



Australian Government  
Department of Industry,  
Innovation and Science

Anti-Dumping Commission

## Australian Industry Verification Report

### Verification & Case Details

<b>Initiation Date</b>	05/09/2019	<b>ADN:</b>	2019/112
<b>Case:</b>	Silicon metal - Continuation - Dumping and Subsidisation - China		
<b>Case Number</b>	524		
<b>Company</b>	Simcoa Operations Pty Ltd		
<b>Location</b>	Wellesley, WA		
<b>Verification from</b>	10/09/2019	<b>to</b>	12/09/2019
<b>Inquiry Period</b>	01/07/2018	<b>to</b>	30/06/2019
<b>Injury Period</b>	From 01/07/2010		

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

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## **1 COMPANY BACKGROUND**

### **1.1 Corporate Structure and Ownership**

Simcoa Operations Pty Ltd (Simcoa) was founded in late 1987 when former owners, 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. The company's manufacturing site and administrative offices are located at Kemerton Industrial Park, Wellesley, in the Bunbury region. Its silica deposit is located near Moora, approximately 350kms north of Wellesley.

Shin-Etsu remains the ultimate 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 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; all employment and administration is conducted by Simcoa. Simcoa Mines produce quartz.

Simcoa's financial year is 1 January to 31 December. Its accounts are audited in accordance with Australian Auditing Standards. The company provided a copy of the 2018 audited financial report at the visit.

### **1.2 Related Parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

#### **1.2.1 Related customers**

Simcoa stated that none of its domestic sales are to related customers, and a review of the domestic sales data provided with the application confirms this.

The verification team also reviewed the export sales data and observed that during the inquiry period around [confidential – share of sales] of Simcoa's total export sales were to its parent company or sister entities. Simcoa explained that it uses Shintech as an agent for sales in the US (where Shintech acts as an agent and charges a commission for logistics activities only), and Shinetsu as an agent for raw material supply into Shinetsu's silicon operation and for some export sales to the global market. There exists no agreement or commitment by Shinetsu/Shintech to take any 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.

## 2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

### 2.1 Manufacturing in Australia

Simcoa are the sole manufacturer of silicon metal in Australia. The company has three furnaces at their manufacturing site in Bunbury, Western Australia, producing an output of approximately 52,000 MT p.a. To their knowledge, Simcoa operates the only fully integrated silicon production plant in the world.

#### 2.1.1 Production process

Simcoa explained that the production process has not changed in the time since investigation 237. The verification team undertook a tour of the production facilities and understands the steps in the production of silicon metal to be as follows:

- i. Raw materials are prepared and placed in a furnace;
- ii. A high electrical current is passed through electrodes within the furnace creating extreme heat;
- iii. The heat causes the raw materials to combine into a liquid silicon metal;
- iv. The liquid silicon metal is poured into a mould to cool and set;
- v. The solid silicon metal is broken down into lumps, granules or powder for sale; and
- vi. The silicon metal is then packed for sale.

### 2.2 Model Control Codes (MCCs)

Simcoa provided sales and cost data in their application for the continuation of the measures. Prior to initiation of the inquiry, the Commission clarified the appropriate MCC structure applicable to the goods. Simcoa provided further information relation to the grade and packaging appropriate for silicon metal. The MCC structure was outlined in Anti-Dumping Notice (ADN) 2019/112.

### 2.3 Verification of MCCs

Table 1 below provides detail on the categorisation of MCCs and the evidence relied upon by the verification team to support this.

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 categorisation and supporting evidence**

## 2.4 Like goods

Like goods are defined under section 269T(1) of the *Customs Act 1901* (the Act)<sup>1</sup> as:

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

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

- have identical physical characteristics, notwithstanding slight variations in technical specifications based on customer needs;
- are produced in the same manner, using the same raw material inputs and manufacturing processes;
- compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

## 2.5 Preliminary like goods assessment

The verification team is satisfied that:

- silicon metal manufactured by Simcoa is like to the goods;<sup>2</sup>
- at least one substantial process of manufacture of silicon metal is carried out in Australia;<sup>3</sup>
- the like goods were, therefore, wholly or partly manufactured in Australia by Simcoa;<sup>4</sup> and
- there is an Australian industry, consisting wholly of Simcoa, which produces like goods in Australia.<sup>5</sup>

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<sup>1</sup> References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

<sup>2</sup> Section 269T(1).

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

<sup>4</sup> Section 269T(2).

<sup>5</sup> Section 269T(4).

## **3 AUSTRALIAN MARKET**

### **3.1 Background**

The verification team understands that the Australian market for silicon metal is supplied predominantly by Simcoa. A relatively minor volume imported from China during the inquiry period also contributed to supplying the Australian market. This volume was subject to both dumping and countervailing duties following investigation 237.

### **3.2 Market structure**

#### **3.2.1 Marketing and distribution**

Simcoa outlined their major client in the Australian market has three different sites in Australia. Simcoa explained that the goods are typically transported to Melbourne or Brisbane by rail, unpacked and then transported by truck to the customer. Simcoa advised that the major client contracts for their own freight, with Simcoa responsible for the freight from their production facility to the rail terminal.

#### **3.2.2 Supply**

Simcoa has an established customer base who generally require a regular supply of the goods. Simcoa will also produce special purpose silicon metal made to order based on a customer's specific needs. Simcoa explained that they enter into an annual agreement with their major customer in Australia, outlining prices per grade and packaging types. Simcoa explained that previously there has not been a tender process with customers, but that certain key customers had moved to a tender process in late 2019. The goods are sold directly to the end user, not via a distributor or retailer.

#### **3.2.3 Demand**

Simcoa explained that silicon metal is sold to primary and secondary aluminium end-users. 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 requirements and is used in the manufacture of die casting alloys used in car parts, including manifolds, crank cases and other engine components. As a result, demand for silicon metal is largely dependent on the demand for aluminium products.

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 applications.

### **3.3 Pricing**

Simcoa explained that the vast majority of their domestic sales are to one key customer. As silicon is a globally traded metal, Simcoa explained that they consider market prices from several global services which provide indicative market rates. Having considered these prices, Simcoa then adjust for specification and quality to reach a target price. Simcoa explained that their key customer is aware of the published data and also considers this in the course of negotiation. Simcoa outlined that sales to this key customer are now

conducted via tender. In relation to other customers in the Australian market, Simcoa outlined sales prices are determined on a sale by sale basis, subject to market conditions at the time.

### 3.4 Market size

The Commission has utilised the ABF database and verified information provided by the applicant to estimate an Australian market size of around 9,700 tonnes in the inquiry period. The verification team considers that this data is reliable, relevant and suitable for estimating the size of the Australian market for goods.

The vast majority of the market is supplied by the Australian industry, with the remainder largely sourced from China. Of the product sourced from China, the vast majority is procured by the Australian industry for use in its production process. See discussion at 4.1.

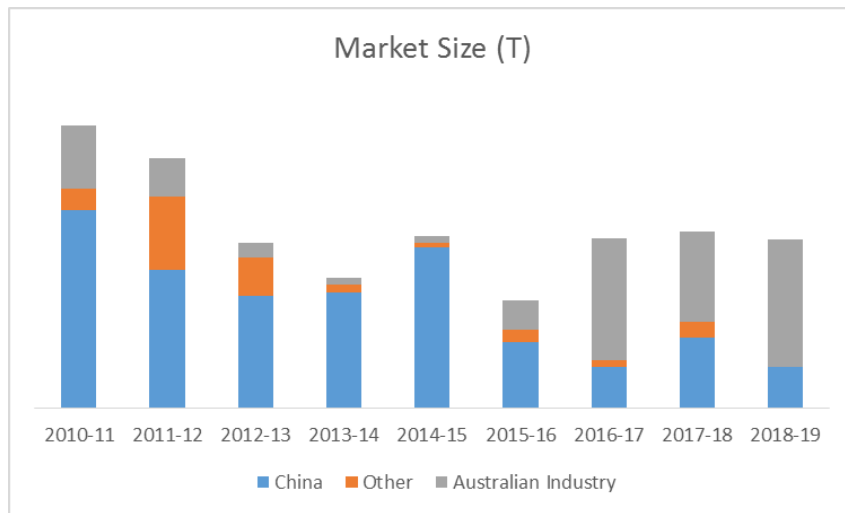


Figure 1: Market Size

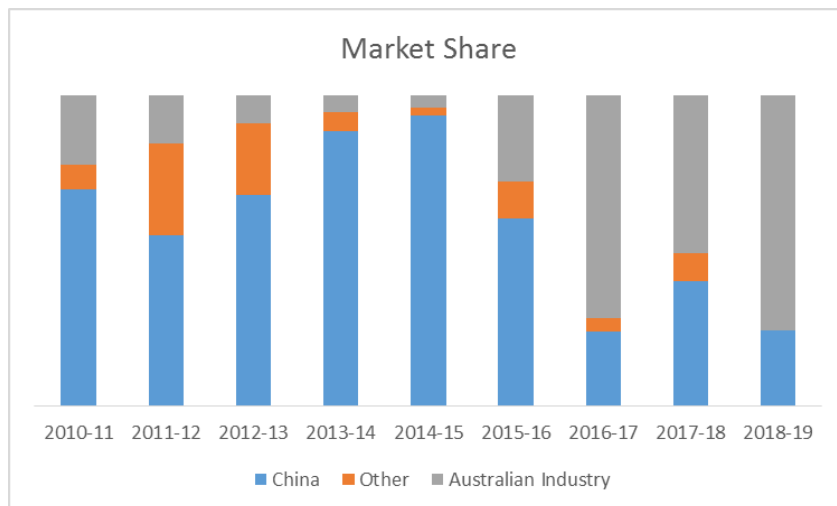


Figure 2: Market Share

## 4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts and up to audited financial accounts. The verification team verified the completeness and relevance of the Australian sales listing provided in the application by reconciling this to audited financial statements in accordance with ADN. No 2016/30.

The verification team selected the fourth quarter of the 2018 calendar year for verification. Simcoa were unable to break down their financial statements by quarter (it is all year-to-date). The team therefore had Simcoa filter for the same period in their general ledger for their domestic accounts. The total of these sales reconciled to the total in the domestic sales spreadsheet for that quarter.

The verification team repeated this process for export sales, but Simcoa were only able to generate total sales (i.e. both domestic and export) in their general ledger. The team therefore had to subtract domestic sales from that total to reconcile the general ledger to the total in the export sales spreadsheet.

As Simcoa makes-to-order, the sales and production quantity figures were the same. In verifying these, the team had Simcoa generate (from their production management system – CPR) the total sales for the inquiry period. There was a discrepancy between that figure and the combined volume totals of the domestic and export sales spreadsheets. The verification team identified that the CPR total included internal sales of remelt silicon. After removing these volumes, the discrepancy constituted only 0.64 per cent of all sales volumes, which the verification team considered negligible.

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

### 4.1 Import sales by applicant

Simcoa was responsible for the vast majority of imports in the inquiry period and was a significant importer in prior years. Simcoa advised that the imported products are used a coolant in its production process.

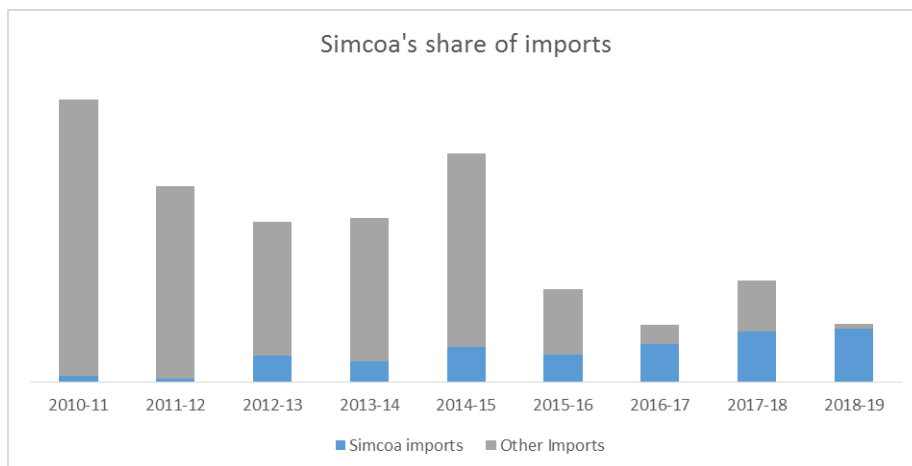


Figure 3: Import customers



## **4.2 Sales completeness and relevance finding**

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

## 5 VERIFICATION OF SALES ACCURACY

The accuracy of sales data was verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the Australian sales listing submitted in the application by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

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

The verification team established the following information as outlined in the table below:

Item	Method Applied
Customer name	Based on invoice
Product code	Based on invoice
Invoice number	Based on invoice
Invoice date	Based on invoice
Order number	Based on invoice
Delivery terms	Based on invoice
Payment terms	Based on invoice
Quantity	Based on invoice
Invoice currency	Based on invoice
Exchange rate	Simcoa compiles daily exchange rates for all currencies as per MUFG, their Japanese bank, from which they derive a monthly average that they use. This spreadsheet was provided to the verification team.
Net invoice value	Based on invoice
Packing	Simcoa was unable to record actual costs for packaging. Instead, the company calculated a rate per MT for each type of packaging inclusive of materials and labour costs. This methodology, outlined in a spreadsheet, was provided to the verification team.
Transport & handling	Transport invoice (either ICL or Qube)
Other costs	These represent commissions paid to either Shin-Etsu or Shintech. Simcoa provided a supporting invoice for the commission paid to Shin-Etsu, however, there was no documentary evidence to support Simcoa's commission arrangement with Shintech.
Proof of payment	Remittance advice and bank statement

**Table 2 - Sales calculation method**

### 5.1 Related party customers

The verification team observed that Simcoa sold silicon metal to related export customers. During the inquiry period some of Simcoa's total export sales were to its parent company or sister entities. Simcoa explained that it uses Shintech as an agent for sales to customers in

the US (where Shintech acts as an agent and charges a commission for logistics activities only, and Shinetsu as an agent for raw material supply into Shinetsu's silicone operation and for some export sales to the global market. There exists no agreement or commitment by Shinetsu/Shintech to take any volumes produced by Simcoa. Simcoa explained that there is no formal agreement regarding volumes or prices. Each year Shin-Etsu issue an expression of interest to global suppliers of silicon metal. Simcoa is then asked to match the price offer(s) received. If there are more attractive alternatives in the market, Simcoa will pursue these. As noted above, the analysis from the verification team indicates that prices to Simcoa's parent or sister entities are not lower than prices to unrelated export customers.

The verification team analysed the prices for unrelated and related 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.

## **5.2 Sales accuracy finding**

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

Accordingly, the verification team considers Simcoa's sales data suitable for analysing the economic performance of its silicon metal operations from 1 July 2018 to 30 June 2019.

**6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE**

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

The verification team considered the cost of goods sold in the audited financial statements for the 2018 calendar year. Simcoa explained that the audited financial statement is for Silicon Metal Company of Australia Pty Ltd. This is the head entity and has three subsidiaries - Simcoa Operations Pty Ltd, Microsilica Pty Ltd and Simcoa Mines Pty Ltd. For the purposes of this verification, we are only considering Simcoa Operations.

Simcoa demonstrated that the audited trial balance for the same period had precisely the same amounts. This trial balance was used as the basis to create the A6 data.

The verification team went through a line by line analysis of each of the items listed in the A6 spreadsheet, and were able to correctly verify each of these precisely to the totals provided in the trial balance.

The verification team identified one issue during this process, outlined in Table 3 below. Details of the verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

No.	Exception	Resolution
1	In their response to the A6 spreadsheet, Simcoa only included sales of silicon metal in the revenue and costs figures. However, a by-product of the production process for silicon metal is silica fume. This is recorded by one of the subsidiary companies, Microsilica. As silica fume is a direct by-product of the production of silicon metal, the verification team requested that Simcoa include the revenue and costs for these sales during the inquiry period and during the earlier injury analysis period.	Simcoa subsequently revised their A6 response to include the revenue from the sales of fume as well as the costs of collecting that fume (known as a bag-house expense).

**Table 3 - Exceptions during verification of completeness and relevance of CTMS data**

**6.1 CTMS completeness and relevance finding**

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

## 7 VERIFICATION OF CTMS ACCURACY

### 7.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the CTMS information provided in the application to the relevant MCCs, in accordance with ADN No. 2016/30.

The allocation method is outlined in the Table below.

Cost Area	Method Applied
Raw Materials	<p>Simcoa explained their raw material requirements for the production of silicon metal include both local and imported products (charcoal, quartz, electrodes etc).</p> <p>Simcoa record the actual costs for these raw materials and have allocated these in the A6 spreadsheet based on the production volumes of the goods for the local market and the production volumes of the goods for the export market.</p> <p>Evidence relied on:</p> <ul style="list-style-type: none"> <li>Accounting and finance presentation</li> <li>Cost and allocation presentations</li> <li>CTMS cost allocation method spreadsheet</li> </ul>
Manufacturing Overheads	Actual costs, using bill of materials and production cost worksheets
Labour	Actual costs, using bill of materials and production cost worksheets
Depreciation	Actual costs, using depreciation schedules and asset registers
Variance	Production quantity as per the production warehouse

**Table 4 - Cost calculation method**

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

### 7.2 Verification of accuracy of CTMS data

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

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

### 7.3 Cost to make and sell verification finding

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

Accordingly, the verification team considers Simcoa's CTMS data is suitable for analysing the economic performance of its silicon metal operations from 1 July 2015 onwards.

## 8 VERIFICATION OF IMPORTS

### 8.1 Import listing

As Simcoa also imported silicon metal from China during the inquiry period, the verification team requested information regarding a selection of imports. Simcoa provided the following documents regarding these imports:

- Invoice;
- Shipping invoice;
- Bill of lading; and
- Import declaration.

### 8.2 Verification of costs to import (CTI) allocation

The verification team verified the reasonableness of the method used to allocate the costs to import provided in the questionnaire response, in accordance with ADN No. 2016/30.

Cost Area	Method applied
Customs entry fee	Based on the actual customs entry fee.
Customs brokers fees	Based on the actual customs brokers fees.
Quarantine charges	Based on the actual quarantine charges.
Import government entry fee	Based on the actual import government entry fee.
Port service charges	Based on the actual port service charges.
Delivery	Based on the delivery cost per bag.
Delivery order fee	Based on the actual delivery order fee.
Transfer off wharf	Based on the actual transfer off wharf cost.
Container unpacking	Based on the actual container unpacking cost.
SCA & CMR fee	Based on the actual SCA & CMR fee.
Disbursement fee	Based on the actual disbursement fee.
GST	Based on the actual GST cost.

**Table 1: Verification of cost calculation method**

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

#### 8.2.1 Exceptions during verification of CTI allocation

No.	Exception	Resolution
1	The rate used to calculate delivery costs did not match source documents.	These costs were recalculated based on the verified rate.

**Table 2: Exceptions during verification of CTI allocation**

### 8.3 Verification of CTI accuracy

The verification team verified the accuracy of the CTI provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

#### 8.3.1 Exceptions during verification of CTI accuracy

No.	Exception	Resolution
1	All importation costs for one shipment were missing.	These costs were provided and verified against source documents.
2	All importation costs for one shipment did not match source documents	The correct source documents were provided.

**Table 7: Exceptions during verification of accuracy of CTI data**

### 8.4 CTI verification finding

The verification team is satisfied that the CTI provided by Simcoa, including any required amendments as outlined in the exception table above, is accurate.

**9 ECONOMIC CONDITION**

**9.1 Applicant’s injury claims**

The applicant is not claiming that it is currently experiencing injury, rather that should the measures be allowed to expire, it would experience a recurrence of injury. This would take one of a number of forms. First, it may lose significant volumes it currently sells to its major Australian customers to imports sourced from China at a time where global prices are declining. Second, in setting its prices, it would need to take into account the cheaper prices in the market offered by China to remain competitive.

**9.2 Approach to injury analysis**

The verification team analysed Simcoa’s financial data in support of its claims in relation to reoccurrence of injury provided for this inquiry and combined this with information verified in Investigation 237 (INV 237). The verification team also reviewed trends in imports of silicon metal from China for the corresponding period.

**9.3 Volume effects**

**9.3.1 Sales volume**

Simcoa’s sales focus is its export market. Its overall sales have followed its plant capacity increases with the mix between Australian and export sales varying over time. Its share of Australian sales have increased particularly in 2016-17 off a very low base in 2014-15.

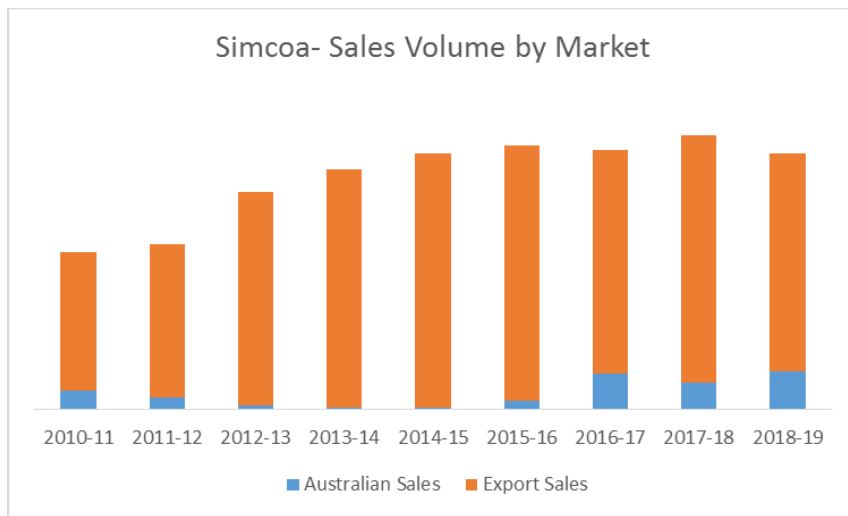


Figure 4: Simcoa’s sales volume by market

**9.3.2 Market share**

As Simcoa has been responsible for a significant share of imports in the inquiry period, the Commission has analysed market share with and without these imports as shown below.



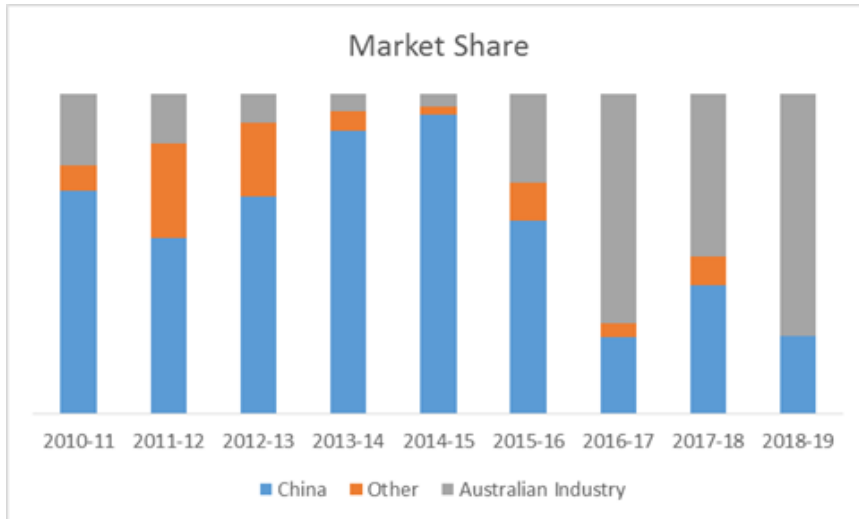


Figure 5: Market share

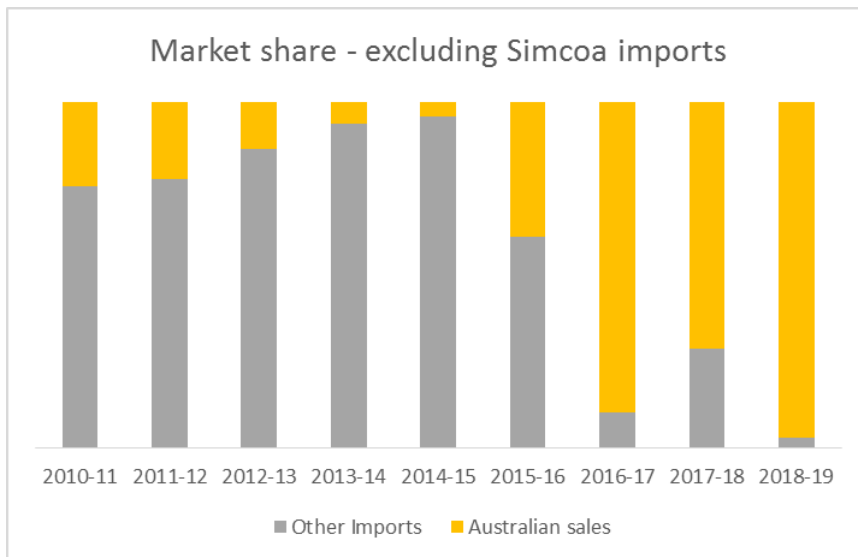


Figure 6: Market share excluding Simcoa's imports

### 9.3.3 Conclusion – volume effects

Simcoa has held a dominant market share from 2016-17 contrasting with minimal market share prior to 2015-16. Its overall sales volume has continued to increase in line with its capacity increases.

### 9.4 Price effects

Simcoa provided sales and cost to make and sell (CTMS) data that was verified by the verification team as shown below on a unit basis.

## PUBLIC RECORD

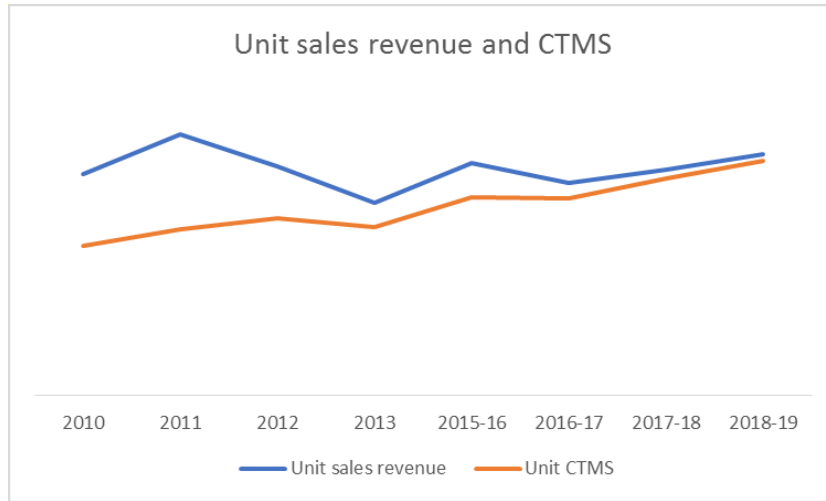


Figure 7: Unit sales revenue and CTMS

### 9.4.1 Conclusion – price effects

Costs and prices have continued to rise with a narrowing of the margin being achieved, particularly over the last four years, driven by increases in costs. This indicates price suppression.

## 9.5 Profit and profitability

The effects demonstrated in section 9.4 above have also been reflected in Simcoa's unit profit and profitability results shown below.

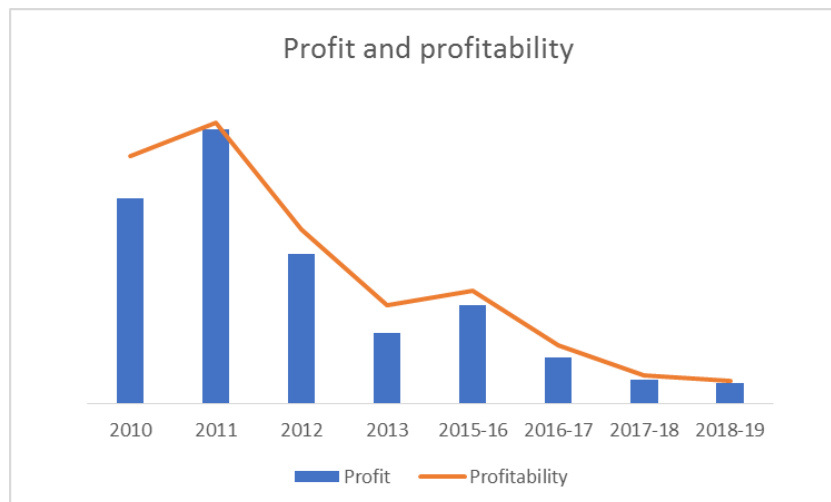


Figure 8: Profit and profitability

### 9.5.1 Conclusion – profit and profitability

Simcoa's profit and profitability have similarly continued to decline, particularly over the last four years.

### 9.6 Other economic factors<sup>6</sup>

Simcoa’s capacity increased from 32,000T to 52,000T per annum from 2011 to 2014-15 which explains the increase in assets and decline in capital investment at that time. Capacity utilisation has been around 100% over the period. The other A7 factors as outlined below are consistent with this increase in production capacity and consistent capacity utilisation.

The verification team has included analysis of each of these economic factors over the injury analysis period, and these will be explored further during the course of the inquiry.

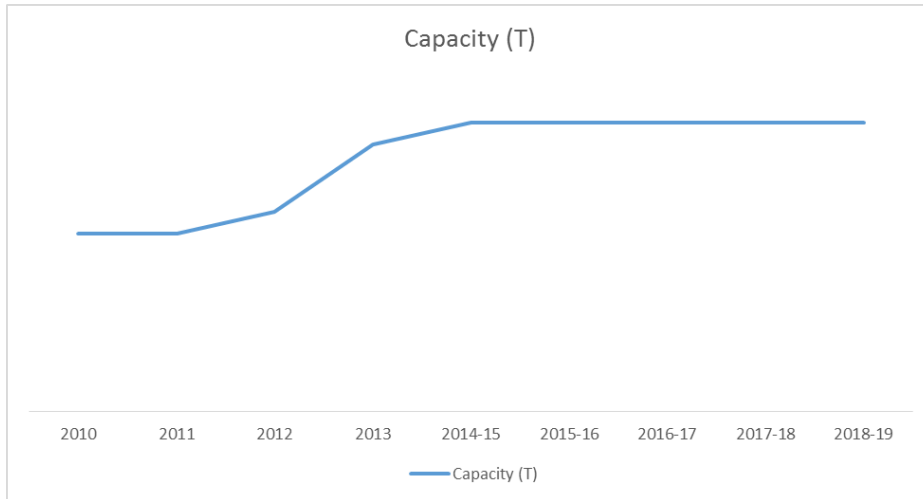


Figure 9: Simcoa’s capacity

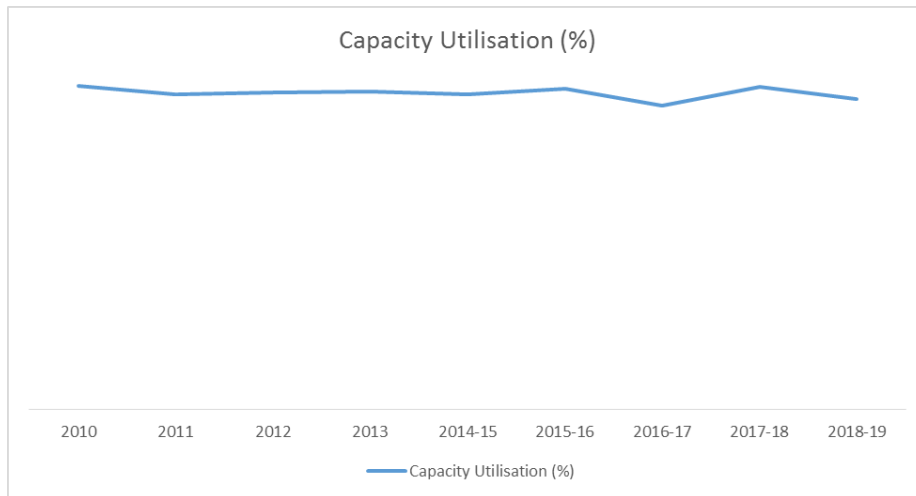
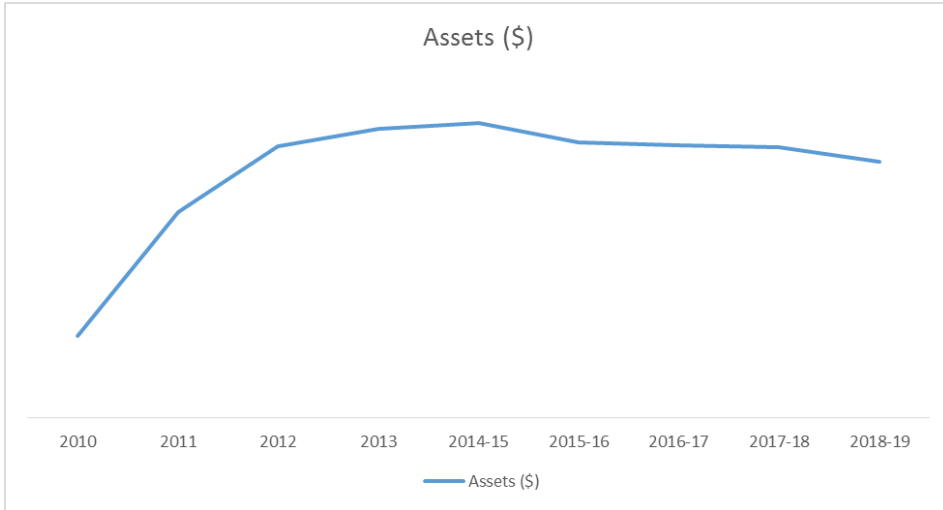


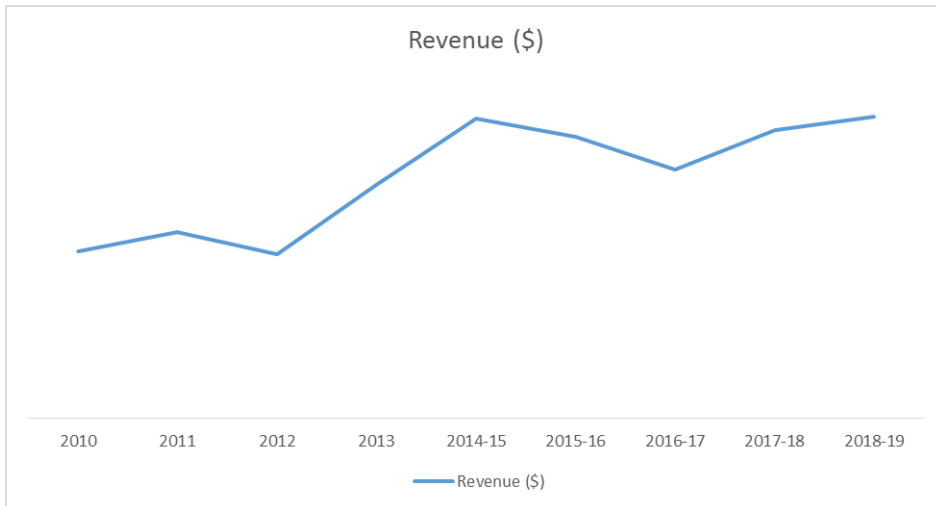
Figure 10: Simcoa’s capacity utilisation

<sup>6</sup> Information is presented in a mix of calendar and financial years due to availability of data from INV 237 and provided for this inquiry.

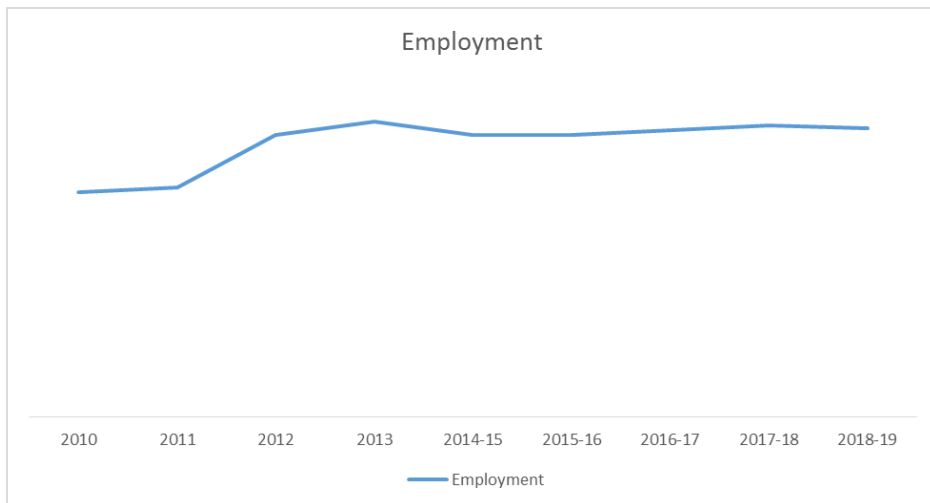
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**Figure 11: Simcoa's assets**



**Figure 12: Simcoa's revenue**



**Figure 13: Simcoa's employee numbers**

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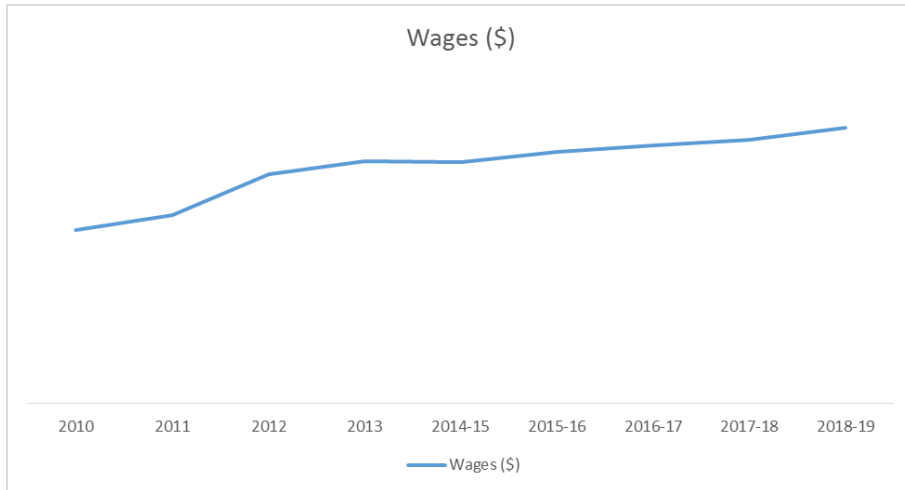


Figure 14: Simcoa's wages cost

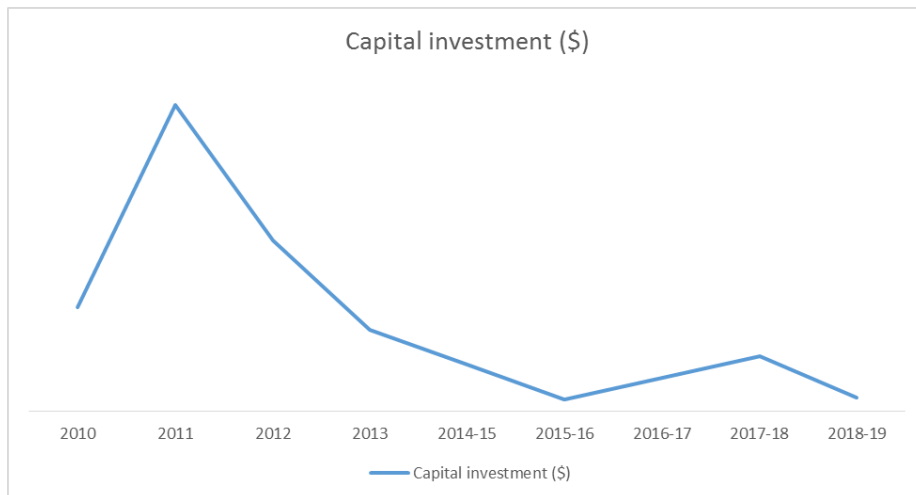


Figure 15: Simcoa's capital investment

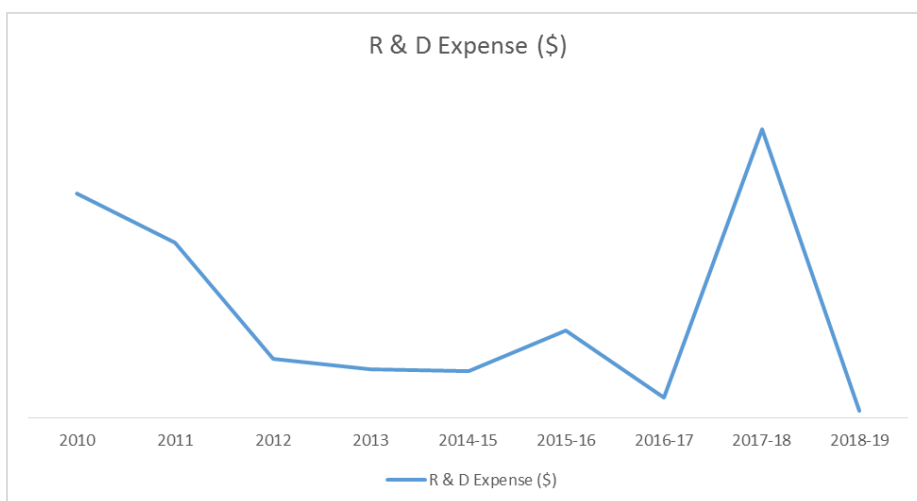


Figure 16: Simcoa's research and development expense

The verification team's consideration of injury is at **Confidential Attachment 1**.

## **10 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES**

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

- dumping; and
- the material injury that the anti-dumping measure is intended to prevent.

Accordingly, the verification team sought Simcoa's views on these matters. Simcoa was of the view that the expiration of the anti-dumping measures would lead to a continuation of, or a recurrence of, dumping and the recurrence of material injury.

### **10.1 Continuation or recurrence of dumping**

#### **10.1.1 Relevant evidence as to the current normal values in the exporting country**

Simcoa referred to the information provided in their application to support the estimates for the current normal values in China. The Commission will consider this evidence further during the course of the inquiry.

#### **10.1.2 Anti-dumping actions by other countries**

Simcoa noted the continued measures imposed on China by Canada.

#### **10.1.3 Whether exports have continued following imposition of the measure and estimates of export price**

Simcoa noted that exports from China have continued following the imposition of measures. The verification team has found that exports from China have continued over the injury period, albeit with the vast majority of imports in the inquiry period being made by the applicant as displayed in Figures 5 and 6.

#### **10.1.4 Distribution links in Australia**

Simcoa claims that distribution links have been maintained. The verification team identified that distribution links in Australia for Chinese exporters remain, including to Simcoa's major customer.

#### **10.1.5 Whether the exporter retains an excess capacity that may be directed to Australia.**

Simcoa cites S&P Global Platts figures and another source showing China's capacity utilisation is low, with the ability to increase production for export markets such as Australia.

Simcoa provided an estimate of global production by region prepared by CRU indicating continued growth of Chinese production.

### **10.2 Continuation or recurrence of material injury**

#### **10.2.1 Expiry of original anti-dumping measures.**

As noted above, Simcoa argues that should the measures be allowed to expire it would

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lose significant Australia sales to imports sourced from China at a time where global prices are declining and/or in setting its prices, it would need to take into account the cheaper prices in the market offered by China to remain competitive.

In support of its claims of the likely impact should the measures expire, Simcoa referred to two points:

- the level of Australian sales compared with imports from China following the expiry of the original measures in 2010; and
- the recovery of its Australian sales following the reimposition of measures in 2015.

The verification team notes that Australian sales remain a relatively small part of Simcoa's business and the impact on the Australian industry producing like goods should measures expire will be considered during the inquiry.

**11 APPENDICES AND ATTACHMENTS**

**Confidential Attachment 1**

Verification work program