavy electricity usage areas.
- Environmental policies which restrain investment in raw materials and mine sites.
- Unreliable shipping and length supply chains to European and US markets.
- Limited government support for silicon metal, despite its inclusion on the critical mineral listing.

Simcoa also explained that Covid-19 led to global shortages of high-quality silicon metal. Simcoa explained that during this time China and Australian trade relations deteriorated. However, due to shortages in silicon metal being able to be shipped, demand improved and led to price increases in the period after the initial Covid outbreaks.

10 Appendices and attachments

Confidential attachment 1	Verification work program
Confidential appendix 1	Economic condition of Australian industry