



Australian Government
**Department of Industry, Science,
Energy and Resources**

**Anti-Dumping
Commission**

CUSTOMS ACT 1901 - PART XVB

STATEMENT OF ESSENTIAL FACTS

NO. 569

**INQUIRY INTO THE CONTINUATION OF
ANTI-DUMPING MEASURES APPLYING TO
CERTAIN GRINDING BALLS
EXPORTED TO AUSTRALIA FROM
THE PEOPLE'S REPUBLIC OF CHINA**

18 May 2021

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ABBREVIATIONS

\$	Australian dollars
ABF	Australian Border Force
the Act	<i>Customs Act 1901</i>
ADC	Anti-Dumping Commission
ADN	Anti-Dumping Notice
ADRP	Anti-Dumping Review Panel
Anhui Sanfang	Anhui Sanfang New Material Technology Co.
Argus	Argus Media Ltd
CFR	Cost and Freight
China	the People's Republic of China
CIF	Cost, Insurance and Freight
CNY	Chinese Yuan
COGS	cost of goods sold
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTM	cost to make
CTMS	cost to make and sell
the Direction	<i>Customs (Extensions of Time and Non-cooperation) Direction 2015</i>
Donhad	Donhad Pty Ltd
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975 (Cth)</i>
EPR	electronic public record
EXW	Ex-Works
FOB	Free On Board
FY	financial year(s)
GAAP	generally accepted accounting principles
GOC	Government of China
the goods	certain grinding balls, the goods the subject of the application (also referred to as the goods under consideration)
the Guidelines	<i>Guidelines on the Application of Forms of Dumping Duty (November 2013)</i>
ICD	interim countervailing duty
IDD	interim dumping duty
the inquiry period	1 October 2019 to 30 September 2020

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Iraeta	Iraeta Energy Equipment Co., Ltd
Jiangsu Yute	Jiangsu Yute Grinding International Co. Ltd
Karara Mining	Karara Mining Limited
Longte	Changshu Longte Special Steel., Ltd
the Manual	<i>Dumping and Subsidy Manual</i>
MCC	model control code
ME	Compania Electro Metalurgica S.A
the Minister	the Minister for Industry, Science, and Technology
mm	millimetres
Molycop	Commonwealth Steel Company Pty Ltd trading as Molycop
MT	metric tonnes
NDRC	National Development and Reform Commission
NIP	non-injurious price
the notices	collectively, the dumping duty and countervailing duty notices to which the goods are subject
OCOT	ordinary course of trade
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
Platts	S&P Global Platts
the Regulation	<i>Customs (International Obligations) Regulation 2015</i>
REP 316	<i>Anti-Dumping Commission Report No. 316</i>
REP 476	<i>Anti-Dumping Commission Report No. 476</i>
REP 520	<i>Anti-Dumping Commission Report No. 520</i>
REQ	response to the exporter questionnaire
RMB	Renminbi
SAG	semi-autonomous grinding
SEF	statement of essential facts
SG&A	selling, general, and administration
SOE	state owned enterprise
USP	unsuppressed selling price
VAT	Value Added Tax
Vega Industries	Vega Industries Australia Pty Ltd
WTO	World Trade Organization
Xingcheng Magotteaux	Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd.

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

This statement of essential facts (SEF) concerns an inquiry into whether the continuation of the anti-dumping measures, in the form of a dumping duty notice and a countervailing duty notice (referred together as the notices), applying to certain grinding balls (the goods) exported to Australia from the People's Republic of China (China) is justified.

The anti-dumping measures currently applicable to exports of the goods to Australia from China (the current measures) are due to expire on 9 September 2021.¹

The present inquiry was initiated on 14 December 2020, following the Commissioner of the Anti-Dumping Commission's (the Commissioner) consideration of the application lodged by Commonwealth Steel Company Pty Ltd trading as Molycop (Molycop) seeking the continuation of the anti-dumping measures.² The Commissioner established an inquiry period of 1 October 2019 to 30 September 2020 (the inquiry period) for this continuation inquiry.³

This SEF sets out the facts on which the Commissioner proposes to base his recommendations to the Minister for Industry, Science and Technology (the Minister), subject to any submissions received in response to this SEF.

1.2 Legislative framework

Division 6A of Part XVB, *Customs Act 1901* (the Act) sets out, among other things, the procedures to be followed by the Commissioner when considering an application for the continuation of anti-dumping measures.⁴

Section 269ZHE(1) requires that the Commissioner publish a SEF on which he proposes to base his recommendations to the Minister concerning the continuation of the anti-dumping measures. Section 269ZHE(2) requires that in doing so, the Commissioner must have regard to the application, any submissions received within 37 days of the initiation of the inquiry and may have regard to any other matters that he considers relevant.

Under section 269ZHE(3), the Commissioner is not obliged to have regard to any submissions relating generally to the inquiry that are received by the Commissioner after the end of the 37 day period referred to in section 269ZHE(2)(a)(ii) if to do so would, in the Commissioner's opinion, prevent the timely placement of this SEF on the public record. Section 269ZHF(1)(a) requires the Commissioner, after conducting an inquiry, to give the Minister a report which recommends:

- that the notice remain unaltered;⁵ or
- that the notice cease to apply to a particular exporter or to a particular kind of goods;⁶ or

¹ Under section 269TM, dumping duty notices and countervailing duty notices expire five years after the date on which they were published, unless they are revoked earlier.

² Refer to Molycop's application for the continuation of the measures on the electronic public record (EPR) for case 569, [document no. 01](#) refers.

³ [EPR 569, document no. 02](#) refers.

⁴ All legislative references in this report are to the *Customs Act 1901* unless otherwise stated.

⁵ Section 269ZHF(1)(a)(i).

⁶ Section 269ZHF(1)(a)(ii).

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- that the notice have effect in relation to a particular exporter or to exporters generally, as if different variable factors had been ascertained;⁷ or
- that the notice expire on the specified expiry day.⁸

Pursuant to section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless the Commissioner is 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, the dumping or subsidisation and the material injury that the anti-dumping measure is intended to prevent.

1.3 Preliminary findings and proposed recommendation

For the reasons set out in this SEF, the Commissioner is not satisfied that the expiration of the anti-dumping measures in respect of exports of grinding balls from China would lead, or would be likely to lead, to a continuation of, or a recurrence of, dumping, subsidisation and the material injury that the anti-dumping measures are intended to prevent.

Based on the above preliminary findings, the Commissioner proposes to recommend to the Minister that the notices in respect of the goods exported to Australia from China be allowed to expire on the specified day (being **9 September 2021**).

1.4 Responding to this SEF

This SEF sets out the essential facts on which the Commissioner proposes to base his final recommendations to the Minister.

This SEF represents an important stage in the inquiry. It informs interested parties of the facts established and allows them to make submissions in response to the SEF.

It is important to note that the SEF may not represent the final views of the Commissioner.

Interested parties are invited to make submissions to the Commissioner in response to the SEF within 20 days of the SEF being placed on the public record. The due date to lodge written submissions in response to this SEF is **7 June 2021**.

The Commissioner is not obliged to have regard to any submission made in response to the SEF received after this date if to do so would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Minister.⁹

Submissions may be provided by email to investigations1@adcommission.gov.au.

Alternatively, interested parties may post submissions to:

Director, Investigations Unit 1
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601
AUSTRALIA

Confidential submissions must be clearly marked accordingly and a non-confidential version of any submission is required for inclusion on the Public Record. Information in

⁷ Section 269ZHF(1)(a)(iii).

⁸ Section 269ZHF(1)(a)(iv).

⁹ Section 269ZHF(4).

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relation to making submissions is available on the Commission's website www.adcommission.gov.au.

The public record contains non-confidential submissions by interested parties, the non-confidential versions of the Commission's visit reports and other publicly available documents. The EPR is available via the Commission's website. Interested parties should read this SEF in conjunction with other documents on the public record.

1.5 Final report

The Commissioner's final report and recommendations must be provided to the Minister within 155 days after the publication of a notice under section 269ZHD(4) or such longer period as is allowed.¹⁰

The final report will include recommendations, including whether the relevant notice ought to:

- remain unaltered;
- cease to apply to a particular exporter or to a particular kind of goods;
- have effect in relation to a particular exporter or to exporters generally as if different variable factors had been ascertained; or
- expire on the specified expiry day.

An extension of time for the provision of the Commissioner's final report and recommendations to the Minister were previously granted under section 269ZHI(3).¹¹ The current due date for the final report is **2 July 2021**.

¹⁰ Section 269ZHF(1). On 14 January 2017 the powers and functions of the Minister under section 269ZHI were delegated to the Commissioner, see Anti-Dumping Notice No. 2017/10.

¹¹ [EPR 569, document no. 10](#) refers.

2 BACKGROUND

2.1 Application and initiation

In accordance with section 269ZHB(1), the Commissioner published a notice on 21 September 2020 on the Commission's website inviting the following persons to apply for the continuation of the anti-dumping measures:

- the person whose application under section 269TB resulted in the anti-dumping measures (section 269ZHB(1)(b)(i)); or
- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the anti-dumping measures (section 269ZHB(1)(b)(ii)).¹²

On 19 November, an application for the continuation of the anti-dumping measures was received from Molycop. A non-confidential version of the application is available on the EPR.¹³

As set out in Anti-Dumping Notice (ADN) No. 2020/146, the Commissioner was satisfied that the application complied with section 269ZHC and, in accordance with section 269ZHD(2)(b), there appeared to be reasonable grounds for asserting that the expiration of the anti-dumping measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent.

The Commissioner therefore decided not to reject the application and initiated the present inquiry on 14 December 2020.

2.2 Current anti-dumping measures

The anti-dumping measures were declared by public notice on 9 September 2016 by the then Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science.¹⁴ This followed the then Parliamentary Secretary's consideration of the Commissioner's original investigation and *Anti-Dumping Commission Report No. 316* (REP 316).

The original investigation and the imposition of the anti-dumping and countervailing measures resulted from a joint application made under section 269TB by Molycop and Donhad Pty Ltd (Donhad), representing the Australian industry producing like goods. Molycop acquired Donhad in 2018 and is now the only Australian industry member.¹⁵

On the 11 November 2020, following a review of anti-dumping measures outlined in *Anti-Dumping Commission Report No. 520* (REP 520), the Minister declared that the dumping duty notice and countervailing duty notice have effect as if different variable factors had been fixed in respect of exporters generally, relevant to the determination of duty.¹⁶

¹² [ADN No. 2020/100](#) refers.

¹³ [EPR 569, document no. 01](#) refers.

¹⁴ Refer to ADN Nos. 2016/90 and 2016/91.

¹⁵ [Australian Competition & Consumer Commission proposed acquisition case page](#) refers.

¹⁶ [ADN No. 2020/117](#) refers.

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The anti-dumping measures currently apply to all exporters of the goods from China.¹⁷ Further information in regards to all cases relating to grinding balls exported to Australia from China, including accelerated reviews and exemption inquiries, can be found on the Commission's EPR.

Table 1 sets out the current measures applying to exports of the goods to Australia.

Exporter	Dumping Margin	Subsidy Margin	Effective rate of duty	Dumping duty method
Changshu Longte Grinding Ball Co., Ltd ¹⁸	2.1%	N/A	2.1%	combination of fixed and variable duty method
Jiangsu Yute Grinding International Co., Ltd ¹⁹	15.0%	N/A	15.0%	combination of fixed and variable duty method
Anhui Sanfang New Material Technology Co., Ltd	0%	0%	0%	floor price duty method
Iraeta Energy Equipment Co., Ltd	0%	1.1%	1.1%	floor price duty method
Uncooperative and all other exporters ²⁰	27.1%	6.9%	34.0%	combination of fixed and variable duty method

Table 1: Current measures applying to exports of the goods

2.3 Conduct of the inquiry

2.3.1 Period of inquiry

The period of inquiry established for this continuation inquiry was 1 October 2019 to 30 September 2020.

For the purposes of examining the performance of the Australian industry, the Commission has examined the period of 1 October 2016 to 30 September 2020 (period of analysis), noting that the anti-dumping measures were imposed in September 2016.

The Commission has also examined the data from the Australian Border Force (ABF) import database for the period for the purposes of analysing trends in the market for the goods and assessing potential injury factors.

2.3.2 Australian industry

The Commissioner is satisfied that the Australian industry for the continuation of the measures, Molycop, is the person specified under section 269ZHB(1)(b)(i), being that it lodged the application under section 269TB that resulted in the current measures.

The Commission conducted a remote verification for Molycop. The report made in relation to the verification process is available on the EPR.²¹

¹⁷ Refer to the Dumping Commodity Register as it relates to Grinding Balls:

<https://www.industry.gov.au/sites/default/files/adc/measures/dcr_-_grinding_balls_12.pdf>

¹⁸ The countervailing duty notice does not apply to Changshu Longte Grinding Ball Co., Ltd.

¹⁹ The countervailing duty notice does not apply to Jiangsu Yute Grinding International Co., Ltd.

²⁰ The countervailing duty notice does not apply to Hebei Goldpro New Material Technology Co., Ltd or Jiangsu CP Xingcheng Special Steel Co., Ltd.

²¹ [EPR 569, document no. 11](#) refers.

2.3.3 Importers

The Commission identified several importers in the ABF import database that imported the goods from China during the inquiry period. The Commission forwarded importer questionnaires to four importers and placed a copy of the importer questionnaire on the Commission's website for completion by other importers who were not contacted directly. The Commission received four questionnaire responses from the importers listed below.

- Sino Grinding International Pty Ltd
- CITIC Pacific Mining Management Pty Ltd
- Karara Mining Limited (Karara Mining)
- CIA Electrometalurgica SA

The Commission conducted desktop reviews of the four importer questionnaire responses, by comparing these to previous responses received in REP 316 and REP 520, ABF data, and data provided by exporters. The Commission also reconciled selected sales data from each of the four importers' questionnaire responses to source documents requested by the Commission. The Commission is satisfied that the data provided is relevant, accurate and reliable.

The following two importers were selected for remote verification.

- Karara Mining;
- CITIC Pacific Mining Management Pty Ltd; and

The reports made in relation to the importer verifications are available on the EPR.²²

In addition, the Commission sent out an Australian Market supplementary questionnaires to the four importers listed above as well as two other major importers of grinding balls from other countries other than China.

The Commission received questionnaire responses from the following importers:

- Sino Grinding International Pty Ltd
- CITIC Pacific Mining Management Pty Ltd
- Karara Mining
- CIA Electrometalurgica SA
- Magotteaux Australia Pty Ltd
- Vega Industries Australia Pty Ltd (Vega Industries)

Molycop also provided a completed Australian Market supplementary questionnaire response. Accordingly, the Commission had regard to the non-confidential responses from CIA Electrometalurgica SA, CITIC Pacific Mining Management Pty Ltd, Magotteaux Australia Pty Ltd, Sino Grinding International Pty Ltd and Molycop. These are available on the EPR.²³

2.3.4 Exporters

The Commission forwarded questionnaires to four exporters who had all cooperated with the recent review (REP 520), and placed a copy of the exporter questionnaire on the Commission's website for completion by other exporters who were not contacted directly. According to the ABF import database, these four exporters represented almost 100 per

²² EPR 569, document nos. [19](#), and [20](#) refers.

²³ EPR 569, document nos. [13](#), [14](#), [15](#), [16](#), and [18](#) refers.

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cent of the volume of the goods (measured by statistical quantity reported in tonnes) exported to Australia from China during the inquiry period.

Three of the exporters contacted by the Commission provided a complete response to the exporter questionnaire (REQ) by the due date. An additional exporter also provided a completed response to the REQ. Table 2 summarises the cooperating exporters.

Company	Cooperative?
Changshu Longte Grinding Ball Co., Ltd	Yes
Jiangsu Yute Grinding International Co Ltd	Yes
Anhui Sanfang New Material Technology Co., Ltd.	Yes
Iraeta Energy Equipment Co., Ltd ²⁴	No
Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd	Yes

Table 2: Cooperating exporters

2.3.5 Uncooperative, non-cooperative and all other exporters

Uncooperative exporter is relevantly defined under section 269T(1) as an exporter of goods subject of an inquiry, or an exporter of like goods where the Commissioner was satisfied that the exporter did not give the Commissioner information the Commissioner considered relevant to the continuation inquiry within the period the Commissioner considered to be reasonable.

The Commissioner is satisfied that all exporters that did not provide a response to the exporter questionnaire are considered to be uncooperative exporters in accordance with this definition.²⁵

2.3.6 Government of the Peoples' Republic of China (GOC)

On the day the inquiry was initiated (14 December 2020), the Commission contacted the GOC advising it of the existence of the inquiry and inviting the GOC to complete a government questionnaire.

The government questionnaire sought information from the GOC that the Commission considers necessary for assessing the allegation that there is a 'particular market situation' in the domestic market for grinding balls in China, and that countervailable subsidies are being received in respect to exports of grinding balls to Australia.

The due date for the GOC's response was Wednesday 20 January 2021. The Commission also advised the GOC to contact the Commission should it have considered further time was necessary to complete the questionnaire. The Commission did not receive a response to the government questionnaire from the GOC.

2.4 Submissions received from interested parties

The following submissions have been received from interested parties:

²⁴ Formerly Shandong Iraeta Heavy Industry Stock Co. Ltd.

²⁵ Refer also to Section 269TAACA that sets out the determination of a countervailable subsidy if there is non-cooperation by relevant entities.

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Interested Party	Date Published on EPR	Document Number
Molycop	10/2/2021	05
CIA Electrometalurgica SA	6/5/2021 ²⁶	12
Molycop	12/5/2021	17

Table 3: Submissions received²⁷

The matters raised in Molycop's first submission have been addressed in the relevant chapters of this SEF.²⁸ The last two submissions that were published on the EPR have not been examined, as to do so would have delayed the timely preparation and publication of the SEF.

²⁶ Although this submission is dated 3 March 2021, it was not received by the Commission until 5 May 2021.

²⁷ All submissions are available on the EPR on the Commission website.

²⁸ [EPR 569, document no. 05](#) refers.

3 THE GOODS, LIKE GOODS AND THE AUSTRALIAN INDUSTRY

3.1 Preliminary finding

The Commissioner considers that the locally manufactured grinding balls are a like good to the goods subject to the anti-dumping measures. The Commissioner considers that there is an Australian industry, of which Molycop is the sole member, producing like goods, and that the like goods are wholly produced in Australia.

3.2 Legislative framework

In order to be satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or recurrence of, dumping or subsidisation, the Commissioner firstly determines whether the goods produced by the Australian industry are “like” to the imported goods. Section 269T(1) defines like goods 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 definition of like goods is relevant in the context of this inquiry in determining the Australian industry and whether the expiration of the measures would lead to a continuation of, or a recurrence of, the dumping and material injury that the measures are intended to prevent. The Commission’s framework for assessing like goods is outlined in Chapter 2 of the *Dumping and Subsidy Manual* (the Manual).²⁹

Where the locally produced goods and the imported goods are not alike in all respects, the Commissioner assesses whether they have characteristics closely resembling each other against the following considerations:

- i. physical likeness;
- ii. commercial likeness;
- iii. functional likeness; and
- iv. production likeness.

The Commissioner must also consider whether the “like” goods are in fact produced in Australia. Section 269T(2) specifies that for goods to be regarded as being produced in Australia, they must be either wholly or partly manufactured in Australia. Under section 269T(3), in order for the goods to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia. The following therefore establishes the scope of the Commission’s inquiry.

3.3 The goods subject to the measures

The goods that are the subject of the application are:

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

The goods covered 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.

²⁹ Available on the Commission’s [website](#).

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

3.3.1 Tariff classification

The goods are generally classified according to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995* (Cth):

Tariff code	Statistical code	Description
7325.91.00	26	Grinding balls and similar articles for mills
7326.11.00	29	Grinding balls and similar articles for mills
7326.90.90	60 ³⁰	Other

Table 4: Tariff classifications of the goods

3.4 Model control code

The original investigation made reference to the production method, diameter and grade/model when classifying goods for model matching purposes. This was in order to correctly match the goods when constructing normal values and comparing them to export prices.

On 9 August 2018, the Commission announced that a model control code (MCC) structure would be implemented in new investigations, reviews of exporters generally or continuations for cases initiated after this date (see ADN No. 2018/128).³¹

The proposed MCC structure described in ADN No. 2019/96 is displayed in Table 5. The MCC has reference to those key characteristics identified and used in REP 316, and this MCC structure was also used in REP 520.

Item	Category	Sub-category	Identifier	Sales Data	Cost data	Key category
1	Production method	Cast	C	Mandatory	Mandatory	Yes
		Forged	F			
2	Diameter	Diameter in mm	### ³²	Mandatory	Mandatory	No
3	Product code	Internal grade/model	### ³³	Mandatory	Optional	No

Table 5: MCC Structure

No submissions were received about this structure from interested parties. The MCC structure outlined in Table 5 was therefore applied in this inquiry. Further details about its application to each cooperating exporter is explained in Chapter 31.

³⁰ The Australian Bureau of Statistics changed the statistical code from 59 to 60 on 1 January 2017. For further information see Department of Immigration and Border Protection Notice 2016/43 (<https://www.homeaffairs.gov.au/Customsnotices/Documents/2016-43.pdf>).

³¹ Full guidance regarding the Commission's application of an MCC structure is provided in ADN No. 2018/128 on the Commission website at: www.adcommission.gov.au

³² Identifier for each diameter, e.g. 25 mm, 30 mm, 35 mm etc. The original footnote in the ADN indicated that the Commission may group certain categories of diameter when formulating a final MCC.

³³ The 'product code' category, if applicable, refers to the company's internal identifier for the model, grade or type of the goods, differentiated by the chemical composition of the grinding ball.

3.5 Like goods

This section sets out the Commission's assessment of whether the locally produced goods are identical to, or closely resemble, the goods under consideration and are therefore 'like goods'.

The findings below have had regard to the Commission's:

- examination of the Australian industry and the goods in previous cases;³⁴
- verification of exporters in China in previous cases;³⁵ and
- findings in previous cases that locally produced goods are like goods to the goods exported from China.³⁶

The Commission is satisfied that the locally produced goods closely resemble the goods the subject of the application and are like goods. This is as the:

- primary physical characteristics of the locally produced goods closely resemble the imported goods;
- imported and locally produced goods are commercially alike as they are sold to the same customers and/or compete in the same markets;
- imported and locally produced goods are functionally alike as they have the same end uses and/or are substitutable; and
- imported and locally produced goods are manufactured in a similar manner.

3.5.1 Conclusion – Like goods

The Commissioner is satisfied that the domestically produced goods are 'like goods' as defined in section 269T(1) to the goods under consideration.

3.6 Australian industry

REP 316 involved two Australian industry members that manufactured grinding balls, Molycop and Donhad. Molycop acquired Donhad in 2018.

Following this acquisition Molycop became the sole Australian manufacturer of the goods for sale in the Australian market. Molycop manufactures grinding balls at its facilities at Waratah (New South Wales) and Bassendean (Western Australia).

3.6.1 Production process

The production processes relevant to grinding balls were previously observed by the Commission as part of REP 316.³⁷ The Commission is satisfied that there have been no substantive changes to Molycop's manufacturing processes in the period between the Australian industry verification in respect of REP 316 and this inquiry.

³⁴ EPR 316 and EPR 520.

³⁵ *ibid.*

³⁶ *ibid.*

³⁷ [EPR 316, document no. 14](#) refers.

3.6.2 Conclusion – Australian industry

Based on the information obtained from previous verification visits the Commissioner is satisfied that:

- the like goods were wholly manufactured in Australia;³⁸ and
- there is an Australian industry which produces like goods in Australia.³⁹

³⁸ Section 269T(2) refers.

³⁹ Section 269T(4) refers.

4 AUSTRALIAN MARKET

4.1 Preliminary finding

The Commission has found that, during the inquiry period, the Australian market for the goods was supplied by the Australian industry, imports from China and imports from other countries.

The Commission estimates that the Australian market for grinding balls increased in size during each year since the imposition of the anti-dumping measures in September 2016.

4.2 Approach to analysis

The analysis detailed in this chapter is based on verified financial information submitted by Molycop, import data from the ABF import database, verified importer and exporter information and information obtained during previous cases conducted by the Commission regarding grinding balls.

The Commission's analysis is contained in **Confidential Attachment 1**.

4.3 Market size

In its application, Molycop estimated the size of the Australian market using Australian Bureau of Statistics import data, data from an independent recognised international supplier of trade statistics, and its own market intelligence.

Based on the verified sales data of Molycop and export data obtained from the ABF import database, verified data from the cooperating exporters as well as the data obtained for the purposes of REP 316, the size of the market for grinding balls is shown in Figure 1.⁴⁰

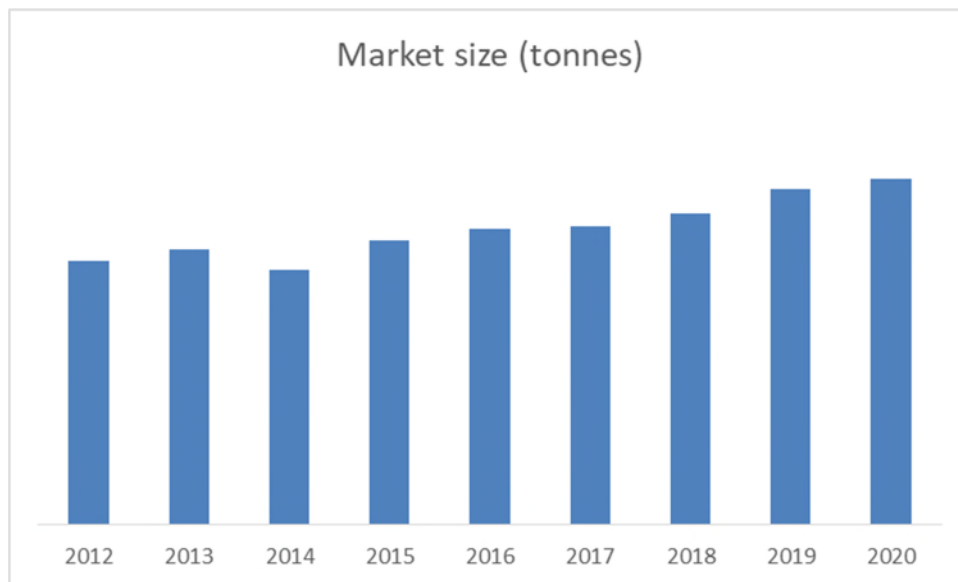


Figure 1: Australian market size⁴¹

Figure 1 shows that there has been an upward trend in the size of the market since 2012 with year on year increases since 2014.

⁴⁰ Figures 1 to 3 chart the years ending 30 September. Measures were imposed on 9 September 2016.

⁴¹ Australian industry data for 2016 is based on an estimate due to Donhad information not being available.

4.4 Market structure

The grinding balls supplied to the Australian market are forged, cast and high-chrome cast balls.⁴² The market structure for grinding balls in Australia consists of:

- domestic manufacturers of grinding balls (consisting solely of Molycop);
- importers of grinding balls who on sell to domestic customers (end users); and
- importers of grinding balls that are the end users (mainly mining companies).

Molycop manufactures forged grinding balls. Importers are trading (and / or using) forged, cast and high-chrome cast balls. Molycop sells to domestic mining, coal, and construction companies, along with other end users.

4.4.1 Supply and distribution

Molycop distributes its grinding balls directly to the customer from its manufacturing facilities in Waratah, New South Wales and Bassendean, Western Australia, or from its stock depot sites located around Australia. It sells its grinding balls direct to the end user.

Chinese imports, on the other hand, are often sold via Australian based distributors as well as directly to the end user, such as in the mining industry.

Australian based grinding ball consumers typically value grinding media on the basis of “total-cost-ownership”, where 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.

4.4.2 Demand

As shown in Figure 1, the market for grinding balls has expanded since the imposition of measures in 2016.

Based on responses to the Australian market questionnaire, the Commission understands that the key source of demand has continued to be from the mining industry, mostly magnetite, copper and gold mines. The construction industry (i.e. cement) is also an industry that is driving demand, although is a relatively small segment in the market.

Forged steel balls are generally consumed at a higher rate than high-chrome cast balls due to the more wear resistant microstructure of the high-chrome product. However, the significant component of chromium in the product increases the manufacturing cost, meaning the high-chrome cast balls are more expensive. Importers typically set their resale prices into the market for forged steel balls at a lower price point to compensate for the higher consumption rate that will most likely arise, which impacts on the total-cost-ownership consideration of the consumer.

Based on information obtained throughout the course of the inquiry from interested parties, as well as ABF import data, the Commission has estimated the composition of the Australian market in terms of forged and cast grinding balls. The Commission’s analysis is shown in Figure 2.

⁴² When making reference to ‘high-chrome’ cast grinding balls, the Commission is referring to cast grinding balls with a chromium (Cr) content of 10% and above.

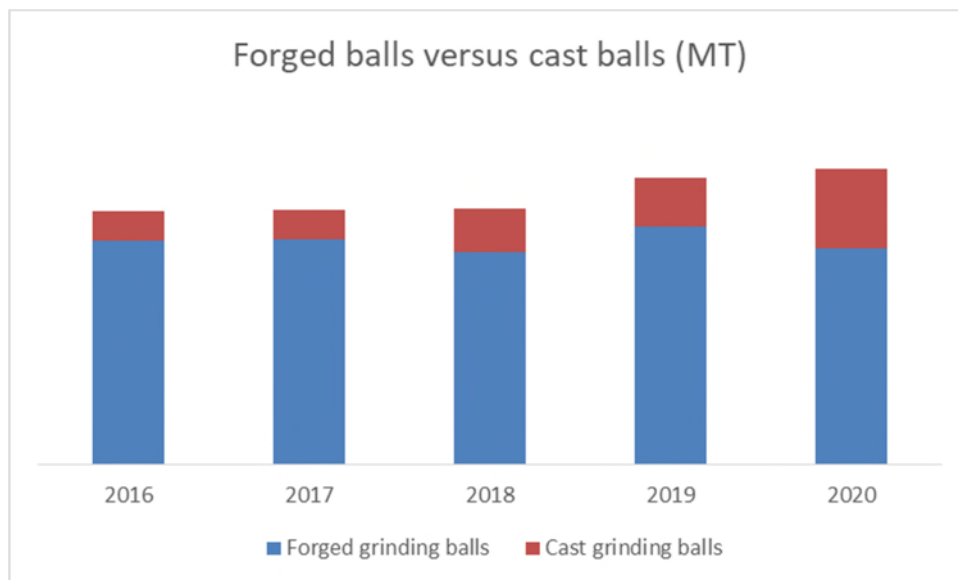


Figure 2: Quantity of forged versus cast grinding balls

Within that context the Commission has further analysed the Australian market by segregating the total volume of sales by forged or cast grinding ball and by source of origin, being the Australian industry, China or other countries. The Commission's analysis of the market share by type of grinding ball and source of origin is presented in Figure 3.

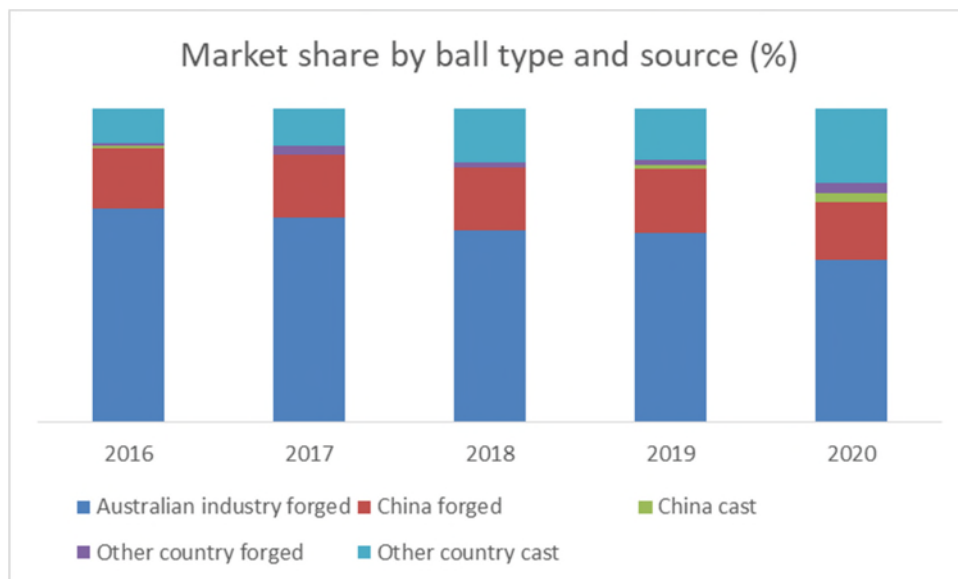


Figure 3: Market share by ball type and source

The above indicates that, following the imposition of measures in September 2016:

- the total size of the Australian market has grown each year, with the most significant increase occurring in 2019;
- Australian industry's volumes were steady, however increased in line with the market expansion in 2019. Australian industry's volumes have diminished in 2020 despite the overall market increasing in size;
- in terms of market share, the Australian industry has been in decline;
- forged grinding balls from China have followed a similar trend to that of Australian industry, with volumes also diminishing in 2020 despite an expanding market;
- forged grinding balls from China have maintained a steady share of the Australian market, with a small reduction in 2020;

- forged grinding balls from other countries have maintained a nominal presence;
- cast grinding balls from China entered the Australian market in 2019, and showed further growth in 2020, though the market share enjoyed by these exporters remains small; and
- cast grinding balls from countries other than China have shown increasing volumes, with the greatest increase occurring in 2020, such that exporters of cast grinding balls from countries other than China are now the second largest participant in the market.

Molycop currently only produces forged grinding balls. Molycop produces upset-forged balls of 94 mm or greater in diameter, which are used in semi-autonomous grinding (SAG) mill operations due to the high impact strength requirements. High-chrome cast balls do not have the same impact strength in the larger diameter grinding balls required for a SAG mill. However, high-chrome cast balls will compete directly with Molycop's forged roll formed ball sizes of less than 90 mm diameter. These are used in general grinding mills.

4.5 Pricing

Molycop has stated that its selling prices are influenced by import parity prices and that it is not a price leader for the goods in the Australian market. Molycop considers itself a price taker with prices influenced by import pricing.

Molycop does not sell on a cost plus basis. Selling prices for grinding balls are influenced by prevailing steel input prices (i.e. cost of recycled steel, global steel prices, etc.). However, pricing is determined on the basis of import competition and on a customer-by-customer basis dependent upon the customer's requirements. Prices are also reviewed regularly in accordance with prevailing steel prices and import competitive prices.

Prices can be set through either a tender process, or based on negotiations with existing customers. It is common for participants in the market to enter into long term agreements for supply.

For importers who are functioning as traders, such as CIA Electrometalurgica SA, they have stated that they provide a typically more expensive product on a per tonne and invoice basis than product supplied by others (including Molycop)⁴³. However, they position themselves as being able to deliver long term cost efficiency to customers as a result of its superior quality and performance.

⁴³ [EPR 569, document no. 13 refers.](#)

5 ECONOMIC CONDITION OF THE INDUSTRY

5.1 Approach to analysis

As noted above, Molycop acquired Donhad in 2018 and from that time became the sole manufacturer of grinding balls in Australia. As part of the Commission's verification of Molycop, Molycop was able to provide some financial data relating to Donhad for the years prior to acquisition, however this data could not be verified by the Commission due to the nature of the transfer of data between the companies.

As such the Commission has considered the economic performance of the Australian industry, as represented by Molycop, to assist with the consideration of whether the expiration of the measures would lead, or would be likely to lead, to the continuation or recurrence of material injury (chapter 8 refers).

All charts contained in this chapter, excluding sales volume and market share, relate solely to Molycop. In respect of sales volume and market share, the Commission has relied on the data provided in relation to Donhad's previous sales volumes to estimate the size of the Australian market.

The Commission has endeavoured to note, where relevant throughout the analysis, any impact on the economic factor under consideration resulting from Molycop's acquisition of Donhad.

The Commission has considered the period since 1 October 2016 (period of analysis), noting that the anti-dumping measures were imposed in September 2016. As a result, all graphs in preceding and subsequent chapters are recorded as year ending 30 September.

The existence of injury during this period may be an indicator of whether injury could continue in the future.

The data and analysis on which the Commission has relied to assess the economic condition of the Australian industry is at **Confidential Attachment 2**.

5.2 Findings in the original investigation

In REP 316, the Commission found that the Australian industry producing grinding balls had suffered the following forms of injury:

- reduced market share;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced revenue;
- reduced employee numbers; and
- reduced capacity utilisation.

5.3 Volume effects

5.3.1 Sales Volume

Figure 4 charts the Australian industry's sales volume, as constituted by Molycop and Donhad up until Molycop acquired Donhad in 2018 and Molycop in isolation thereafter, for the period after 1 October 2011:⁴⁴

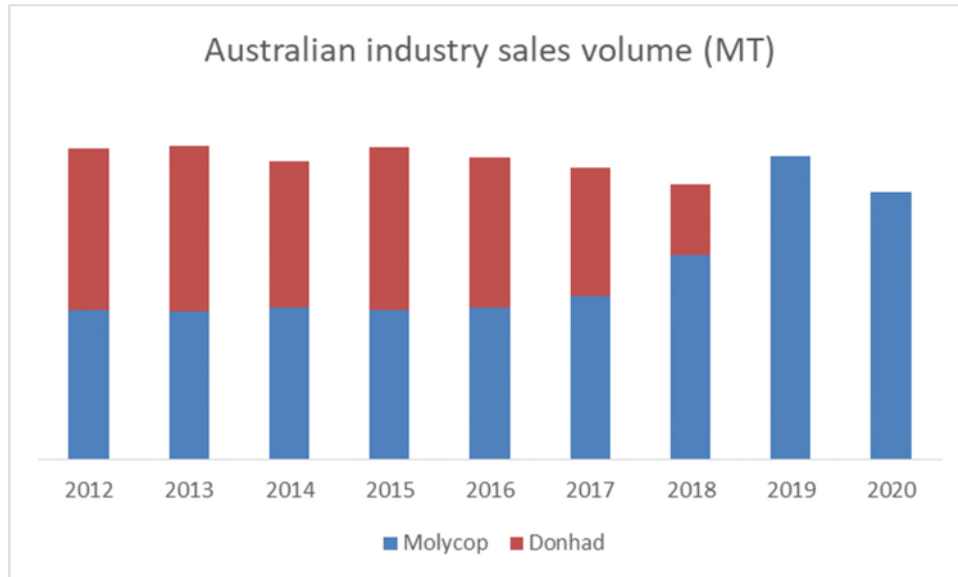


Figure 4: Sales volume

The chart indicates that:

- discounting a spike in sales volumes in 2019, Australian industry's sales volumes have trended downward since 2015, including during the years following the imposition of measures in 2016;
- Molycop's sales volumes increased in the period from 2015 to 2019, noting however that this includes the uptake of sales resulting from the Donhad acquisition; and
- Molycop experienced a reduction in sales volumes in 2020.

5.3.2 Market share

Figure 5 charts, for the period since 2012, the proportion of the Australian grinding ball market supplied by:

- the Australian industry as constituted by Molycop and Donhad prior to Molycop acquiring Donhad in 2018, and Molycop in isolation thereafter;
- exports from China; and
- exports from countries not subject to measures.

⁴⁴ REP 316 considered the economic condition of the Australian industry from 1 July 2011. This analysis has been from 1 October 2011 to incorporate the analysis undertaken prior to the imposition of measures and to align with the current inquiry period.

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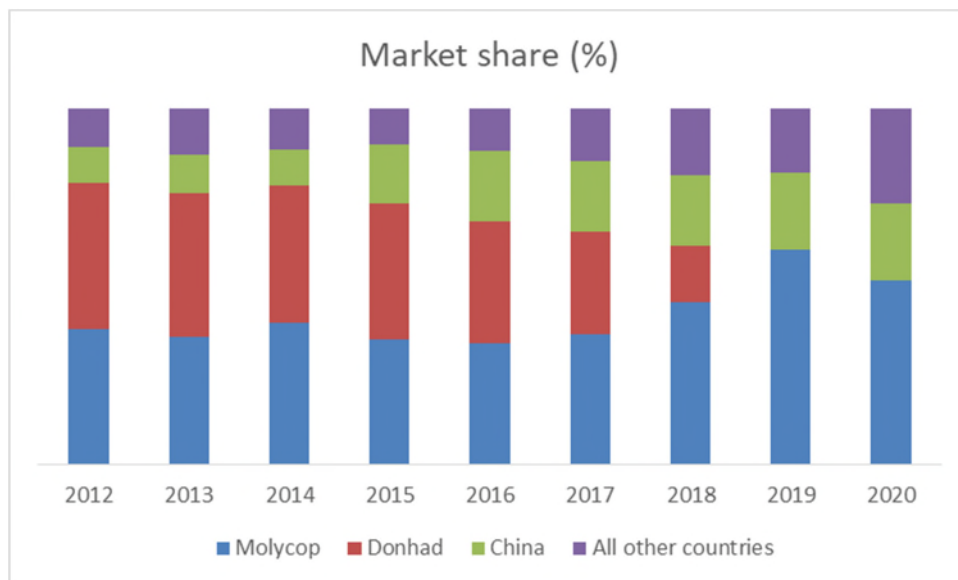


Figure 5: Market share

The chart indicates that:

- Molycop gained market share following the acquisition of Donhad in 2018;
- the total market share for Australian industry participants since 2012 has declined, with a significant reduction occurring in 2020;
- imports from China experienced increasing market share up until the imposition of measures in 2016, after which time China has held a relatively consistent market share; and
- imports from all other countries have increased since 2015, with the most significant increase in 2020.

5.3.3 Production volume

Figure 6 charts Molycop's production volume in metric tonnes (MT) across the period of analysis:

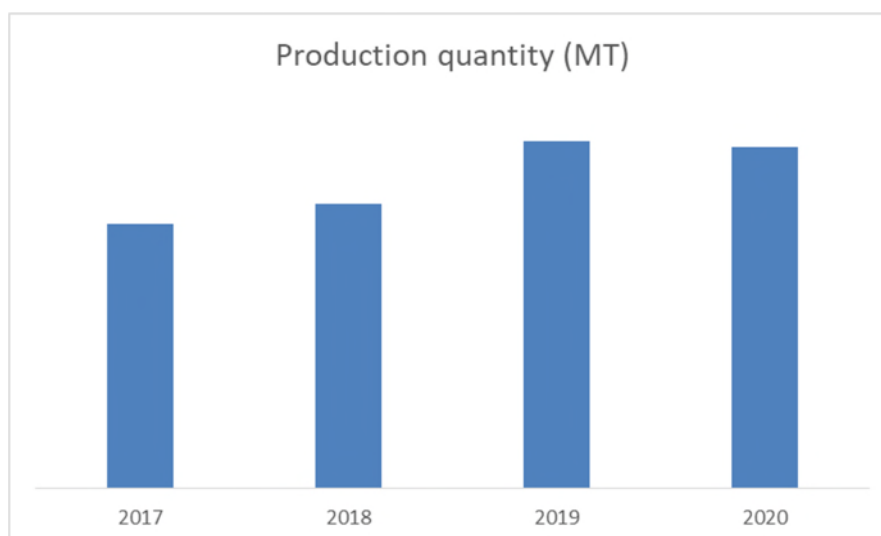


Figure 6: Production quantity

The chart indicates that production was boosted by the acquisition of Donhad, however, despite the additional production capacity realised through the acquisition, production has reduced in 2020.

5.4 Price effects

5.4.1 Price depression

Price depression occurs when a company, for some reason, lowers its prices. Figure 7 charts Molycop's per unit selling price across the period of analysis:

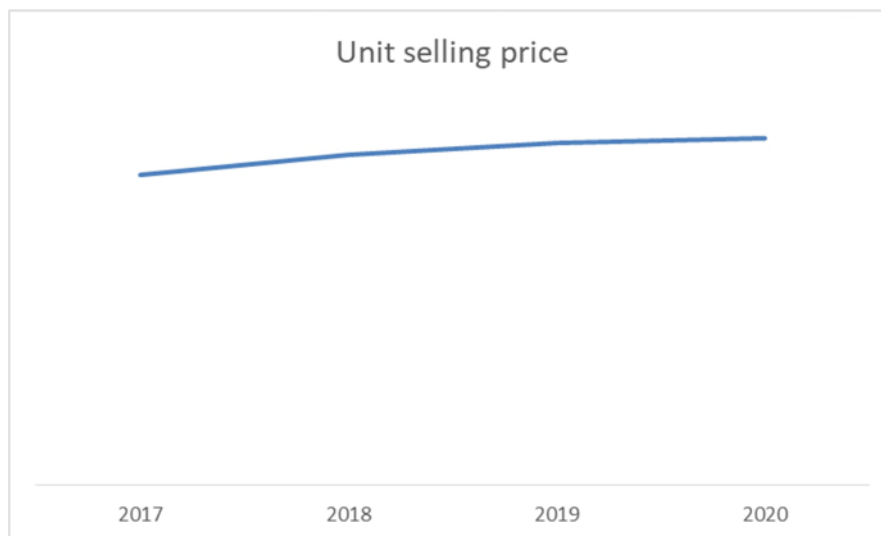


Figure 7: Unit selling price

The chart indicates that Molycop experienced increasing per unit selling prices throughout the period of analysis.

5.4.2 Price suppression

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.

The Commission has compared Molycop's per unit selling prices and cost to make and sell (CTMS). This relationship is presented in Figure 8.

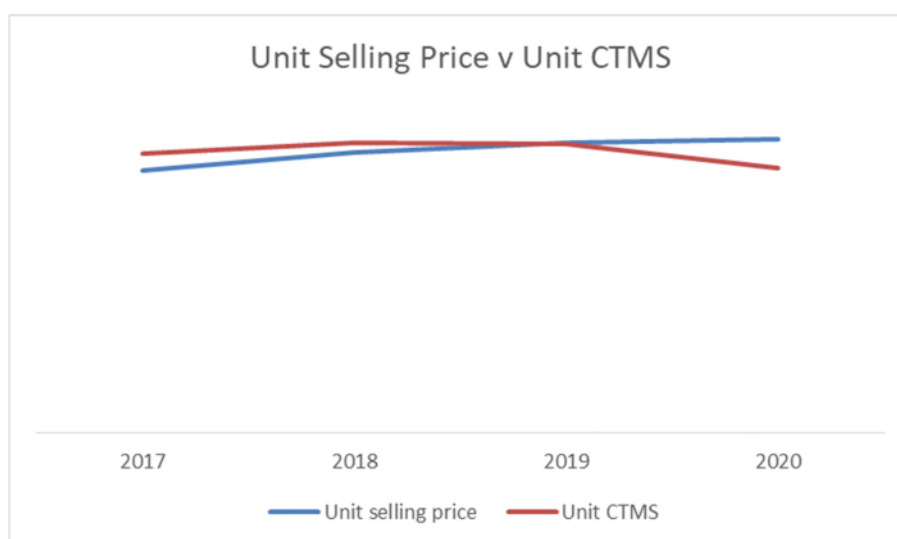


Figure 8: Unit price and CTMS

Having regard to the relationship between the trends in the above chart, the Commission makes the following observations:

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- selling prices have increased throughout the period of analysis;
- per unit CTMS was relatively stable until 2019, after which Molycop experienced reduced CTMS per unit;
- Molycop has moved from per unit CTMS exceeding per unit selling prices at the commencement of the period of analysis to per unit selling prices exceeding per unit CTMS, primarily due to the fall in CTMS.

Based on the observation that per unit selling prices have increased coincident with a reduction in per unit CTMS from 2018, the Commission does not consider that price suppression is evident.

5.5 Profit and profitability

5.5.1 Profit and profitability

Figure 9 charts Molycop's profit and profitability across the period of analysis:

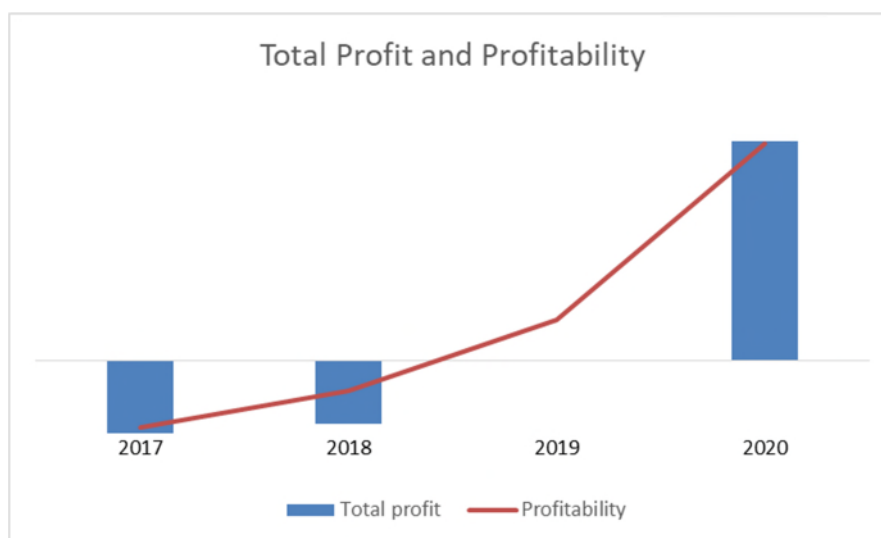


Figure 9: Profit and profitability

The chart indicates that Molycop has experienced improving profit and profitability across the period of analysis.

5.6 Other economic factors

Molycop provided data relating to the period of analysis for a range of other economic factors.

5.6.1 Assets

Figure 10 charts Molycop's assets across the period of analysis:

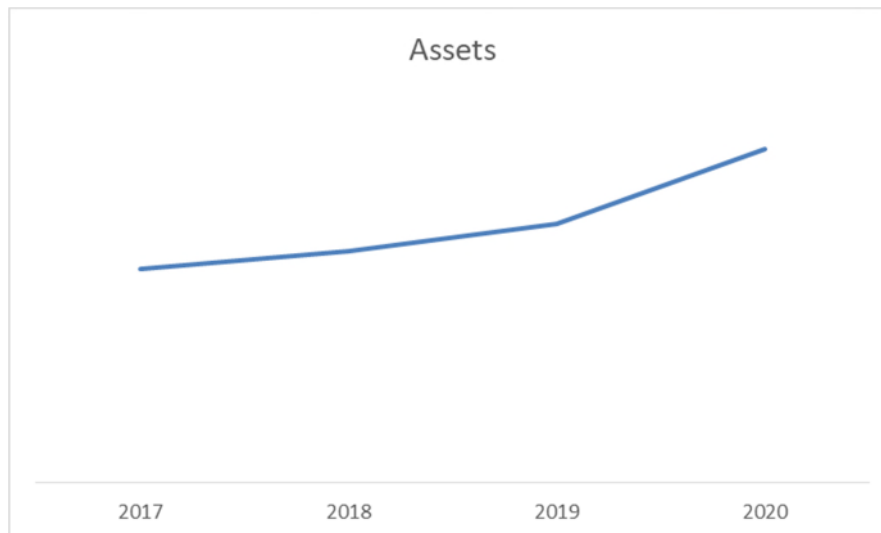


Figure 10: Assets

The chart indicates that Molycop has increased assets across the period of analysis.

5.6.2 Research and development expenses

Figure 11 charts Molycop's research and development expenses across the period of analysis:

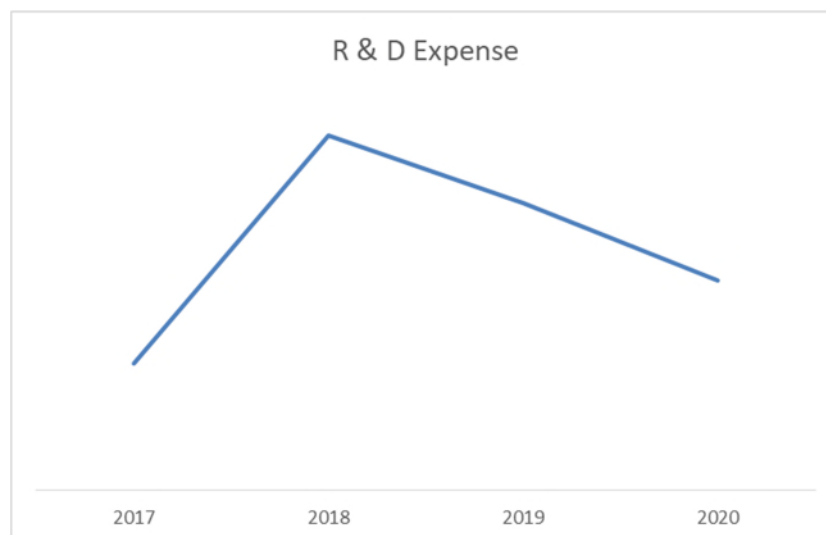


Figure 11: Research and development expenditure

The chart indicates that Molycop engaged in increasing research and development expenditure until 2018, after which time research and development spending has declined.

5.6.3 Revenue

Figure 12 charts Molycop's revenue across the period of analysis:

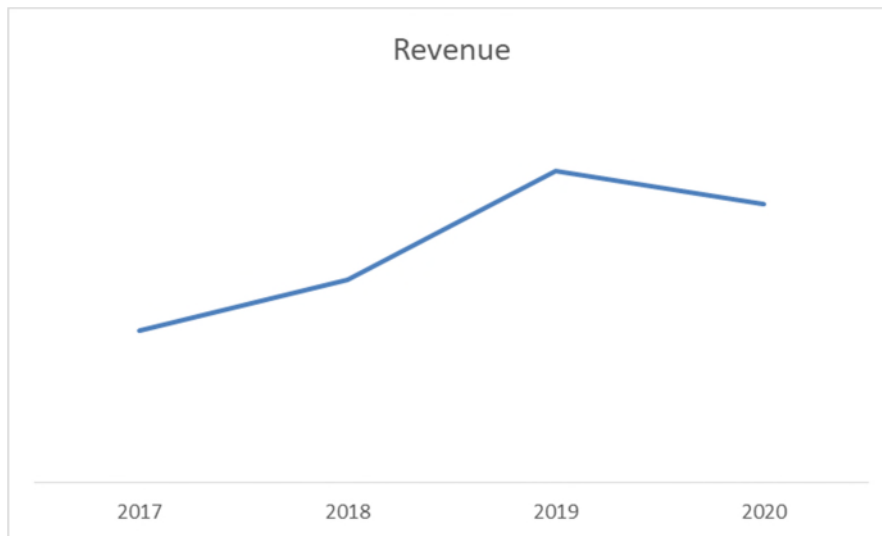


Figure 12: Revenue

The chart indicates that Molycop experienced increasing revenues until 2019. Some of the increase in revenue is attributable to the acquisition of Donhad. Revenue decreased during 2020.

5.6.4 Capacity utilisation

Figure 13 charts Molycop's capacity utilisation across the period of analysis:

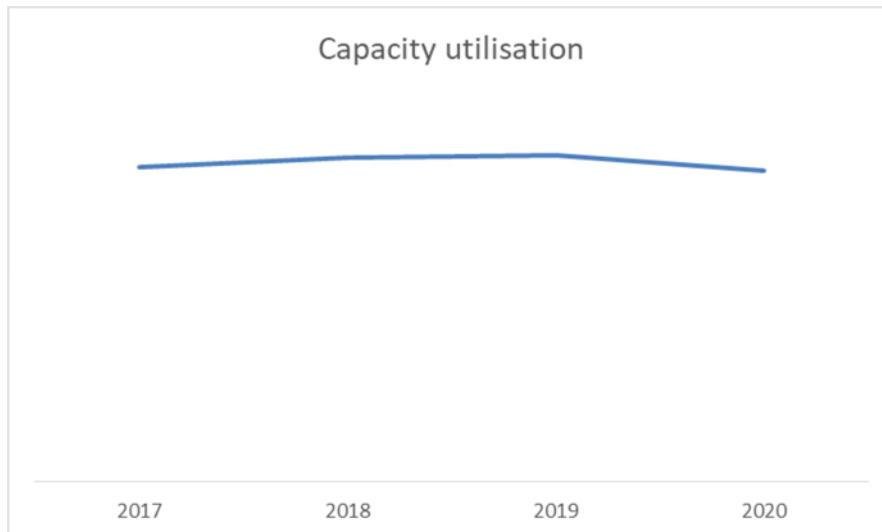


Figure 13: Capacity utilisation

The chart indicates that Molycop's capacity utilisation was stable until 2019 before reducing in 2020.

5.6.5 Employment

Figure 14 charts Molycop's employment numbers across the period of analysis:

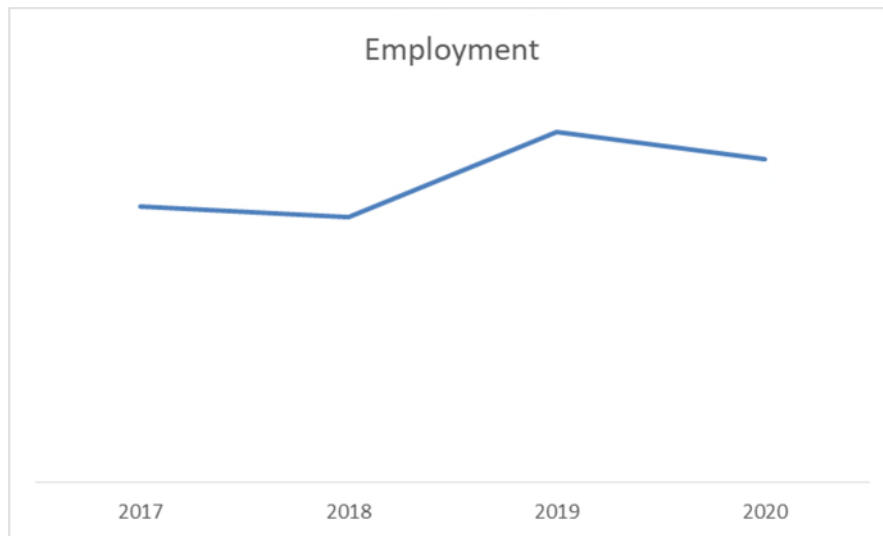


Figure 14: Employment

The chart indicates that Molycop's employment increased coinciding with the acquisition of Donhad, however has reduced in 2020.

5.6.6 Inventory

Figure 15 charts Molycop's closing stocks across the period of analysis:

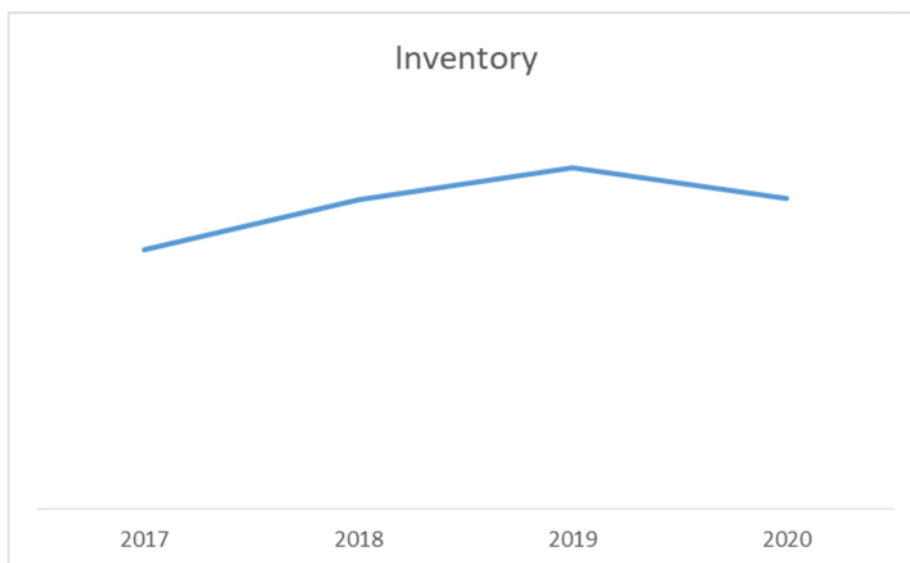


Figure 15: Closing inventory

The chart indicates that Molycop's closing inventory was building until 2019, however it has reduced in 2020.

5.7 Factors other than dumping

As detailed in chapter 4.3, the Commission has observed a change in dynamic within the grinding ball market in relation to the increasing utilisation of high chrome cast balls which may have had an impact on the economic condition of the Australian industry.

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The Commission has analysed the Australian industry's sales of forged grinding balls during the investigation period of the original investigation against sales in the current inquiry period according to ball size.

Figure 16 shows the Australian industry's sales of forged grinding balls with diameter of 90 mm or less and diameter of greater than 90 mm:

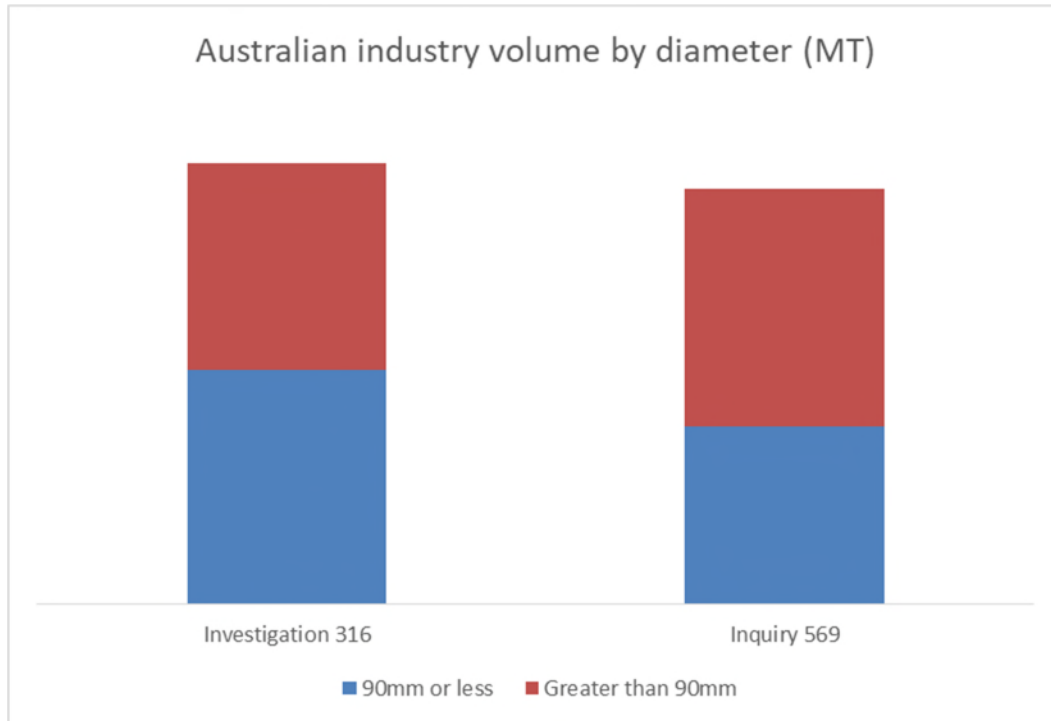


Figure 16: Market size by ball type and source (MT)

Figure 16 indicates that, since the original investigation, Australian industry has experienced:

- a reduction in total sales volumes;
- a reduction in the sales volume of grinding balls competing with imported cast grinding balls (those with a diameter of 90 mm or less);
- an increase in the sales volume of forged grinding balls with a diameter of greater than 90 mm.

The Commission noted in chapter 4.3 that:

- cast grinding balls from China entered the Australian market in 2019, and showed further growth in 2020, though the market share of these exporters remained small; and
- cast grinding balls from countries other than China have shown increasing volumes each year since the imposition of measures, with the greatest increase occurring in 2020, such that exporters of cast grinding balls from countries other than China are now the second largest participant in the market.

6 VARIABLE FACTORS – DUMPING DUTY NOTICE

6.1 Preliminary finding

For the purpose of assessing whether the expiration of the measures would lead, or be likely to lead, to the recurrence of dumping, the Commission has ascertained all variable factors relevant to taking the measures during the inquiry period.

The Commissioner has found that the variable factors in relation to all exporters have changed. The Commissioner has ascertained dumping margins as summarised in Table 6.

Exporter	Dumping margin
Changshu Longte Grinding Ball Co. Ltd	-8.9%
Jiangsu Yute Grinding International Co. Ltd	-4.4%
Anhui Sanfang New Material Technology Co. Ltd	-20.6%
Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd	0%
All other exporters	-2.5%

Table 6: Summary of dumping margins

6.2 Legislative framework

In accordance with section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of anti-dumping measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of dumping. The existence of dumping during the inquiry period may be an indicator of whether dumping may occur in the future.

Dumping occurs when a product from one country is exported to another country at a price less than its normal value. The export price and normal value of the goods are determined under sections 269TAB and 269TAC respectively.

Section 269TACB is used to work out whether dumping has occurred and the levels of dumping by comparing the export price and normal value of the goods.

Further details of the export price and normal value calculations for each exporter are set out below.

6.2.1 Cooperative exporters

As discussed in chapter 2, the following exporters provided a detailed REQ, including data relating to Australian sales (where applicable), domestic sales, and details of the CTMS:

- Changshu Longte Grinding Ball Co. Ltd (Longte)
- Anhui Sanfang New Material Technology Co. Ltd (Anhui Sanfang)
- Jiangsu Yute Grinding International Co. Ltd (Jiangsu Yute)
- Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd (Xingcheng Magotteaux)

The Commission undertook desktop verification of the data provided by all four exporters.

6.2.2 Uncooperative and all other exporters

Section 269T(1) provides that an exporter is an “uncooperative exporter”, where the Commissioner is satisfied that an exporter did not give the Commissioner information that the Commissioner considered to be relevant to the inquiry, within a period the Commissioner considered to be reasonable or where the Commissioner is satisfied that an exporter significantly impeded the inquiry.

The *Customs (Extensions of Time and Non-cooperation) Direction 2015* (the Direction) states at section 8 that the Commissioner must determine an exporter to be an uncooperative exporter, on the basis that no relevant information was provided in a reasonable period, if that exporter fails to provide a response or fails to request a longer period to do so within the legislated period.

After having regard to the Direction, the Commissioner determined that all exporters that did not provide a response to the exporter questionnaire or a completed preliminary information request, or which did not request a longer period to provide a response within the legislated period (being 37 days, concluding on 20 January 2021), are uncooperative exporters for the purposes of this inquiry.

As provided for in section 269TACAB(1), for uncooperative exporters, export price and normal value are worked out in accordance with section 269TAB(3) and section 269TAC(6) respectively by having regard to all relevant information (refer chapter 6.10).

6.3 Verification of selected exporters

The suitability of the data in the REQs of Longte, Anhui Sanfang, Jiangsu Yute, and Xingcheng Magotteaux was established by ascertaining the variable factors relating each exporter's exports of the goods to Australia and benchmarking these factors, and the relevant data underlying these factors to the following:

- the sales and cost data and the variable factors ascertained for each cooperating exporter that were the subject to previous verification visits;
- the sales and cost data and the variable factors ascertained for other cooperating exporters whose data was not the subject of previous verification visits;
- relevant information from previous investigations which involved the exporter; and
- the data submitted with the exporter's REQ.

Where the examination of the data in the REQ produced results that were inconsistent with those observed in relation to other exporters' data or other relevant information, the Commission has undertaken further analysis and where necessary reported the outcome of this analysis accordingly.

6.4 Calculation of dumping margins

For dumping margins calculated for the purposes of this inquiry, the Commission compared the weighted average export prices over the whole of the inquiry period with the weighted average corresponding normal values over the whole of that period.

Sections 269TACAB(1)(c), (d) and (e) provides for the export price and normal value for uncooperative exporters to be worked out in accordance with section 269TAB(3) and section 269TAC(6), respectively, having regard to all relevant information.

6.5 Particular market situation – the Commission’s assessment

Upon initiation, the Commission sent a questionnaire to the Government of China (GOC) requesting information in relation to the grinding balls market in China. This included the following:

- identification and explanation of the specific roles and responsibilities of government departments, agencies or institutions, which are either directly or indirectly involved in economic policy development, economic regulation and decision-making activities with respect to the grinding balls manufacturing sector and/or the iron and steel industry more generally;
- identification of any government departments, agencies or institutions that are involved in the manufacture, sale, purchase or acquisition of grinding balls and/or steel billet used in the production of grinding balls, and explanation of the nature of their involvement;
- details of any GOC policies that require different corporate tax rates to be applied to producers within each of the grinding balls exporters’ upstream suppliers, including details of any industry specific tax exemptions or tax rebates such as research and development expenditure;
- details of the domestic Chinese grinding balls sector and relevant upstream industries, including the steel industry;
- quarterly import and export data of scrap steel, steel billet and grinding balls (volume and value);
- details of the corporate tax rate, import tariff rates/quotas, export tariff rates/quotas, and the Value Added Tax (VAT) rate for scrap steel, steel billet and grinding balls;
- details of any specific laws, decrees, rules, promulgations, edicts, opinions, measures, regulations and/or directives in relation to the grinding balls industry;
- details of any financial assistance provided by the GOC since 2018 in support of the grinding balls manufacturing sector or elements of the steel industry producing raw materials used in grinding balls production; and
- identification of any GOC initiatives and/or policies that affect the grinding balls sector or the steel industry more generally, including raw materials such as steel billet, or scrap steel.

The GOC did not provide a response to any of the questions related to an assessment of market situation.

In light of all the information before it, it is the Commission’s view that a particular market situation existed in respect of the domestic market for grinding balls in China for the inquiry period. The evidence for this finding and a detailed analysis can be found in **Appendix A**.

6.5.1 Benchmark for costs

To assess the scale of the market situation’s effect on China’s domestic prices for grinding balls, the Commission has had regard to a competitive benchmark for grinding bar, ferroalloys and steel scrap costs (where applicable). This approach is in line with the most recent review, REP 520.

Noting that the cost of steel and relevant alloys (the chief raw material inputs) represent up to 90 per cent of the cost to make (CTM) for grinding balls, the Commission anticipates that distortions in these costs will have a direct impact on grinding ball prices in the Chinese market. The Commission has therefore compared each exporter’s actual costs against these benchmarks to assess whether the exporters’ prices are likely to have been distorted by the market situation.

Grinding bar

For three of the cooperating exporters; Longte, Jiangsu Yute and Xingcheng Magotteaux, grinding bar is the chief raw material input and represents the largest proportion of the cost of production. The Commission's assessment of data submitted by the cooperative exporters shows that there is no significant difference between grinding bar prices from state invested enterprises and private suppliers. The Commission considers that private domestic prices of grinding bar are equally affected by GOC influence and therefore are not suitable for benchmarking exporter's costs.⁴⁵ Therefore, the Commission considers that private domestic prices of grinding bars in China are not suitable for determining a competitive market cost, free from government influence.

Based on the data supplied by cooperating exporters and gathered by the Commission, the Commission considers that prices of imported grinding bar sold in China are not suitable as a benchmark. There appears to be a lack of import penetration of grinding bar into China that would reflect competitive market prices.

The Commission is not aware of any externally published grinding bar prices. However, consistent with the benchmark adopted in REP 316 and REP 520, and as outlined in the following sections, the Commission still considers that an external benchmark can be constructed based on the inputs which make up grinding bar, e.g. steel billet, ferroalloys and conversion costs. The benchmark can be used to identify a competitive market price.⁴⁶

Steel billet

The Commission considers that the Latin American export billet prices at Free on Board (FOB) level published by S&P Global (Platts) provides an independent and reliable basis for constructing a benchmark using steel billet as an input component. It was considered that an Asian or South-East Asian based benchmark would be susceptible to depressed Chinese billet prices due to its close proximity and would therefore not be preferable for the purpose of determining a competitive market cost, free from government influence.

World Steel Association statistics show that in excess of 65 million tonnes of crude steel were produced in the Latin American region in 2018. The Latin American region includes two of the top 15 steel producing countries, Brazil and Mexico, based on crude steel production volumes. Consequently, the Commission considers that the Latin American region has sufficient volume to reflect competitive market conditions. In addition, the Commission notes there are significant reserves of iron ore within the Latin American region which are mined and exported in large volumes. Of the iron ore exported from Central and South America, over half was directed to China, and the amount directed to China was greater than the amount consumed regionally. The Commission considers that this reflects a consistent cost point for a significant raw material that is consumed in the production of steel billet.

Based on the depth of the market, and the geographic distance from China minimising the potential distortions of GOC-influenced billet prices impacting on the Latin American billet export prices, the Commission considers that the Latin American export billet prices in FOB terms represents the best available information for ascertaining competitive market costs for steel billet. This is consistent with the Commission's approach in REP 520.

⁴⁵ Appendix A – Market Situation Assessment, chapter A5.

⁴⁶ The Manual, page 46.

Ferroalloys

The Commission notes that the Latin American billet is of grade ASTM A36/A36-08. Monthly ferroalloy prices for the inquiry period were obtained from Argus Media Ltd (Argus).⁴⁷ The total cost of ferroalloys applied to the steel billet has been determined using a model developed by the Australian industry, and adjusted to the specific composition of the exporter's model. This enabled the Commission to replicate the chemical composition of each grade of the exported grinding balls, using the most cost effective combination of ferroalloys.

Scrap (Anhui Sanfang only)

As previously ascertained in *Anti-Dumping Commission Final Report No. 476* (REP 476) and REP 520, and reaffirmed in this inquiry, the main input cost for Anhui Sanfang's production of grinding balls is scrap steel rather than billet. A benchmark specific to Anhui Sanfang was therefore developed using a scrap steel index. The Commission considers that the *Turnings Brazil South East Domestic Production Mill Delivered benchmark* (published by Platts) forms an independent and reliable basis for comparison of prices for the steel input component, along with ferroalloy inputs for the same specification of grinding balls that Anhui Sanfang produces, using the Argus benchmarks.

Conversion costs

Where available, the exporter's actual cost of converting steel billet to grinding bar was used to uplift the alloyed billet price to an alloyed grinding bar price. Where the exporter's actual cost of converting billet to grinding bar was not available (for example, where grinding bar was purchased rather than produced from billet by the exporter) the alloyed billet price was uplifted by a conversion factor based on an average of the conversion costs of the cooperating exporters to determine an alloyed grinding bar cost.

Benchmark composition

Accordingly, the Commission's benchmark consists of the following:

- i. a monthly Latin American export billet price at FOB terms; and
- ii. a matrix of alloyed billet grades (or scrap steel plus alloys, in the case of Anhui Sanfang) reasonably reflecting the chemical composition of each grinding ball grade; and
- iii. a relevant cost of converting the alloyed billet to an alloyed grinding bar cost.

An assessment of each exporter's costs in relation to the benchmark, and whether those costs reflect a competitive cost input, has been made in each exporter's relevant normal value section. The calculations for the benchmark are at **Confidential Attachment 3**.

6.5.2 Submissions

Molycop submitted that it is adversely impacted by the Commission's decision to select the Latin America export billet price in REP 520, as an appropriate steel input benchmark to include in the constructed normal value on grinding balls for Chinese exporters.⁴⁸ Molycop view the use of a steel billet benchmark price which is based on export prices as a significant disadvantage to it, as export prices are considered a marginal selling price.

⁴⁷ Argus Media Ltd maintains a website at www.argusmedia.com.

⁴⁸ [EPR 569, document no. 5 refers](#).

Molycop submits that the appropriate steel benchmark is a domestic traded grinding bar price. Molycop has noted that the Commission has used a ‘domestic’ steel input cost for investigations into hollow structural sections, coated steel products, galvanised angles and steel racking sourced from validated domestic prices in selected countries. Molycop has proposed to provide the Commission with independent third-party purchase prices for domestic grinding bar prices, as the basis for the benchmark, which will remove the impact of any GOC distortions.

Commission assessment

Molycop has proposed alternative data for the basis of a benchmark. On the basis of the information before it, the Commission maintains that the multi-country Latin American benchmark is the preferable approach. This benchmark has previously been considered by the Anti-Dumping Review Panel (ADRP) and the Full Federal Court. Judicial and merits tribunal decision makers have not cast any doubt on the use of the benchmark, provided that it is objective and broadly representative of competitive costs. The Commission considers that the multi-country Latin American benchmark continues to be objective and broadly representative of competitive costs.

The Commission has selected a benchmark for billet based on reported export prices from Latin America because the Commission considers it to be representative of a competitive cost of production that would be payable in China in the absence of GOC influence. While the Commission notes Molycop’s preference for using a single country benchmark, the Commission still contends that a multi-country benchmark, due to its larger sample size, is less susceptible to influence of differing market circumstances in individual countries. A benchmark based on a single country is more likely to indicate the costs payable in that country, whereas the purpose of the benchmark is to ascertain a cost which would be payable in China.

The Commission notes that while it has used ‘domestic’ steel input costs in other investigations sourced from domestic prices, the facts before the Commission in those investigations were significantly different to those arising with grinding balls. In those other cases, the Commission had access to verified exporter data, either from third countries involved in other investigations with the Commission, or from published price surveys. In this case the Commission does not have access to verified domestic data for a third country, nor is it aware of any published domestic price surveys. As such, the Commission considers that in this case, the most objective and representative benchmark to identify a competitive market price is that outlined in chapter 6.5.1 of this report.

6.6 Variable factors - Longte

6.6.1 Verification

As outlined at chapter 6.3, the Commission elected to conduct a benchmark of the information provided in Longte’s REQ by comparing it to other exporters’ information relevant to the inquiry, and Longte’s verified data from the most recent review (REP 520).

The Commission identified the issues outlined below during this process:

No.	Exception	Resolution
1	A high domestic and export unit CTM per MT for model F-65 was identified in Q3-2020. Longte submitted that the high CTM was a result of a reclassification of certain F-65 to F-70 in that quarter. The resultant negative cost entries caused a distortion in the model CTM for model F-65 when calculated as a weighted average.	Longte provided a revised CTM for model F-65 that removed this distortion in the CTM. Production records were provided as supporting documentation.

Table 7: Exceptions during verification of Longte's data

The Commission is satisfied that the information and data provided by Longte, including any required amendments as outlined in Table 7, is accurate and reliable for the purposes of ascertaining variable factors for determining the level of dumping relating to its exports of the goods to Australia during the inquiry period.

Relying on the information available, the Commission is further satisfied that Longte is the producer of the goods and like goods.

6.6.2 Identification of the exporter

During the inquiry period, the companies involved in the production and exportation of the goods were:

- Longte;
- Longte's parent company, Changshu Longteng Special Steel., Ltd (Longteng);
- Longteng Grinding Media (Changshu) Co., Ltd. (ME Longteng); and
- Compania Electro Metalurgica S.A. (ME).

As was reconfirmed in REP 520, Longte and Longteng are part of a company group located in Changshu, China, with the same ultimate controlling shareholders, whilst ME is a multinational company listed on the Chilean stock exchange. ME Longteng is a joint venture between Longteng and ME for the purpose of manufacturing and exporting grinding balls.

Below is a broad summary of each entity's role in relation to the goods and the like goods:

Longte

Longte is a limited liability company specialising in the production and sale of self-produced grinding balls both in the domestic and export markets. Longte also functions as the coordinating and facilitating entity in relation to grinding balls processed by ME Longteng.

Longteng

Longteng is the majority owner of Longte and an integrated steel producer. It is a supplier of raw material steel feed for grinding balls and grinding bar. Longteng is also a joint venture owner of ME Longteng. During the inquiry period, Longteng produced and supplied the majority of grinding bar for Longte and ME Longteng.

ME Longteng

ME Longteng manufactures grinding balls under a toll processing agreement. Under the agreement, Longte pays a processing fee to ME Longteng to cover the cost of the manufacture. The grinding balls produced under this agreement, for export only, are sold to Australian customers (and other export markets) through ME.

ME

ME is a joint venture owner of ME Longteng. ME also functions as the exporting sales/trading arm in relation to the goods manufactured by ME Longteng. ME, which is based in Chile, also has an Australian office which is an importer of the goods sold/traded via ME.

As set out in the Manual, the Commission will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who knowingly placed the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods, but need not be the owner at the time the goods were shipped.⁴⁹

The Manual proceeds to explain that the Commission will typically determine that the manufacturer, as a principal who knowingly sent the goods for export to any destination, will be the exporter. The export price will be the price received by that producer/exporter (i.e. the manufacturer). Where an intermediary is involved, the export price, for the purposes of calculating a dumping or subsidy margin, will be the price received by that exporter when selling to the intermediary (even if the intermediary is in the same country as the exporter).

In this inquiry, the Commission has determined that Longte is the exporter of the goods, whereas Longteng and ME Longteng are related suppliers. ME, although a joint owner of the ME Longteng tolling arrangement, has been operating as an intermediary in the process of exporting the goods produced through the tolling arrangement. ME also operates as an importer of the goods into Australia, before they are on-sold to the final customer. Sales via ME (through the ME Longteng joint venture arrangement) comprise of approximately a third of Longte's exports to Australia. Further details about the treatment of the exporter are set out below in chapter 6.6.3.

6.6.3 Export price

The Commission is satisfied that:

- the goods have been exported to Australia otherwise than by the importer; and
- the purchases of the goods comprised arm's length transactions.

The Commission considers Longte to be the exporter of the goods exported to Australia directly by Longte, as Longte is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export; and
- arranges and pays for the ocean freight and marine insurance (for sales at both Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) terms).

The Commission also considers Longte to be the exporter of the goods exported to Australia via ME, as Longte is:

- the manufacturer of the goods (or via ME Longteng through its tolling arrangement);
- named on the commercial invoice to ME as the supplier;
- knowingly placed the goods in the hands of ME for delivery to Australia; and

⁴⁹ The Manual, page 29.

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- has maintained ownership throughout the production process through the tolling arrangement with ME Longteng until the goods were placed in the hands of ME (goods are sold via ME at FOB and Ex-Works (EXW) terms).

The Commission is satisfied that for all Australian export sales during the inquiry period, Longte is the exporter of the goods.

In respect of Australian sales of the goods by Longte to unrelated customers, the Commission has determined an export price under section 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

In respect of Australian sales of the goods by Longte via ME to ME in Australia, the Commission has concluded that the importer has not purchased the goods from the exporter, therefore, export prices cannot be determined under sections 269TAB(1)(a) or 269TAB(1)(b). For these transactions the Commission has calculated an export price under section 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, the Commission has calculated an export price based on the price Longte sells to ME at the FOB level.⁵⁰

For these export sales of the goods to its related customer in Australia during the inquiry period, the Commission found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The Commission therefore considers that all export sales to Australia made by Longte to its related customer during the period were arms length transactions.

Export prices were calculated at FOB terms. Sales made at CIF and CFR level were adjusted back to a FOB level by making the appropriate adjustments (removing ocean freight and marine insurance expenses where applicable). For sales made at EXW terms, an amount for inland transport was added to bring the sale to FOB terms.

6.6.4 Normal value

The Commission has found that, when compared to the benchmark set out in chapter 6.5.1, the cost of grinding bar for Longte was at a competitive market cost during the inquiry period. Therefore, the Commission considers that Longte's grinding bar costs are not artificially low due to government intervention during the inquiry period.

While the effect of a market situation may be borne out in the prices of goods without there needing to be an artificially low priced input, there is no evidence before the Commission for it to be satisfied that a proper comparison cannot be made between the domestic and export prices. The Commission is therefore not satisfied that the situation in the market of the country of export during the inquiry period is such that sales in that market are not suitable for use when determining a price under section 269TAC(1) for Longte.

⁵⁰ The Manual, p. 30, "Where an intermediary is involved the export price, for the purposes of calculating a dumping or subsidy margin, will be the price received by that exporter when selling to the intermediary (even if the intermediary is in the same country as the exporter)".

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For the purpose of the ordinary course of trade (OCOT) test (section 269TAAD refers) the Commission has had regard to the assessment of an exporter's cost of production in accordance with section 43 of the *Customs (International Obligations) Regulation 2015* (the Regulation). The Commission is satisfied that the production records of Longte were kept in accordance with generally accepted accounting principles (GAAP) in the country of export and reasonably reflect its costs of production associated with the production or manufacture of like goods.

The Commission has found that in respect of Longte, that there were sufficient volumes of sales of like goods sold in the OCOT for home consumption in the country of export that were arms length transactions during the inquiry period. As such, the Commission is satisfied that there is not an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The Commission has ascertained normal values in respect of Longte under 269TAC(1).

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

Having regard to the MCC structure outlined in chapter 3.4, export models were compared to normal values based on production method, diameter and the product code (internal grade/model) of the goods. Table 8 outlines the goods, sorted by MCC, sold domestically and exported to Australia by Longte.

MCCs sold domestically			MCCs exported to Australia	
F-25-LTB2	F-65-LTBU	F-80-LTB3	F-25-LTB2	F-80-LTB2
F-30-LTB2	F-70-LTB2	F-80-LTBU	F-30-LTB2	F-80-LTB2-2
F-40-LTB2	F-70-LTB2-3	F-90-LTB3	F-40-LTB2	F-80-LTB2-3
F-40-LTBU	F-75-LTB2	F-90-LTBU	F-50-LTB2	F-80-LTB3
F-50-LTB2	F-75-LTB2-3	F-100-LTB3	F-50-LTB2-3	F-80-LTBU
F-50-LTB2-3	F-75-LTB3	F-100-LTBU	F-50-LTBU	F-94-LTB3
F-50-LTBU	F-75-LTBU	F-110-LTB3	F-65-LTB2	F-125-LTB3
F-60-LTB2	F-80-LTB2	F-110-LTB3-2	F-75-LTB2-2	
F-60-LTB2-3	F-80-LTB2-2	F-120-LTB3	F-75-LTB2-3	
F-65-LTB2	F-80-LTB2-3	F-120-LTB3-2		
		F-125-LTB3		

Table 8: Models sold domestically and exported to Australia by Longte

Having regard to sufficiency on a model by model basis, the Commission is satisfied that for seven MCCs of grinding balls exported to Australia by Longte, there were suitable sales of like goods in the OCOT.

For nine MCC's exported to Australia the Commission is not satisfied that there were sufficient domestic sales of like goods sold in the OCOT on the basis there was an

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absence or low volume of sales in the country of export of the identical MCC. For these MCCs the Commission is satisfied that there were sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under the MCC hierarchy structure. Accordingly, the normal value for these MCCs have been determined under section 269TAC(1) with an appropriate specification adjustment applied based on the difference in the CTM between the export and domestic surrogate models, with an amount for profit applied.

The treatment of each exported MCC is detailed in the following table.

Export MCC	Volume of domestic sales of same MCC is 5% or greater as a proportion of export volume?	Treatment of normal value
F-25-LTB2	Yes	
F-30-LTB2	No	No domestic sales of F-30-LTB2 in the OCOT. Surrogate model F-25-LTB2 with a specification adjustment under section 269TAC(8).
F-40-LTB2	Yes	
F-50-LTB2	Yes	
F-50-LTB2-3	Yes	
F-50-LTBU	No	No domestic sales of F-50-LTBU in the OCOT. Surrogate model F-50-LTB2-3 with a specification adjustment under section 269TAC(8).
F-65-LTB2	No	No domestic sales of F-65-LTB2 in the OCOT. Surrogate model F-65-LTBU with a specification adjustment under section 269TAC(8).
F-75-LTB2-2	No	No domestic sales of F-75-LTB2-2 in the OCOT. Surrogate model F-75-LTB2 with a specification adjustment under section 269TAC(8).
F-75-LTB2-3	Yes	
F-80-LTB2	No	No domestic sales of F-80-LTB2 in the OCOT. Surrogate model F-80-LTB2-3 with a specification adjustment under section 269TAC(8).
F-80-LTB2-2	No	No domestic sales of F-80-LTB2-2 in the OCOT. Surrogate model F-80-LTB2-3 with a specification adjustment under section 269TAC(8).
F-80-LTB2-3	Yes	
F-80-LTB3	Yes	
F-80-LTBU	No	No domestic sales of F-80-LTB3 in the OCOT. Surrogate model F-75-LTBU with a specification adjustment under section 269TAC(8).
F-94-LTB3	No	No domestic sales of F-94-LTB3 in the OCOT. Surrogate model F-80-LTB2-3 with a specification adjustment under section 269TAC(8).
F-125-LTB3	No	No domestic sales of F-125-LTB3 in the OCOT. Surrogate model F-70-LTB2 with a specification adjustment under section 269TAC(8).

Table 9: Longte treatment of MCC for Normal Value

6.6.5 Adjustments

In using domestic sales as a basis for normal value, the Commission considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices.

Adjustment Type	Deduction/addition
Domestic inland transport	Deduct an amount for domestic inland transport
Export inland transport	Add an amount for export inland transport
Export handling and other charges	Add an amount for port charges
Export finance/bank charges	Add an amount for export finance charges
Export credit terms	Add an amount for export credit terms
Specification differences	Add or deduct an amount for specification difference for normal values determined under section 269TAC(1).

Table 10: Adjustments to Longte's normal value

6.6.6 Dumping margin

The Commission has calculated a dumping margin in respect of the goods exported to Australia by Longte for the inquiry period. The dumping margin is **negative 8.9 per cent**.

The Commission's dumping margin calculations for Longte are set out in **Confidential Attachments 4, 5, 6 and 7**.

6.7 Variable factors - Anhui Sanfang

6.7.1 Verification

Following an examination of the ABF import database, the Commission found that Anhui Sanfang began exporting grinding balls to Australia during the inquiry period. This was supported by information provided in Anhui Sanfang's REQ, which stated that it had exported grinding balls to Australia during the inquiry period. Anhui Sanfang had previously exported other grinding media (cylpebs), which were found not to be the goods under consideration.

Having regard to the approach outlined at chapter 6.3, the Commission conducted a benchmark verification of Anhui Sanfang's data provided with its REQ. The Commission identified the issues outlined below during this process:

No.	Exception	Resolution
1	Analysis of the submitted selling, general, and administration (SG&A) accounts identified that financial expenses had inadvertently not been included. In addition, some small discrepancies between the reported SG&A, when compared to the Trial Balance were identified. This resulted in the SG&A being slightly understated.	The Commission revised the SG&A data to include financial expenses and reflect the correct values in the Trial Balance. The resultant change to the final SG&A value was only minor.

Table 11: Exceptions during verification of Anhui Sanfang's data

The Commission is satisfied that the information and data provided by Anhui Sanfang, including any required amendments as outlined in Table 11, is accurate and reliable for the purposes of ascertaining variable factors for determining the level of dumping and subsidisation relating to its exports of the goods to Australia during the inquiry period.

Relying on the information available, the Commission is satisfied that Anhui Sanfang is the producer of the goods and like goods.

6.7.2 Export price

In respect of the goods supplied by Anhui Sanfang to customers in Australia during the inquiry period, the Commission notes that Anhui Sanfang:

- is the manufacturer of the goods;
- is named on the commercial invoice as the supplier;
- is named as the consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- arranges and pays for the port handling charges at the port of export.

The Commissioner is therefore satisfied that Anhui Sanfang is the exporter of the goods.

The Commission is satisfied that Anhui Sanfang's exports to Australia are arms length transactions, as there is no evidence that;

- there was any consideration payable for, or in respect of, the goods other than their price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

Accordingly, the Commission calculated the export price for Anhui Sanfang under section 269TAB(1)(a), as the price paid by the importer to the exporter, less transport and other costs arising after exportation. Export prices were calculated at FOB terms.

6.7.3 Normal value

The Commission has applied the same methodology in REP 520 to analyse Anhui Sanfang's raw material input costs. The Commission has found that Anhui Sanfang's cost for scrap steel, its major input cost, and some ferroalloy inputs were competitive in relation to the benchmark during the inquiry period.

The Commission also compared Anhui Sanfang's cost of ferrochrome⁵¹ with a benchmark that was based on the Argus HC min 60-65% Cr 6-8% C FOB US warehouse price (the Argus index) which is a high carbon ferrochrome with 60 to 65 per cent chromium minimum and 6 to 8 per cent carbon⁵². To ensure the Argus index reflected the type and grade of verified raw materials purchased by Anhui Sanfang, the price premiums for carbon and chromium were established using other Argus ferrochrome indices to adjust the benchmark. The comparison indicates that competitive market ferrochrome prices were lower during the period than the costs of ferrochrome recorded in Anhui Sanfang's records. The Commission is therefore satisfied that the ferrochrome costs in Anhui Sanfang's records reasonably reflect competitive market costs associated with the production or manufacture of like goods.

⁵¹ Ferrochrome, or ferrochromium is a type of ferroalloy. That is, ferrochrome is a type of alloy between chromium and iron.

⁵² Prices obtained from Metal Prices, a trademark of Argus at www.metalprices.com

The Commission considers that conditions in the China domestic market which gave rise to the particular market situation (set out in **Appendix A**) has also resulted in Anhui Sanfang's cost for other ferroalloys⁵³ being lower than it would have been in a competitive market. However, the Commission notes that the cost of other ferroalloys represent a very small proportion of the overall CTM of the goods. In these circumstances, where there is a small impact on costs and a negligible impact on prices arising from the market situation in the China domestic market, and in the absence of any other evidence to the contrary, there is no evidence before the Commission which leads it to be satisfied that a proper comparison cannot be made between the domestic and export prices.

The Commission is therefore not satisfied that the situation in the market of the country of export during the inquiry period is such that sales in that market are not suitable for use in determining a price under section 269TAC(1) pursuant to section 269TAC(2)(a)(ii) for Anhui Sanfang. The Commission has therefore calculated the normal value for Anhui Sanfang under section 269TAC(1), having regard to sales of like goods sold for home consumption in the OCOT and in arms length transactions.

For the purpose of the OCOT test (section 269TAAD refers) the Commission has had regard to the assessment of an exporter's cost of production in accordance with section 43 of the Regulation. The Commission is satisfied that the production records of Anhui Sanfang were kept in accordance with GAAP in the country of export and reasonably reflect its costs of production associated with the production or manufacture of like goods.

The Commission is satisfied that there is a sufficient volume of domestic sales of like goods sold for home consumption in the OCOT and in arms length transactions for the purpose of calculating a price under section 269TAC(1).

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

Having regard to the MCC structure outlined in chapter 3.4, export models were compared to normal values based on production method, diameter of the goods and product code. In Anhui's Sanfang's case, this product code refers to the chromium content percentage of the goods. The Commission observed that the chromium content is a key driver in the price of the goods, and that the goods exported were specifically cast grinding balls with a high chromium content. Therefore to ensure a proper comparison, models of the same chromium percentage would need to be compared, or an adjustment made to account for the difference. The MCC structure for Anhui Sanfang has been allocated as follows:

Production Method	Diameter	Product Code
Cast or Forged (C/F)	Diameter in mm	Chromium %

Table 12: MCC structure for Anhui Sanfang

Table 13 outlines the goods, sorted by MCC, sold domestically and exported to Australia by Anhui Sanfang.

⁵³ Other ferroalloys are ferrosilicon and ferromanganese.

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MCCs sold domestically		MCCs exported to Australia
C-25-10%	C-60-10%	C-25-15%
C-30-10%	C-70-10%	C-30-15%
C-40-10%	C-80-10%	C-50-15%
C-50-1.5%	C-90-10%	C-50-17%
C-60-2%	C-100-10%	C-70-17%
C-60-3%	C-120-10%	

Table 13: Models sold domestically and exported to Australia by Anhui Sanfang

For all the MCC's exported to Australia, the Commission is not satisfied that there were sufficient domestic sales of like goods sold in the OCOT on the basis that there was an absence or low volume of sales in the country of export of the identical MCC. For these MCCs the Commission is satisfied that there were sufficient domestic sales volumes of surrogate models based on the MCCs with the closest physical characteristics under the MCC hierarchy structure. Accordingly, the normal value for these MCCs could be determined under section 269TAC(1) with an appropriate specification adjustment applied based on the difference in CTM between the export and domestic surrogate models, with an amount for profit applied.

Anhui Sanfang provided CTM data for each model down to the chromium content. Therefore the adjustment of CTM between models accounted for the specification difference between the export and domestic model.

The treatment of each exported MCC is detailed in the following table.

Export MCC	Volume of domestic sales of same MCC is 5% or greater as a proportion of export volume?	Treatment of normal value
C-25-15%	No	No domestic sales of C-25-15% in the OCOT. Surrogate model C-100-10% with a specification adjustment under section 269TAC(8).
C-30-15%	No	No domestic sales of C-30-15% in the OCOT. Surrogate model C-30-10% with a specification adjustment under section 269TAC(8).
C-50-15%	No	No domestic sales of C-50-15% in the OCOT. Surrogate model C-50-2% with a specification adjustment under section 269TAC(8).
C-50-17%	No	No domestic sales of C-50-17% in the OCOT. Surrogate model C-60-10% with a specification adjustment under section 269TAC(8).
C-70-17%	No	No domestic sales of C-70-17% in the OCOT. Surrogate model C-70-10% with a specification adjustment under section 269TAC(8).

Table 14: Anhui Sanfang treatment of MCC for Normal Value

6.7.4 Adjustments

In using domestic sales as a basis for normal value, the Commission considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices:

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic inland transport	Deduct an amount for domestic inland freight expenses
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport	Add an amount for export inland transport
Export handling and other charges	Add an amount for export port charges
Export packaging	Add an amount for export packaging
Export credit terms	Add an amount for export credit terms
Specification differences	Add or deduct an amount for specification difference for normal values determined under section 269TAC(1).

Table 15: Summary of Anhui Sanfang's adjustments

6.7.5 Dumping margin

The dumping margin in respect of the goods exported to Australia by Anhui Sanfang for the inquiry period is **negative 20.6 per cent**.

The Commission's calculations are included at **Confidential Attachments 8, 9, 10 and 11**.

6.8 Variable factors - Jiangsu Yute

6.8.1 Verification

Following an examination of the ABF import database, the Commission found that Jiangsu Yute exported grinding balls to Australia during the inquiry period. This was supported by information provided in Jiangsu Yute's REQ.

As outlined in chapter 6.3, the Commission conducted a desktop review of the information and data provided in Jiangsu Yute's REQ, and benchmarked this with the sales and cost data provided by other exporters relevant to the inquiry, and previous data provided to the Commission by Jiangsu Yute during the most recent review (REP 520). The Commission identified the issues outlined below during this process:

No.	Exception	Resolution
1	Excessively low unit pricing per MT for a small number of sales were identified in the domestic sales listing. This was a result of the exporter incorrectly classifying the sales as 'self-produced' when they were in fact OEM sales.	The Commission re-classified these transactions as Original Equipment Manufacturer (OEM) sales. As mentioned in chapter 6.8.3, OEM sales were then removed from the sales listing as they were classified as not being the goods.

Table 16: Exceptions during verification of Jiangsu Yute's data

The Commission is satisfied that the information and data provided by Jiangsu Yute including any required amendments as outlined above is accurate, and reliable for the purposes of ascertaining variable factors for determining the level of dumping relating of its exports of the goods to Australia during the inquiry period.

Relying on the information available, the Commission is further satisfied that Jiangsu Yute is the producer of the goods and like goods.

6.8.2 Export price

In respect of the goods supplied by Jiangsu Yute to customers in Australia during the inquiry period, the Commission notes that Jiangsu Yute:

- is the manufacturer of the goods;
- is named on the commercial invoice as the supplier;
- is named as the consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- arranges and pays for the port handling charges at the port of export.

The Commissioner is therefore satisfied that Jiangsu Yute is the exporter of the goods.

Jiangsu Yute's exports to Australia were to a related importer. The Commission is satisfied that these exports by Jiangsu Yute to Australia are arms length transactions, as there is no evidence that;

- there was any consideration payable for, or in respect of, the goods other than their price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The Commission also compared the export price from Jiangsu Yute to other non-related exporters that sold to the same importer and noted that they are comparable.

Accordingly, the Commission calculated the export price for Jiangsu Yute under section 269TAB(1)(a), as the price paid by the importer to the exporter, less transport and other costs arising after exportation. Export prices were calculated at FOB terms.

6.8.3 Normal value

Following the same methodology established in REP 520, the Commission has found that the cost of grinding bar for Jiangsu Yute was comparable to the benchmark during the inquiry period. Therefore, the Commission considers that Jiangsu Yute's grinding bar costs are not artificially low due to government intervention during the inquiry period.

While the effect of a market situation may be borne out in the prices of goods without there needing to be an artificially low priced input, there is no evidence before the Commission for it to be satisfied that a proper comparison cannot be made between the domestic and export prices. The Commission is therefore not satisfied that the situation in the market of the country of export during the inquiry period is such that sales in that market are not suitable for use when determining a price under section 269TAC(1) for Jiangsu Yute.

For the purpose of the OCOT test (section 269TAAD refers) the Commission has had regard to the assessment of an exporter's cost of production in accordance with section 43 of the Regulation. The Commission is satisfied that the production records of Jiangsu Yute were kept in accordance with GAAP in the country of export and reasonably reflect its costs of production associated with the production or manufacture of like goods.

The Commission has found that in respect of Jiangsu Yute, that there were sufficient volumes of sales of like goods sold in the OCOT for home consumption in the country of export that were arms length transactions during the inquiry period. As such, the Commission is satisfied that there is not an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

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The Commission has ascertained normal values in respect of Jiangsu Yute under 269TAC(1).

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

It was noted in Jiangsu Yute's REQ that it produces OEM products for a domestic customer in China. For these sales, the customer provided Jiangsu Yute with the raw materials, while Jiangsu Yute merely operated as a toll producer for these goods at a fee. The Commission has removed these transactions from Jiangsu Yute's domestic sales listing and the CTM data as they are not sales of 'like goods' made by Jiangsu Yute.

Having regard to the MCC structure outlined in chapter 3.4, export models were compared to normal values based on production method and diameter of the goods. Table 17 outlines the goods, sorted by MCC, sold domestically and exported to Australia by Jiangsu Yute.

MCCs sold domestically		MCCs exported to Australia
F-25	F-80	F-94
F-30	F-90	
F-40	F-100	
F-50*60	F-110	
F-50	F-120	
F-75	F-125	

Table 17: Models sold domestically and exported to Australia by Jiangsu Yute

Considering sufficiency on a model by model basis, the Commission is not satisfied that for the one grinding ball MCC (F-94) exported to Australia by Jiangsu Yute, that there were suitable sales of like goods in the OCOT on the basis there was an absence or low volume of sales in the country of export of the identical MCC. For this MCC, the Commission is satisfied that there were sufficient domestic sales volumes of a surrogate model based on the MCC with the closest physical characteristics under the MCC hierarchy structure.

Accordingly, the normal value for MCC F-94 could be determined under section 269TAC(1) using model F-90 as a surrogate. The Commission tested whether a specification adjustment should be applied to this surrogate model by comparing the costs between the two models, and the price of both models quoted on a current price list provided by Jiangsu Yute. The Commission observed that costs and prices between the models were similar, and therefore a specification adjustment is not required to the surrogate model.

The treatment of each exported MCC is detailed in the following table.

Export MCC	Volume of domestic sales of same MCC is 5% or greater as a proportion of export volume?	Treatment of normal value
F-94	No	No domestic sales of F-94 in the OCOT. Surrogate model F-90 under section 269TAC(1).

Table 18: Jiangsu Yute treatment of MCC for Normal Value

6.8.4 Adjustments

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic inland transport	Deduct an amount for domestic inland freight expenses
Domestic packaging	Deduct an amount for domestic packaging
Export inland transport	Add an amount for export inland transport
Export handling and other charges	Add an amount for export port charges
Export packaging	Add an amount for export packaging
Export credit terms	Add an amount for export credit terms

Table 19: Summary of Jiangsu Yute's adjustments

6.8.5 Dumping margin

The dumping margin in respect of the goods exported to Australia by Jiangsu Yute for the inquiry period is **negative 4.4 per cent**.

The Commission's calculations are included at **Confidential Attachments 12, 13, 14 and 15**.

6.9 Variable factors - Xingcheng Magotteaux

6.9.1 Verification

Xingcheng Magotteaux provided a complete REQ to the Commission, although ultimately the Commission requested further information regarding certain cost and sales data. As there was no on-site verification done for Xingcheng Magotteaux, the Commission has tested the data for relevance and reliability by performing a desktop review and benchmarked its data against other cooperating exporters, as discussed in chapter 6.3. The Commission did not identify any issues during this process. As a result the Commission is satisfied that the information provided by Xingcheng Magotteaux is complete, accurate and reliable.

On the basis of Xingcheng Magotteaux's REQ and the Commission's review of information in the REQ, the Commission is satisfied that Xingcheng Magotteaux is the manufacturer of the goods.

6.9.2 Export price

The Commission has found that Xingcheng Magotteaux did not export the goods to Australia during the inquiry period. As such, the export price of the goods cannot be determined under section 269TAB(1). Specifically, sufficient information is not available to determine the export price of the goods using:

- the price paid or payable by the importer;
- the price in Australia less prescribed deductions; or
- the price having regard to all the circumstances of the exportation.

Therefore, the Commission considers it appropriate that the export price, for the purposes of this inquiry, be determined under section 269TAB(3), having regard to all relevant information.

The Commission would normally have regard to the export prices established for other Chinese exporters which exported the goods during the inquiry period. However, due to the contrast in volumes between the two Chinese exporters who exported forged grinding balls during the inquiry period, a weighted average export price of the two would disclose confidential information relevant to one of these exporters.

The Commission therefore considers it appropriate to determine the ascertained export price to be the same amount as that determined to be the ascertained normal value for the purposes of this inquiry. This is on the basis that Xingcheng Magotteaux, having not yet exported grinding balls to Australia, has not been found to have dumped goods, therefore the ascertained normal value of like goods sold in the domestic market by Xingcheng Magotteaux is the most relevant and reliable information available to determine Xingcheng Magotteaux's ascertained export price.

6.9.3 Normal value

The Commission has found that the cost of grinding bar for Xingcheng Magotteaux was comparable to the benchmark during the inquiry period. Therefore, the Commission considers that Xingcheng Magotteaux's grinding bar costs are not artificially low due to government intervention during the inquiry period. While the effect of a market situation may manifest in the prices of goods without there needing to be an artificially low priced input, there is no evidence before the Commission which leads it to be satisfied that a proper comparison cannot be made between the domestic and export prices.

The Commission is therefore not satisfied that the situation in market of the country of export during the inquiry period is such that sales in that market are not suitable for use in determining a price under section 269TAC(1) for Xingcheng Magotteaux.

Noting that there are no export sales, the Commission is satisfied that there is a sufficient volume of domestic sales of like goods sold for home consumption in the OCOT and in arms length transactions for the purpose of calculating a price under section 269TAC(1).

The normal values were assessed under 269TAC(1), in line with the MCC structure outlined in chapter 3.4, using the cost of production of the goods for each model based on production method, diameter and grade.

MCCs sold domestically	
F-38.1-MGQ01	F-101.6-MGQ05
F-50.8-MGQ01	F-101.6-MGQ15
F-63.5-MGQ02	F-114.3-MGQ05
F-63.5-XCQ5001	F-114.3-MGQ15
F-76.2-MGQ03	F-127-MGQ06
F-88.9-MGQ04	F-127-MGQ16
F-88.9-MGQ14	F-101.6-MGQ05

Table 20: Models sold domestically by Magotteaux

6.9.4 Adjustments

The Commission is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with section 269TAC(9), and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

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Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit terms
Export inland transport	Add the cost of export inland transport
Export handling & other fee	Add an amount for export port charges
Export packaging	Add an amount for export packaging
Export Bank Charges	Add an amount for export bank charges
Export credit terms	Add an amount for export credit terms

Table 21: Summary of Xingcheng Magotteaux's adjustments

6.9.5 Dumping margin

Since Xingcheng Magotteaux did not export the goods during the inquiry period, the Commission has determined the export price to be equal to the normal value, and as such **a zero percent** dumping margin applies for the purpose of this inquiry.

The Commission's calculations are included at **Confidential Attachment 16** and **17**.

6.10 Uncooperative and all other exporters

As detailed in chapter 6.2.2, the Commission considers all exporters of grinding balls from China that did not provide a response to the exporter questionnaire, or which did not request a longer period to provide a response within the legislated period, are uncooperative exporters for the purposes of this inquiry.

Section 269TACAB(1) sets out the provisions for calculating export prices and normal values for uncooperative exporters.

6.10.1 Export prices

Pursuant to section 269TACAB(1), the Commission has determined an export price pursuant to section 269TAB(3), having regard to all relevant information. Specifically, the Commission has used the lowest weighted average FOB export price for forged grinding balls (being the market in which Molycop is competing) from amongst those established for cooperating exporters in the inquiry period.

6.10.2 Normal values

Pursuant to section 269TACAB(1), the Commission has determined the normal value for the uncooperative exporters pursuant to section 269TAC(6) after having regard to all relevant information. Specifically, the Commission has used the highest weighted average normal value for forged grinding balls from amongst those established for the cooperating exporters in the inquiry period.

6.10.3 Dumping margin

The dumping margin for uncooperative and all other exporters of grinding balls from China is **negative 2.5 per cent**.

The Commission's calculations are included at **Confidential Attachment 18**.

6.11 Summary of dumping margins

Exporter	Dumping Margin
Longte	-8.9%
Jiangsu Yute	-4.4%
Anhui Sanfang	-20.6%
Xingcheng Magotteaux	0%
All other exporters	-2.5%

Table 22: Dumping margin summary

7 VARIABLE FACTORS – COUNTERVAILING DUTY NOTICE

7.1 Preliminary finding

The Commission has found that the two cooperative exporters subject to the countervailing duty notice, Anhui Sanfang and Xingcheng Magotteaux, have not received countervailable subsidies in respect of the goods exported to Australia from China during the inquiry period.

Exporter	Subsidy Margin
Anhui Sanfang	0%
Xingcheng Magotteaux	0%
All other exporters	6.2%

Table 23: Subsidy margin summary

7.2 Relevant information

As noted in chapter 2.2, the countervailing duty notice in respect of galvanised steel applies to all exporters from China other than Longte, Jiangsu Yute, Hebei Goldpro New Material Technology Co. Ltd and Jiangsu CP Xingcheng Special Steel Co. Ltd.

The only exporters that are subject to the countervailing duty notice and who provided relevant information to the Commission are Anhui Sanfang and Xingcheng Magotteaux.

The Commission has not received a response from the GOC in respect of the government questionnaire. Therefore, the Commission has relied on the subsidy programs identified in REP 316 and REP 520, and listed on the current notice. No additional programs were listed by cooperative exporters subject to the notice.

7.3 Legislative framework

Section 269T(1) defines ‘subsidy’ as follows:

subsidy, in respect of goods exported to Australia, means:

- (a) a financial contribution:
 - (i) by a government of the country of export or country of origin of the goods; or
 - (ii) by a public body of that country or a public body of which that government is a member; or
 - (iii) by a private body entrusted or directed by that government or public body to carry out a governmental function;

that involves:

 - (iv) a direct transfer of funds from that government or body; or
 - (v) the acceptance of liabilities, whether actual or potential, by that government or body; or
 - (vi) the forgoing, or non-collection, of revenue (other than an allowable exemption or remission) due to that government or body; or
 - (vii) the provision by that government or body of goods or services otherwise than in the course of providing normal infrastructure; or
 - (viii) the purchase by that government or body of goods or services; or
- (b) any form of income or price support as referred to in Article XVI of the General Agreement on Tariffs and Trade 1994 that is received from such a government or body;

if that financial contribution or income or price support confers a benefit (whether directly or indirectly) in relation to the goods exported to Australia.⁵⁴

Section 269TAAC defines a 'countervailable subsidy' as follows:

- (1) For the purposes of this Part, a subsidy is a countervailable subsidy if it is specific.
- (2) Without limiting the generality of the circumstances in which a subsidy is specific, a subsidy is specific:
 - (a) if, subject to subsection (3), access to the subsidy is explicitly limited to particular enterprises; or
 - (b) if, subject to subsection (3), access is limited to particular enterprises carrying on business within a designated geographical region that is within the jurisdiction of the subsidising authority; or
 - (c) if the subsidy is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance; or
 - (d) if the subsidy is contingent, whether solely or as one of several conditions, on the use of domestically produced or manufactured goods in preference to imported goods.
- (3) Subject to subsection (4), a subsidy is not specific if:
 - (a) eligibility for, and the amount of, the subsidy are established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification; and
 - (b) eligibility for the subsidy is automatic; and
 - (c) those criteria or conditions are neutral, do not favour particular enterprises over others, are economic in nature and are horizontal in application; and
 - (d) those criteria or conditions are strictly adhered to in the administration of the subsidy.
- (4) The Minister may, having regard to:
 - (a) the fact that the subsidy program benefits a limited number of particular enterprises; or
 - (b) the fact that the subsidy program predominantly benefits particular enterprises; or
 - (c) the fact that particular enterprises have access to disproportionately large amounts of the subsidy; or
 - (d) the manner in which a discretion to grant access to the subsidy has been exercised;determine that the subsidy is specific.
- (5) In making a determination under subsection (4), the Minister must take account of:
 - (a) the extent of diversification of economic activities within the jurisdiction of the subsidising authority; and
 - (b) the length of time during which the subsidy program has been in operation.

Section 269TACD provides that if the Minister is satisfied that a countervailable subsidy has been received in respect of the goods, the Minister must, if the amount of the subsidy is not quantified by reference to a unit of the goods, work out how much of the subsidy is properly attributable to each unit of the goods.

7.4 Investigated programs

Subsidisation occurs when a financial contribution or income or price support confers a benefit (whether directly or indirectly) in relation to goods exported to Australia.⁵⁵ A subsidy

⁵⁴ Section 269TACC sets out the steps for working out whether a financial contribution or income or price support confers a benefit.

⁵⁵ Definition of subsidy in section 269T(1).

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is countervailable if it is specific.⁵⁶ The amount of a countervailable subsidy is determined in accordance with section 269TACD.

After assessing all relevant information available, the Commission has found that grinding balls producers received financial contributions that conferred a benefit in respect of the goods via countervailable subsidy programs. The Commission has found that all 66 programs identified in the following table are countervailable in respect of grinding balls:

No.	Program name	Type
3	Preferential Tax Policies in the Western Regions	Income Tax
4	Land Use Tax deduction	Income Tax
5	Preferential Tax Policies for High and New Technology Enterprises	Income Tax
6	Tariff and VAT Exemptions on Imported Materials and Equipment	Tariff and VAT
7	One-Time Awards to Enterprises Whose Products Qualify for “Well-Known TradeMarks of China” and “Famous Brands of China”	Grant
8	Matching Funds for International Market Development for Small and Medium Enterprises	Grant
9	Superstar Enterprise Grant	Grant
10	Research & Development (“R&D”) Grant	Grant
11	Innovative Experimental Enterprise Grant	Grant
12	Special Support Fund for Non-State Owned Enterprises	Grant
13	Venture Investment Fund of Hi-Tech Industry	Grant
14	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	Grant
15	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant
16	Water Conservancy Fund Deduction	Grant
17	Anti-Dumping Respondent Assistance	Grant
18	Technology Project Assistance	Grant
20	Environmental Protection Grant	Grant
21	High and New Technology Grant	Grant
22	Independent Innovation and High-Tech Industrialisation Program	Grant
23	Environmental Prize	Grant
24	Provincial emerging industry and key industry development special fund	Grant
25	Environmental Protection Fund	Grant
26	Intellectual Property licensing	Grant
27	Financial resources construction special fund	Grant
28	Reducing pollution discharging and environmental improvement assessment award	Grant
29	Comprehensive utilisation of resources – VAT refund upon collection	Tariff and VAT
30	Grant for elimination of out dated capacity	Grant
31	Grant from Technology Bureau	Grant

⁵⁶ Section 269TAAC.

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No.	Program name	Type
34	Patent Award of Guangdong Province	Grant
35	Wuxing District Freight Assistance	Grant
36	Huzhou City Public Listing Grant	Grant
37	Huzhou City Quality Award	Grant
38	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant
39	Wuxing District Public List Grant	Grant
40	Transformation technique grant for rolling machine	Grant
41	Grant for Industrial enterprise energy management - centre construction demonstration project Year 2009	Grant
42	Key industry revitalization infrastructure spending in 2010	Grant
43	Jinzhou District Research and Development Assistance Program	Grant
47	Preferential loans and interest rates	Preferential Loans
48	International trade increase project fund	Grant
49	Industrial economy reform and development fund	Grant
50	Sales revenue increase award	Grant
51	Tax contribution award	Grant
52	Energy and recyclable economy program	Grant
53	National controlled essential pollutant source supervision system third party operation and maintenance subsidy program	Grant
54	Scientific program awards in high and new scientific zone	Grant
55	Jinan City Zhangqiu District Economic and Information Technology Bureau transferred clean production incentives	Grant
56	Shandong Provincial Intellectual Property Office the fourth batch of patent funding in Shandong Province in 2017	Grant
57	Zhangqiu Local Taxation Bureau transferred personal income tax withholding fee	Tax
58	The Jinan Science and Technology Information Research Institute the first batch of high-tech enterprises incentives	Grant
59	Jinan City Zhangqiu District Economic and Information Technology Bureau 2017 energy-saving advanced enterprise incentives	Grant
60	Shandong Provincial Intellectual Property Office the first batch of patent funding in Shandong Province in 2018	Grant
61	The Zhangqiu District Finance Bureau of Jinan City funds for the promotion of key products of leading enterprises in Jinan City in 2018.	Grant
62	Jinan City Zhangqiu District Science and Technology Bureau the third batch of Jinan outstanding innovation team subsidies	Grant
63	Jinan City Zhangqiu District Market Supervision Administration rewards	Grant
64	Jinan Intellectual Property Office patent grants	Grant
65	Jinan City Zhangqiu District Science and Technology Bureau project subsidies	Grant
66	Jinan City Zhangqiu District Economic and Information Bureau rewards	Grant
67	Jinan City Zhangqiu District Human Resources and Social Security Bureau support funds	Grant

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No.	Program name	Type
68	Jinan Intellectual Property Office patent subsidy	Grant
69	Shandong Mingshui Economic Development Zone Management Committee Infrastructure Construction Subsidy	Grant
70	Shanming Water Economic and Technological Development Zone Management Committee project investment support funds	Grant
71	Jinan City Zhangqiu District Science and Technology Bureau project subsidies	Grant
72	Jinzhuang Zhangqiu District Guanzhuang Sub-district Office corporate tax incentives	Tax
73	The Guanzhuang Sub-district Office of Zhangqiu District, Jinan City, the Party Construction Demonstration Support Fund	Grant
74	State Administration of Taxation Jinan City Zhangqiu District Taxation Bureau withholding income tax handling fee	Tax

Table 24: Countervailable subsidy programs

A detailed analysis in relation to the programs shown in the table above is provided in **Appendix B**.

7.5 Countervailing margins

7.5.1 Cooperating exporters

Anhui Sanfang and Xingcheng Magotteaux are the only cooperating exporters that are subject to the countervailing duty notice.

Following an evaluation of all relevant information and data provided by Anhui Sanfang and Xingcheng Magotteaux, including the audited financial statements and REQs, the Commission found that no countervailable subsidies were received during the inquiry period. Therefore, the subsidy margins applicable to Anhui Sanfang and Xingcheng Magotteaux are **zero per cent**.

7.5.2 Non-cooperative and all other exporters

In accordance with section 269TAACA, in the absence of GOC advice regarding the individual enterprises that had received financial contributions under each of the investigated subsidy programs, the Commission has had regard to the available relevant facts.

The Commission has calculated a subsidy margin based on the assumption that non-cooperative exporters have received financial contributions that have conferred a benefit under 66 programs found to be countervailable in relation to grinding balls during the inquiry period. Where subsidy programs are specific to a region, the Commission has calculated the cumulative benefit for each region. The final margin calculated has reference to only the greatest cumulative benefit for a particular region.

The resulting total subsidy margin for exports by non-cooperative and all other exporters is **6.2 per cent**. The Commission's subsidy calculations for non-cooperative and all other exporters is at **Confidential Attachment 19**.

8 LIKELIHOOD THAT DUMPING, SUBSIDISATION AND MATERIAL INJURY WILL CONTINUE OR RECUR

8.1 Preliminary finding

On the basis of the evidence currently available, the Commissioner is not satisfied that the expiration of the current measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping, subsidisation and material injury that the current measures are intended to prevent.

8.2 Legislative framework

Section 269ZHF(2) provides that the Commissioner must not recommend that the Minister take steps to secure the continuation of measures unless the Commissioner is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping or subsidisation and the material injury that the anti-dumping measure is intended to prevent.

The Commission notes that its assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires an assessment of a hypothetical situation. This view has been supported by the Anti-Dumping Review Panel, which noted that the Commission must consider what will happen in the future should a certain event, being the expiry of the measures, occur. However, the Commissioner's conclusions and recommendation must nevertheless be based on facts.⁵⁷

8.3 The Commission's approach

In assessing the likelihood of whether dumping and material injury will continue or recur, a number of factors are relevant as outlined in the Manual.⁵⁸ The Commission's view is that the relevance of each factor varies depending on the nature of the goods being examined and the market into which the goods are being sold. No one factor can necessarily provide decisive guidance. The following analysis therefore examines a range of factors that the Commission considers relevant to this inquiry.

8.4 Australian industry's claims

In its application, Molycop claims, among other things, that:

- Chinese exporters of grinding balls have continued to supply the Australian market following the imposition of measures in September 2016;
- Chinese exporters have maintained distribution links and supply channels into the Australian market;
- the Minister found in REP 520 that a particular market situation for grinding balls sold domestically in China continues to apply due to the GOC's distortion of prices in the Chinese steel industry;
- the Minister found in REP 520 that exports of Chinese grinding balls to Australia were at dumped prices during the period spanning 2018 and 2019;
- Chinese exporters possess spare capacity to grow export volumes to Australia and displace sales of locally produced grinding balls;

⁵⁷ [ADRP Report No. 44](#) (Clear Float Glass) refers.

⁵⁸ The Manual, pages 175 to 176.

- the price offer for grinding balls in tender negotiations is pivotal in the awarding of a tender, and it has observed an increase in price undercutting from Chinese exporters for grinding balls in 2020;
- the existing anti-dumping measures have had the effect of reducing the material injury from dumping and subsidisation to the Australian industry; and
- the steps taken by the Australian industry to consolidate production and supply of grinding balls to the Australian mining industry will be jeopardised if the anti-dumping measures on Chinese grinding balls are allowed to expire, as Chinese exporters seek to supply at prices that undercut Molycop with increased prevalence.

8.5 Are exports likely to continue or recur?

To determine whether exports of grinding balls are likely to continue or recur should the measures be allowed to expire, the Commission has had regard to the following factors.

8.5.1 Import volumes

Figure 17 illustrates the total import volumes⁵⁹ of grinding balls into Australia from China since 1 October 2015, noting that anti-dumping measures were imposed on 6 September 2016.

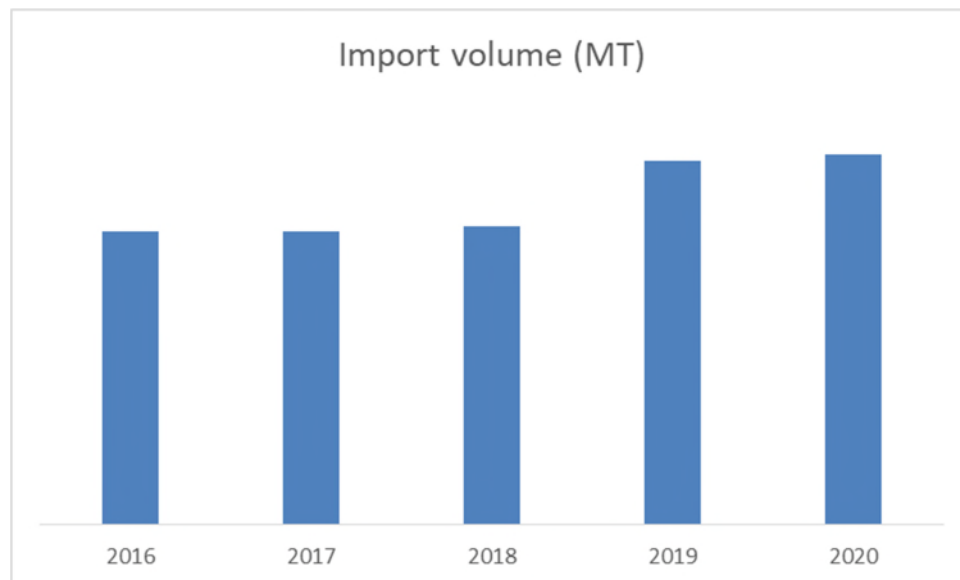


Figure 17: Import volumes in tonnes since 1 October 2015

Figure 17 indicates that exports from China to Australia have increased in each year since the measures were imposed.

On this basis, the Commission considers it is likely that exports from China would continue should the measures expire.

8.5.2 Excess productive capacity in the Chinese market

The Commission has analysed the spare capacity available for each of the cooperating exporters in China and found surplus capacity ranging from 20 to 60 per cent during the inquiry period. The Commission further determined that the total surplus capacity in the

⁵⁹ As identified through the ABF import database.

inquiry period for these exporters exceeded the total volume of sales in the Australian market during the inquiry period.

Given that all cooperating exporters have significant excess capacity, on the available information the Commission considers it is reasonable to infer that this surplus capacity extends to other exporters in China.

On this basis, the Commission considers it is likely that exporters would continue to export the goods should the measures be removed.

8.5.3 Export focus of Chinese producers

The Commission analysed each cooperating exporter's proportion of sales of the goods sold on the domestic market relative to sales of the goods into export markets. The Commission established that three of the exporters examined sell greater than 85 per cent of their production into export markets, while the fourth has a greater weighting to the domestic market than export markets. In aggregate the four exporters sell 88 per cent of their production of the goods into export markets.

On this basis, the Commission considers that Chinese exporters maintain an export focus indicating that exports are likely to continue in the event that measures expired.

8.5.4 Maintenance of distribution links to the Australian market

The Commission found during verification of importers and exporters that Chinese suppliers of the goods subject to measures continue to produce grinding balls which conform to Australian customers' specifications.

Comparing the supplier and importer relationships that existed in the original investigation period and the inquiry period, the Commission has found that the same parties continue to trade the goods in substantial quantities.

On this basis, the Commission considers that Chinese exporters have retained distribution links into the Australian market indicating that exports are likely to continue in the event that measures expired.

8.5.5 Conclusion

The Commission considers that should the measures expire, exports from China are likely to continue on the basis that:

- Import volumes from China have increased since the imposition of measures;
- Chinese exporters maintain excess productive capacity;
- Chinese producers maintain an export focus; and
- Chinese producers maintain distribution links to the Australian market.

The Commission's analysis is at **Confidential Attachment 20**.

8.6 Is dumping and subsidisation likely to continue or recur?

In assessing the likelihood of whether dumping and subsidisation will continue or recur, a number of factors are relevant as outlined in the Manual.

The Manual provides that the inquiry may gather facts relevant to whether dumping will resume, such as exporters' margins, the volume of exports before and after the measures

were imposed, the effect of the measures, the level of dumping compared with the level of measures, and any change in those measures (e.g., as a result of a review).⁶⁰

The Commission's view is that the relevance of each factor will vary depending on the nature of the goods being examined and the market into which the goods are being sold.⁶¹ No one factor can necessarily provide decisive guidance. The following analysis therefore examines a range of factors that the Commission considers are relevant to this inquiry.

This section assesses the likelihood that in the absence of measures grinding balls will be exported to Australia at dumped prices.

8.6.1 Analysis of dumping margins within the inquiry period

The dumping margins from chapter 6 of this report are reproduced below:

Exporter	Dumping Margin
Longte	-8.9%
Jiangsu Yute	-4.4%
Anhui Sanfang	-20.6%
Xingcheng Magotteaux	0%
All other exporters	-2.5%

Table 25: Dumping margins summary

As detailed in the table, the Commission did not find that any of the cooperating exporters had exported the goods at dumped prices during the inquiry period. The Commission also determined a negative dumping margin for uncooperative exporters, as detailed in chapter 6.10 in this report. The Commission notes that less than 0.02 per cent of exports in the inquiry period were from this category of exporter.

8.6.2 Analysis of subsidisation within the inquiry period

The subsidy margins from chapter 7 of this report are reproduced below.

Exporter	Subsidy Margin
Anhui Sanfang	0%
Xingcheng Magotteaux	0%
All other exporters	6.2%

Table 26: Subsidy margin summary

As detailed in the above table, the Commission did not find any of the cooperating exporters, who are subject to the countervailing duty notice, to have received countervailable subsidies during the inquiry period.

8.6.3 Level of subsidisation

The Commission has found that of the 66 identified programs, none were found to be operable for those cooperative exporters that are subject to the notice. The Commission found that no countervailable subsidies were received in respect of the goods by Anhui Sanfang and Xingcheng Magotteaux during the inquiry period.

⁶⁰ The Manual, p.176 refers.

⁶¹ Ibid.

This is consistent with the findings resulting from REP 316, where, as outlined in *Anti-Dumping Commission Termination Report No. 316* (TER 316), the Commissioner was satisfied that:

- in relation to Jiangsu Yute, no countervailable subsidy was received in respect of the goods and, therefore the countervailing investigation was terminated in so far as it relates to that exporter;⁶² and
- in relation to the other three cooperative exporters in REP 316 (Longte, Jiangsu CP Xingcheng Special Steel Co., Ltd and Hebei Goldpro New Materials Co., Ltd), countervailable subsidies were received in respect of some or all of the goods, but the subsidy never, at any time during the investigation period, exceeded the negligible level of countervailable subsidy and, therefore, the countervailing investigation was terminated in so far as it relates to those exporter.⁶³

Further, REP 520 found that of the cooperative exporters that were subject to the countervailing duty notice, only Iraeta Energy Equipment Co., Ltd was found to have been in receipt of countervailable subsidies, resulting in a subsidy margin of 1.1 per cent. Anhui Sanfang were also found to not be in receipt of countervailing subsidies in REP 520, which supported the initial finding in REP 476 where the subsidy margin was set at zero per cent.

This indicates to the Commission that, while some manufacturers in China may continue to receive countervailable subsidies in respect of the goods, the level of subsidisation for each individual exporter, if any, is likely to be negligible.

8.6.4 Other factors considered by the Commission

The Commission has undertaken an analysis of available information in respect of each cooperating exporter to inform its consideration as to whether future exports are likely to be at dumped prices:

Longte

Table 27 shows the changes in dumping margins determined for Longte since REP 316:

Longte	REP 316	REP 520	SEF 569
Dumping margin	3%	2.1%	-8.9%

Table 27: Longte changes in dumping margins

Table 28 shows index export volumes and FOB export pricing for Longte for the years ending 30 September:

Longte	2016	2017	2018	2019	2020
Export volumes	100	146	148	172	157
FOB export pricing	100	127	143	146	147

Table 28: Longte export volumes and pricing

The above tables indicate that:

- the dumping margin applicable to Longte has moved from marginally positive in REP 316 to being negative during the inquiry period;

⁶² Section 269TDA(2)(b)(i)

⁶³ Sections 269TDA(16)(b) and 269TDA(2)(b)(ii)

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- Longte's FOB export pricing has increased year on year since REP 316; and
- despite this increase in export pricing, Longte's export volumes increased year on year until 2019, with a reduction in 2020.

In addition to this historical analysis of margins, export pricing and export volumes since the imposition of measures, the Commission also gave consideration to Longte's broader domestic and export performance during the inquiry period. In Figure 17 the Commission has compared Longte's FOB export pricing to Australia in Renmimbi (RMB) per tonne against its export CTM during the inquiry period, as well as domestic selling prices against domestic CTM:

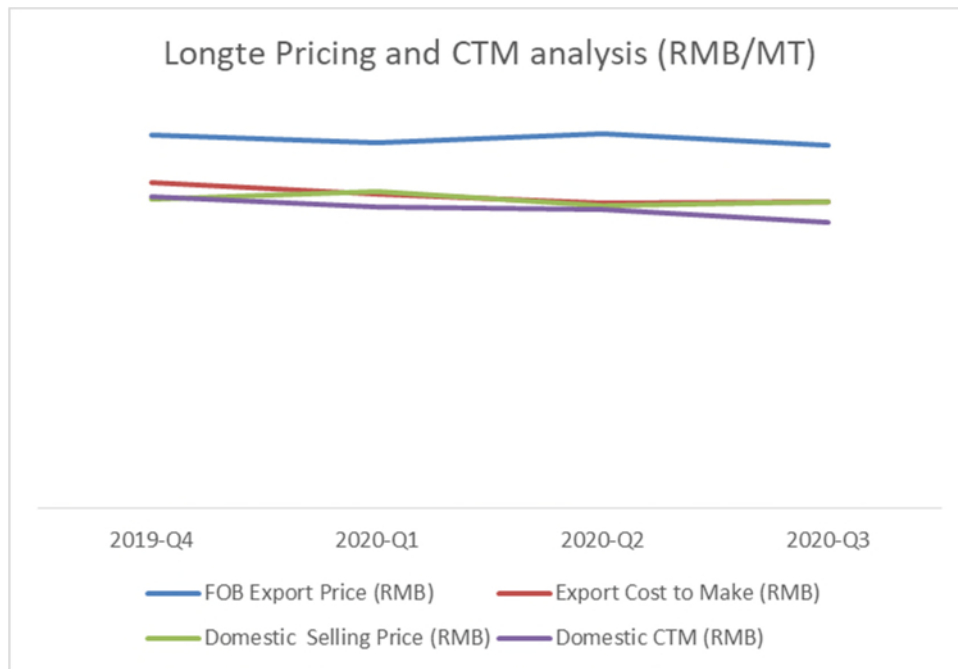


Figure 18: Longte pricing and CTM comparison

Figure 18 shows that Longte's domestic and export pricing tracks closely with the underlying CTM for each sales channel, and that over the inquiry period both costs and pricing have trended downward. The Commission considers that this indicates that Longte's export prices are a function of its underlying cost to make.

The Commission undertook an analysis of Longte's third country sales. The Commission compared the aggregated weighted average FOB selling prices for all third country sales (excluding Australian sales) against the weighted average selling price of domestic sales, adjusted to a comparative FOB point. The Commission established that selling prices into export markets were higher than selling prices into the domestic market, which the Commission considers indicates that Longte seeks to maximise profits on export sales.

As detailed in chapter 8.5, the Commission considers that, should measures expire, exports from Longte will continue, however based on the Commission's observations that Longte:

- has experienced increasing export pricing into the Australian market since the imposition of measures;
- has moved from a position of low levels of dumping to a negative dumping margin;
- prices both export and domestic markets closely in accordance with its CTM;
- is selling at higher prices into Australia and third countries than domestically; and
- maintains a healthy level of profitability in relation to export sales,

the Commission considers that while Longte may export at dumped prices in the future, there is insufficient evidence to conclude that it is *likely* that it will do so.

Anhui

The Commission notes that Anhui did not provide information to allow the ascertainment of variable factors for the original investigation and as such Anhui came under the uncooperative and all other exporter rate for the purposes of both the dumping and subsidy investigation.

Due to the high level of duties applied to Anhui following the original investigation, Anhui ceased exporting to Australia.

Following an accelerated review conducted in 2018, Anhui was subject to a floor price duty such that interim dumping duty (IDD) was only payable in the event that the actual export price was below the ascertained normal value. This method was retained following REP 520 as Anhui did not export the goods during the review period. As such, the preliminary margin assessed for Anhui in this inquiry is the first time variable factors have been ascertained. As detailed above, the preliminary dumping margin for Anhui is negative 20.6 per cent.

As detailed in chapter 6.7, the goods exported by Anhui are cast grinding balls with a high chromium content. Due to the different cost of production and end-use characteristics of forged and cast grinding balls, cast grinding balls are accepted as being the more expensive product. Anhui is the only current Chinese supplier of cast grinding balls to the Australian market, and because of the technically differentiated nature of its product, it is not in direct price competition with forged balls produced by the Australian industry or by other exporters from China.

The Commission notes that Anhui:

- has excess productive capacity;
- has an export focus currently directed toward the Australian market, currently its sole export market; and
- has re-established distribution links into the Australian market.

These factors indicate that Australia will continue to be an attractive sales market for Anhui, however, based on the Commission's observations that Anhui:

- has a significantly negative dumping margin;
- has recommenced exporting into the Australian market with a technologically differentiated product that does not compete directly on price; and
- maintains a healthy level of profitability on those sales;

the Commission considers it unlikely that Anhui would export grinding balls to Australia at dumped prices in the future.

Jiangsu Yute

Table 29 shows the changes in dumping margins determined for Jiangsu Yute since REP 316:

Jiangsu Yute	REP 316	REP 520	SEF 569
Dumping margin	43.3%	15.0%	-4.4%

Table 29: Jiangsu Yute changes to dumping margins

Table 30 shows index export volumes and FOB export pricing for Jiangsu Yute for the years ending 30 September:

Jiangsu Yute	2016	2017	2018	2019	2020
Export volumes	100	-	1	-	3
FOB export pricing	100	-	139	-	152

Table 30: Jiangsu Yute export volumes and pricing

The above tables indicate that:

- Jiangsu Yute exported only small volumes and at erratic intervals, likely due to the imposition of measures at a significant level;
- the dumping margin for Jiangsu Yute has moved to being negative in the inquiry period; and
- Jiangsu Yute has increased its export price such that its export pricing during the inquiry period is comparable to the predominant Chinese exporter in the Australian market.

In addition to this historical analysis of margins, export pricing and export volumes since the imposition of measures, and given the low volume of exports by Jiangsu Yute during the inquiry period, the Commission also gave consideration to Jiangsu Yute's broader domestic and export performance during the inquiry period.

The Commission notes that Jiangsu Yute uses price lists for both domestic and export sales. These price lists are updated regularly to account for changes in the costs of production. The Commission noted that the prices paid for the export sales to Australian customers was in accordance with the price list applicable to that time.

Given the limited volume of export sales to Australia, in Figure 19 the Commission has compared the relationship between pricing and cost of production for Jiangsu Yute's domestic sales:

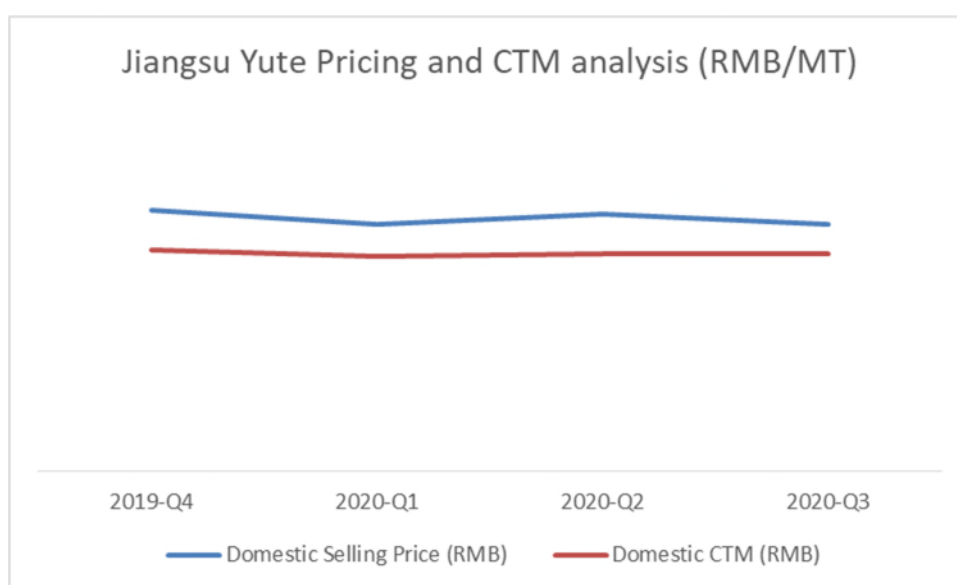


Figure 19: Jiangsu Yute pricing and CTM comparison

Figure 19 indicates that throughout the inquiry period Jiangsu Yute's domestic pricing has correlated with its costs of production. The Commission has no information which would suggest a similar relationship does not apply in respect of export sales.

The Commission further undertook an analysis of Jiangsu Yute's third country sales. The Commission compared the aggregated weighted average FOB selling prices for all third country sales (excluding Australian sales) against the weighted average selling price of domestic sales adjusted to a comparative FOB point. The Commission established that selling prices into all but one export market⁶⁴ were higher than selling prices into the domestic market, and in aggregate terms selling prices into export markets were higher than selling prices into the domestic market. The Commission considers that this finding indicates that Jiangsu Yute seeks to sell profitably into export markets.

As detailed in chapter 8.5, the Commission considers that, should measures expire, exports from Jiangsu Yute will continue, however based on the Commission's observations that Jiangsu Yute:

- has experienced increasing export pricing into the Australian market since the imposition of measures;
- has moved from significant levels of dumping to a negative dumping margin coincident with increasing export prices;
- prices both export and domestic markets in accordance with price lists that reflect its CTM; and
- is selling at higher prices into Australia and third countries than domestically,

the Commission considers that while Jiangsu Yute may export at dumped prices in the future, there is insufficient evidence to conclude that it is *likely* that it will do so.

Xingcheng Magotteaux

As detailed in chapter 6.9, the Commission has found that Xingcheng Magotteaux did not export the goods to Australia during the inquiry period.

The Commission has no information specific to Xingcheng Magotteaux to indicate that future exports are likely to be at dumped prices.

Based on the analysis undertaken in respect of the cooperating exporters detailed above, the Commission considers that, in respect of Xingcheng Magotteaux, future exports may be at dumped prices, however there is insufficient evidence to conclude that it is *likely*.

8.6.5 Conclusion

Having regard to the negative dumping margins of the cooperative exporters, and the other information considered by the Commission as detailed for each cooperating exporter above, the Commission considers there is insufficient evidence before it to be satisfied that any future exports are likely to be dumped should the measures be allowed to expire.

The Commission acknowledges that any future exports of grinding balls from uncooperative exporters may be dumped but is not satisfied that it would be *likely*. That is, while future exports by uncooperative exporters *may* be dumped, the Commission is not satisfied of the higher threshold of *likely* as set out in section 269ZHF(2).

Having regard to the two cooperative exporters subject to the countervailing duty notice having not received countervailable subsidies during the inquiry period, there is insufficient evidence before the Commission to be satisfied that any future exports are likely to receive countervailable subsidies should the measures be allowed to expire.

⁶⁴ The Commission notes that the volume sold into this market was less than two per cent of Jiangsu Yute's total export sales.

The Commission acknowledges that while any future exports of grinding balls from non-cooperative exporters may be in receipt of subsidies, it is not satisfied that it would be likely. That is, while future exports by non-cooperative exporters may be in receipt of subsidies, the Commission is not satisfied of the higher threshold of likely as set out in section 269ZHF(2).

The Commission's analysis is at **Confidential Attachment 21**.

8.7 Will material injury continue or recur?

In its application for the continuation of the measures Molycop submitted that, should the measures be allowed to expire, then there will likely be a decrease in export prices to Australia for Chinese grinding balls and that any decline in export prices will be followed by an increase in export volumes. Molycop asserted that it has observed an increase in price undercutting from Chinese exporters for grinding balls in 2020, and that should measures expire Chinese exporters will seek to supply at prices that undercut its own prices with increased prevalence.

Molycop submitted that these price and volume impacts would result in a recurrence of the material injury that the measures are intended to prevent.⁶⁵

As detailed in chapter 8.6, the Commission considers that there is insufficient evidence before it to be satisfied that any future exports are likely to be dumped should the measures be allowed to expire. The Commission has nevertheless given consideration to the claims made by Molycop in respect of the likely effect on price and volume should measures expire.

8.7.1 Likely effect on prices

The Commission notes that Molycop sells directly to end user customers, and is therefore in competition with exporters who directly supply to end user customers as well as those who supply to those customers via importers.

Within this context the Commission has undertaken a price undercutting analysis focusing on competition between the Australian industry and end users directly importing grinding balls from Chinese exporters, as well as the competition between Australian industry and sales to end users of Chinese grinding balls by importers. In both instances the Commission has compared the total price paid by the end user to have the grinding balls delivered to its operating facility (including any dumping and countervailing duties paid). The Commission's analysis has been undertaken based on grinding ball diameter on a quarterly basis.

Price undercutting – exports of grinding balls for sale to end users via importers

The Commission undertook a price undercutting analysis comparing the delivered price of grinding balls through each supply chain (for example, exporter A supplying the market through importer A as well as through importer B) by quarter and by diameter.

The Commission established that the Australian industry's prices were undercut in only one quarter of the inquiry period, and in relation to only one diameter of ball. The level of undercutting was found to be four per cent. In all other quarters and for all other diameters, the Commission found that the Australian industry was less expensive than the imported grinding balls.

⁶⁵ Application – [EPR 569, document no. 01](#)

The Commission considers that importers of grinding balls may consider reducing prices to compete with the lower priced offers of the Australian industry available in the market. However, the Commission observes that any undercutting is currently a result of exports from China which are not at dumped prices. For the reasons detailed above the Commission does not think it likely that dumping will continue or recur.

Price undercutting – exports of grinding balls direct to end users

The Commission observed that exporters are selling both forged and cast grinding balls directly to end users in the Australian market.

In respect of cast grinding balls, no price undercutting is evident during the inquiry period. This finding is consistent with the differing value proposition that underlays each type of grinding ball – forged balls are accepted to be the less expensive product due to the cheaper cost of production and shorter productive life of the grinding ball, whereas cast grinding balls are more expensive due to the higher costs of production and longer productive life. Throughout the course of the inquiry the Commission obtained information evidencing that end users in the Australian market are undertaking assessments of the relative merits of cast grinding balls over forged grinding balls. Price is one factor in these deliberations.

The Commission acknowledges that even though the customer's preference for forged and/or cast grinding balls is a result of considering many factors, including price, the pricing of cast grinding balls may have an impact on the pricing of forged grinding balls. For example, even though cast grinding balls are more expensive, a fall in the price of cast grinding balls may necessitate a reduction in the relative pricing of forged grinding balls to ensure the overall value proposition remains comparable. Although no evidence was presented on this point, the Commission considers it plausible that a fall in the price of cast grinding balls may necessitate a reduction in the price of forged grinding balls.

In respect of forged grinding balls, the Commission established that the delivered price of exports from China did undercut the Australian industry's prices by between 10 and 29 per cent.

The Commission noted that quarterly weighted average FOB export prices for sales made directly to end users were between two and six per cent lower than FOB export prices where the goods were sold to end users via importers. The Commission considers that the undercutting evident in respect of end users buying directly from the exporter relates, in part, to the cost savings associated with bypassing a trading company with the additional costs and margins that entails.

Given that these direct sales from Chinese exporters are not at dumped or subsidised prices, and that the buying entity already enjoys a pricing advantage relative to the Australian industry, the Commission would not expect exporters to reduce their export prices in this supply channel as a result of the measures expiring.

8.7.2 Likely effects on volumes

To assess the likely effect on import volumes in the Australian market should the measures expire, the Commission has undertaken an evaluation of the changing composition of the Australian market since the imposition of the measures in September 2016.

As discussed in chapter 4.3, during the conduct of the inquiry the Commission has identified a change in dynamic within the grinding ball market in relation to the increasing utilisation of high chrome cast balls. The Commission understands that high chrome cast

grinding balls and forged grinding balls are used in the same applications up to diameters of 90 mm inclusive.

Within this context the Commission has analysed the Australian industry's sales of forged grinding balls during the investigation period (REP 316) against sales in the current inquiry period according to ball size. Figure 20 compares the Australian industry's sales of forged grinding balls with diameter of 90 mm or less and diameter of greater than 90 mm in the two periods.

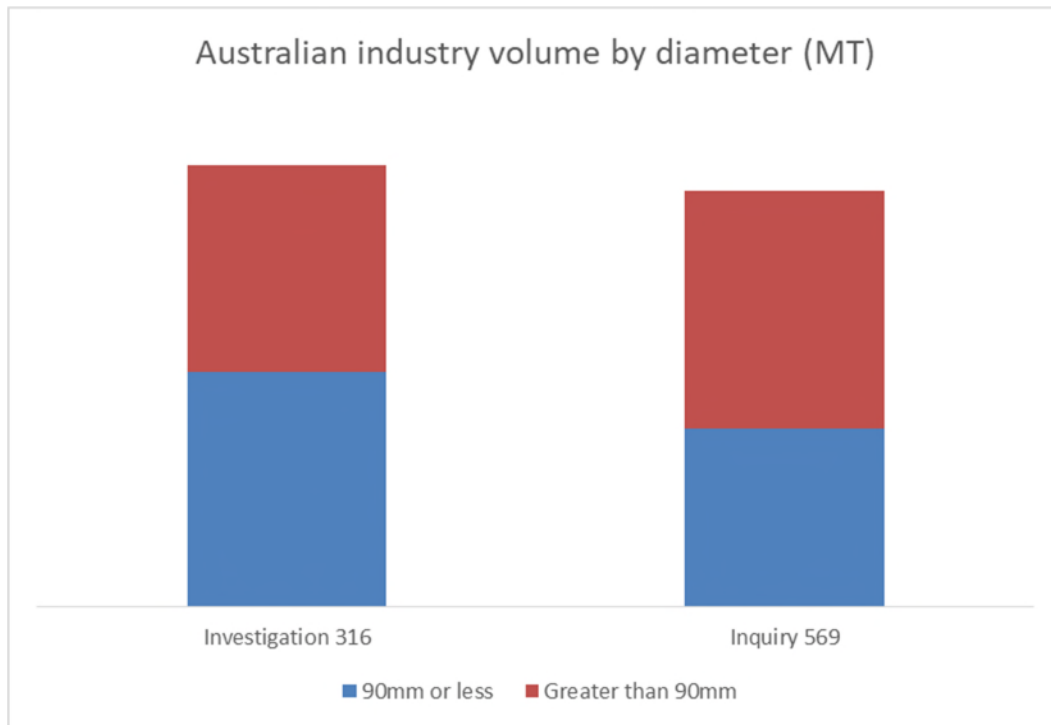


Figure 20: Market size by ball type and source (MT)

Figure 20 indicates that, since the conduct of the original investigation, the Australian industry has experienced:

- a reduction in total sales volumes;
- a reduction in the sales volume of grinding balls competing with imported cast grinding balls (those with a diameter of 90 mm or less);
- an increase in the sales volume of forged grinding balls with a diameter of greater than 90 mm.

Grinding balls exported from China continue to hold a significant share of the Australian market. The Commission has observed that during the inquiry period the volume of forged grinding balls from China has reduced while the volume of cast grinding balls has increased. This mirrors the broader dynamic within the Australian market.

In terms of forged grinding balls, the Commission notes that during the inquiry period the Australian industry and the largest exporter from China both experienced a reduction in volumes. The Commission considers that, should the measures expire, exports of forged balls from China will continue; however, given the prevailing movement in an expanding market toward cast grinding balls at the expense of forged grinding balls, the Commission cannot conclude that, of itself, the expiry of the measures would lead to an increase in export volumes from China.

Based on Australian market questionnaire responses received by the Commission, and other information obtained during the course of the inquiry, the Commission is of the view

that cast grinding balls may continue to capture higher market share, and given that the Australian industry does not currently produce cast grinding balls, it is therefore reasonable to assume that the volume of cast grinding balls being imported will continue to grow. Presently, countries other than China dominate this segment of the market, though the volume of cast grinding balls exported from China has accelerated in recent years and this trend may continue depending upon competitive market dynamics.

8.7.3 Conclusion

In view of the above analysis, the Commission considers that in the event that measures expire, exports at dumped and/or subsidised prices may recur, and this may cause material injury to the Australian industry, however this is not considered *likely*.

The Commission's analysis is at **Confidential Attachment 22**.

8.8 Conclusion

Taking the above analysis into account, the Commissioner is satisfied that there is sufficient evidence to support a finding that Chinese exports of grinding balls are likely to continue, and in the absence of anti-dumping measures, may increase.

The Commissioner is satisfied that exports of grinding balls were not dumped and/or subsidised during the inquiry period.

The Commissioner is not, however, satisfied that there is sufficient evidence to support a finding that:

- exports of grinding balls at dumped and/or subsidised prices are likely to recur; and
- material injury to the Australian industry is likely to be caused by future exports at dumped and/or subsidised prices in the absence of the measures.

The Commissioner accepts that, should the measures be allowed to expire, it is possible that grinding balls will be exported to Australia at dumped and/or subsidised prices in the future and materially injure the Australian industry. However, the Commissioner is not satisfied on the evidence before him that this is *likely*.

As a result, the Commissioner is not satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of the material injury that the anti-dumping measures are intended to prevent.

9 NON-INJURIOUS PRICE

9.1 Introduction

The Commissioner proposes to recommend to the Minister that the notices in respect of grinding balls exported to Australia from China be allowed to expire on 9 September 2021. However, in the event that a different recommendation is made and the anti-dumping measures are continued, the Commission has considered the non-injurious price (NIP).

9.2 Non-injurious price

The NIP is defined in section 269TACA as “the minimum price necessary to prevent the injury, or a recurrence of the injury” caused by the dumped or subsidised goods, the subject of a dumping duty notice or a countervailing duty notice. The Commission will generally derive the NIP from an unsuppressed selling price (USP).

9.3 Lesser duty rule

Where the Minister is required to determine the IDD, section 8(5B) of the *Customs Tariff (Anti-Dumping) Act 1975* (Dumping Duty Act) applies. Where the Minister is required to determine both interim countervailing duty (ICD) and IDD, sections 8(5BA) and 10(3D) of the Dumping Duty Act apply.

Sections 8(5B), 8(5BA) and 10(3D) require the Minister, in determining the ICD and IDD payable, to have regard to the ‘lesser duty rule’. In relation to a dumping duty notice, the lesser duty rule requires consideration of whether the NIP is less than the normal value of the goods. In the context of concurrent dumping and countervailing notices, the lesser duty rule requires consideration of the desirability of fixing a lesser amount of duty, such that the sum of the export price of the goods ascertained for the purposes of the notices, the ICD and IDD, do not exceed the NIP.

However, pursuant to sections 8(5BAA), 8(5BAAA) and 10(3DA) of the Dumping Duty Act, the Minister is not required to have regard to the lesser duty rule where one or more of the following circumstances apply:⁶⁶

- a) the normal value of the goods was not ascertained under section 269TAC(1) because of the operation of section 269TAC(2)(a)(ii);
- b) there is an Australian industry in respect of like goods that consists of at least two small-medium enterprises, whether or not that industry consists of other enterprises; and / or
- c) if a countervailing subsidy has been received in respect of the goods – the country in relation to which the subsidy has been provided, has not complied with Article 25 of the World Trade Organization (WTO) *Agreement on Subsidies and Countervailing* for the compliance period.

None of these circumstances apply in the case of this inquiry, and therefore the Minister must consider the desirability of applying a lesser amount of duty.

⁶⁶ Sections 8(5BAAA)(a) to (c) of the Dumping Duty Act concern the calculation of dumping duty and sections 10(3DA)(a) to (c) of the Dumping Duty Act concern the calculation of countervailing duty.

9.4 Assessment of NIP

The USP is a selling price that the Australian industry could reasonably achieve in the market in the absence of dumped or subsidised imports.⁶⁷

The Commission's preferred approach to establishing the USP for the goods is set out in chapter 24 of the Manual, which sets out the following methods:

- industry selling prices at a time unaffected by dumping or subsidisation;
- constructed Australian industry price based on the industry's CTMS, plus an amount for profit; or
- use relevant and comparable selling prices of undumped and unsubsidised imports.

Having calculated the USP, the Commission then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into store costs and amounts for importer expenses and profit.

Based on the information before it, the Commission considers that the Australian industry was not affected by dumping during the inquiry period. Consequently, the Commission has established a USP using the weighted average selling price of grinding balls achieved by Molycop during the inquiry period.

From this USP, the Commission has made deductions for into store costs incurred by the most efficient importer during the inquiry period in respect of each of the goods. These adjustments reverse out the cost of ocean freight, insurance, customs entry fees, customs broker fees and quarantine. As a large proportion of the goods were imported directly by end users (mining companies) of those goods, a deduction for profit and SG&A costs was not applied.

The Commission found that the NIP has changed since it was last ascertained. The Commission's calculation of the NIP is contained in **Confidential Attachment 23**.

9.4.1 Application of the lesser duty rule

Cooperating exporters

For those cooperating exporters that are only subject to IDD (Longte and Jiangsu Yute), the NIP is higher than the ascertained normal values of the goods. As a result, the lesser duty rule does not apply.

For those cooperating exporters that are subject to both IDD and ICD (Anhui Sanfang and Xingcheng Magotteaux):

- the sum of its ascertained export price, IDD and ICD does not exceed the NIP for Xingcheng Magotteaux.
- the sum of its ascertained export price, IDD and ICD exceeds the NIP for Anhui Sanfang.

As a result, the NIP would be the operative measure for Anhui Sanfang. This would result in a revised dumping margin for Anhui Sanfang of negative 25.3 per cent.

⁶⁷ The Manual, page 137.

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Uncooperative and all other exporters

The Commission has found that the sum of the ascertained export price, IDD and ICD for uncooperative and all other exporters does not exceed the NIP. As a result, the NIP would not be the operative measure for the uncooperative and all other exporters and therefore the lesser duty rule would not be applied.

10 FORM OF MEASURES

10.1 Introduction

The Commissioner proposes to recommend to the Minister that the dumping duty notice in respect of grinding balls exported to Australia from China be allowed to expire on 9 September 2021. However, in the event that a different recommendation is made and the anti-dumping measures are continued, the Commission has considered the form of measures.

10.2 Preliminary findings

The Commissioner preliminarily finds that, in relation to grinding balls exported to Australia from China during the inquiry period, for all exporters:

- the ascertained export price has changed;
- the ascertained normal value has changed;
- the level of countervailable subsidies received has changed; and
- the NIP has changed.

10.2.1 Legislative framework

The forms of dumping duty available to the Minister when imposing anti-dumping measures are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013* and include:

- fixed duty method (\$X per tonne);
- floor price duty method;
- combination duty method; or
- *ad valorem* duty method (i.e. a percentage of the export price).⁶⁸

The various forms of dumping duty all have the purpose of removing the injurious effects of dumping. However, in achieving this purpose, certain forms of duty will better suit particular circumstances more so than others. In considering which form of duty to recommend to the Minister, the Commissioner will have regard to the published *Guidelines on the Application of Forms of Dumping Duty November 2013* (the Guidelines) and relevant factors in the market for the goods.⁶⁹

10.2.2 Fixed duty method

A fixed duty method operates to collect a fixed amount of duty – regardless of the actual export price of the goods. The fixed duty is determined when the Minister exercises her powers to ascertain an amount for the export price and the normal value.

10.2.3 Floor price duty method

The floor price duty method sets a “floor” – for example a normal value of \$100 per tonne – and duty is collected when the actual export price is less than that normal value of \$100 per tonne. The floor price is either the normal value or the non-injurious price (NIP), whichever becomes applicable under the duty collection system.

⁶⁸ Section 5 of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

⁶⁹ [Available on the Commission website.](#)

This duty method does not use an ascertained export price as a form of “floor price” as occurs with the combination and fixed duty methods.

10.2.4 *Ad valorem* duty method

The *ad valorem* duty method is applied as a proportion of the actual export price of the goods. An *ad valorem* dumping duty is determined for the product as a whole, meaning that a single ascertained export price is required when determining the dumping margin. The *ad valorem* duty method is the simplest and easiest form of duty to administer when delivering the intended protective effect.

10.2.5 Combination duty method

The combination duty comprises two elements: the “fixed” element and the “variable” duty element. The fixed element is determined when the Minister exercises powers to “ascertain” an amount (i.e. set a value) for the export price and the normal value. This may take the form of either a fixed duty or an *ad valorem* on the ascertained export price.

The variable component stems from a feature of this form of duty whereby, having ascertained the export price for the purposes of imposing the dumping duty, if the actual export price of the shipment is lower than the ascertained export price, the variable component works to collect an additional duty amount (i.e. the difference between the ascertained export price and the actual export price). It is called a “variable” element because the amount of duty collected varies according to the extent the actual export price is beneath the ascertained export price.

10.3 Conclusion

In REP 520, IDD and the dumping duty payable was determined as an amount worked out in accordance with the combination of fixed and variable duty method or the floor price method. The ICD and countervailing duty payable was determined as an amount worked out in accordance with the *ad valorem* duty method.

Subject to submissions received in response to this SEF and if it is recommended that the measures be continued, the Commission is of the view that the combination of fixed and variable duty method and floor price duty method (as relevant) should be used for IDD, and the *ad valorem* duty method for ICD.

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APPENDIX A MARKET SITUATION ASSESSMENT

A1 Introduction

This appendix sets out the Commission's assessment of whether there was a particular market situation (market situation) in the Chinese grinding balls market during the inquiry period.

The Commission has relied on much of the analysis undertaken in REP 520 for the purposes of the market situation assessment. In the absence of a response from the GOC or other information provided by interested parties, and given there is only a 3 month gap between the review period of REP 520 and the inquiry period of this continuation, the Commission considers this information continues to be relevant.

A1.1 Applicant's claims

Molycop claimed in the original investigation (REP 316) that, during the relevant investigation period, a particular market situation in the Chinese grinding balls market made sales in those markets unsuitable for determining normal values under section 269TAC(1).

For this inquiry, Molycop cited the Commission's previous findings that domestic selling prices for steel billet in China may be artificially low and that, as a consequence, domestic selling prices for grinding balls would also be lower than they otherwise would have been in the absence of GOC influence.

A2 Legislative and policy framework

A2.1 Legislation

Section 269TAC(1) provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the OCOT for home consumption in the country of export in arms length transactions by the exporter or, if like goods are not sold by the exporter, by other sellers of like goods.

However, section 269TAC(2)(a)(ii) provides that the normal value of the goods exported to Australia cannot be determined under section 269TAC(1) where the Minister is satisfied that '*...because 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)*'.

Where such a market situation exists, normal value cannot be established on the basis of domestic sales. Instead, the normal value may be determined using another method in section 269TAC. Therefore, a determination as to whether there is a market situation has potential consequences for the assessment of normal value.

A2.2 Policy framework

In relation to market situation assessments, in considering whether sales are not suitable for use in determining a normal value under section 269TAC(1) because of the situation in the market of the country of export the Commission may have regard to factors such as whether the prices are artificially low. Government influence on prices or input costs could be one cause of artificially low pricing. Such government influence could come from any level of government.

In assessing whether a market situation exists due to government influence, the Commission will assess whether government involvement in the domestic market has

materially distorted market conditions. If market conditions have been materially distorted then domestic prices may be artificially low or not substantially the same as they would be in a competitive market.

Prices may also be artificially low or lower than they would otherwise be due to government influence on the costs of inputs. The Commission looks at the effect of any such influence domestic prices.

For section 269TAC(2)(a)(ii) to apply, the Commission is required to identify where a 'market situation' exists, and if found to exist, be satisfied that the 'market situation' renders sales in that market not suitable for normal value purposes before rejecting actual selling prices.

Although it is for the Commission to establish the nature and consequence of the 'market situation', including an evaluation of whether there is an impact on domestic prices, the Commission considers that the pricing effect does not necessarily have to be quantified.

A3 Information relied upon and Commission's approach

A3.1 Information relied upon to undertake the Commission's assessment

In undertaking this assessment, the Commission considered the following:

- Molycop's application for a continuation of measures;
- previous market situation assessments undertaken by the Commission;
- responses to the exporter questionnaire by cooperating exporters; and
- desktop research, including information obtained from departmental resources and relevant third party information providers.

The Commission did not receive a response to the government questionnaire from the GOC for this inquiry.

The Commission's analysis is at **Confidential Attachment 4 – Market situation analysis**.

A3.2 Commission's approach

In accordance with its legislative obligations, the Commission's market situation assessments are undertaken at the level of the goods being investigated.

The main raw material identified for grinding balls is grinding bar (or round bar), which in turn is produced from steel billet. Grinding bar accounts for approximately 80 to 90 per cent of the weighted average cost to make for grinding ball products, and therefore the Commission considers that distortions in the steel billet market have a substantial impact on the prices paid for the materials used to make grinding balls and therefore their prices.

Accordingly, in undertaking this assessment, the Commission has also considered conditions within the Chinese steel billet market. The Commission has not undertaken an assessment of conditions within the Chinese markets for the raw materials used to produce steel billet (being iron ore, coking coal and coke), as any distortions within these markets would contribute to (and be incorporated into) conditions within the Chinese steel billet market.

The Commission has also given consideration to conditions within the broader Chinese steel industry. This approach was adopted because of the lack of available information concerning certain aspects of the Chinese grinding balls and grinding bar markets, which

was, in part, due to the GOC's omission with respect to providing the Commission with a response to the government questionnaire.

In this assessment, "GOC" refers to all levels of government in China (including central, provincial and local governments), unless otherwise specified. Similarly, the Commission has referred to Chinese state owned enterprises and state invested enterprises collectively as SOEs. The Commission has adopted this approach because it considers that the GOC has the ability to directly influence decision-making in a similar fashion in relation to these types of entities.

A4 The Commission's assessment

In REP 316, the Commissioner found that there was a particular market situation in China such that domestic selling prices for grinding balls were not suitable for determining normal values under section 269TAC(1).⁷⁰ The Commission constructed normal values in REP 316 in accordance with section 269TAC(2)(c) and sections 43, 44 and 45 of the Regulation.

The Commission has previously undertaken research and analysis on the influence of the GOC in respect of the Chinese domestic steel market.⁷¹ Each of these investigations and inquiries has consistently established that the interventions of the GOC in respect of Chinese iron and steel industries rendered relevant domestic selling prices unsuitable for establishing normal values.

Other reports by the Commission, including the *2016 Analysis of Steel and Aluminium Markets Report*⁷², flagged significant excess supply in Chinese steel markets. Also, a 2017 report by the European Commission (2017 EC Report)⁷³ identified continuing GOC influence in Chinese steel markets. Both of these reports identify similar conditions to those established in REP 316 and REP 520.

The 2017 EC Report and various previous reports by the Commission identified that these conditions apply to the predominant raw material inputs used in the production of grinding balls. These identified impacts on raw materials include:

- export duties on steelmaking raw materials for chromium, crude steel, iron ore, coke, coking coal, manganese, molybdenum, pig iron, and steel scrap;⁷⁴
- the impact of the GOC's overarching macroeconomic policies and plans;

⁷⁰ In terms of section 269TAC(2)(a)(ii).

⁷¹ These cases include:

- *International Trade Remedies Branch Report No. 177* (hollow structural sections);
- *International Trade Remedies Branch Report Nos. 190 and 193* (zinc coated and aluminium zinc coated steels);
- *Anti-Dumping Commission Report No. 198* (hot rolled plate steel);
- *Anti-Dumping Commission Report No. 238* (deep drawn stainless steel sinks);
- *Anti-Dumping Commission Report No. 300* (steel reinforcing bar);
- *Anti-Dumping Commission Report No. 301* (rod in coil); and
- *Anti-Dumping Commission Report Nos. 379 and 419* (hollow structural sections).

⁷² Anti-Dumping Commission (2016), *Analysis of Steel and Aluminium Markets Report*, https://www.industry.gov.au/sites/default/files/2019-05/analysis_steel_aluminium_report_-_august_2016.pdf

⁷³ European Commission, (2017) Commission staff working document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations, http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156474.pdf

⁷⁴ 2017 EC Report, page 365 and REP 316, page 93

- non-automatic export licensing requirements for certain raw materials which gives the GOC control over the exportation of raw materials used in the production of grinding balls, generating extra transaction costs and hindering exporters ability to react quickly to sales opportunities;⁷⁵
- the identification of chromium, which is a key ferroalloy input into the production of grinding balls, as one of the commodity metals that the State Reserve Bureau holds in reserve and the fact that the State Reserve Bureau “can have a considerable impact on the prices, as well as availability of certain materials in China and worldwide”;⁷⁶
- including chromium mines as part of the Chinese iron and steel industry in the GOC’s National Steel Policy, which has been found to have impacted and distorted the cost of raw materials;⁷⁷ and
- defining chromium as a strategic mineral in the Plan, and the finding that these “strategic minerals are ‘key elements of the mineral resources macro-control, supervision and management’” and “the plan mentions the role of governmental decision-making on the sector’s development”.⁷⁸

While the Commission is aware that the GOC has made significant efforts to reduce export tariffs and quotas for coke and coking coal, it is noted that scrap steel, iron ore and coking coal are still important raw materials in the manufacture of steel. While government tariff and quota measures have declined in recent years, they remain factors that are likely to distort the markets for these materials in China.⁷⁹

It is apparent in light of the information above, and the further analysis in the following sections, that government influence by the GOC has resulted in a particular market situation in the Chinese grinding balls market.

A4.1 China’s steel industry

The Chinese steel industry is the largest in the world, with China ranked number one in crude steel production in 2018 with an output of 928.3 million tonnes. This accounted for 51 per cent of the world’s crude steel production. China is also the top exporter of steel which includes finished and semi-finished products, with exports mainly destined for other Asian countries and representing 15 per cent of global exports in 2018.

⁷⁵ 2017 EC Report, page 309

⁷⁶ 2017 EC Report, page 316

⁷⁷ Anti-Dumping Commission, Report No. 238, page 136

⁷⁸ 2017 EC Report, page 268

⁷⁹ Anti-Dumping Commission, Report Number 466, page 93

2018 Crude steel production

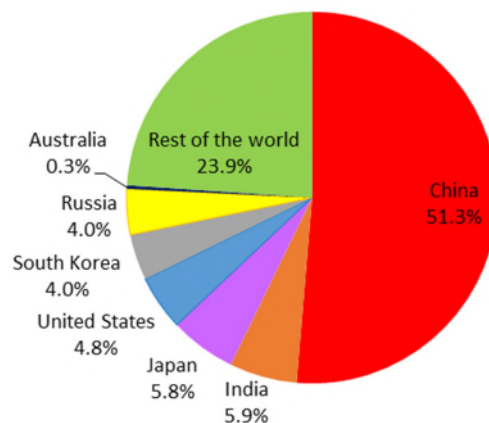


Figure 21: Crude steel production

Source: World Steel Association⁸⁰

Based on the yearly figures from the World Steel Association, China's crude steel production increased by approximately 61 per cent between 2009 to 2018. In the same period, China's steel consumption also increased by a similar margin. Recent figures show that China's production in 2019 has increased to 996 million tonnes, a rise of 8 per cent from 2018.⁸¹ Some of the key industries driving the demand for steel in China include construction, steel fabrication, machinery, automotive and parts.

Since 2009, China's steel production has exceeded consumption year on year, and it is forecast that this trend will continue into the future.

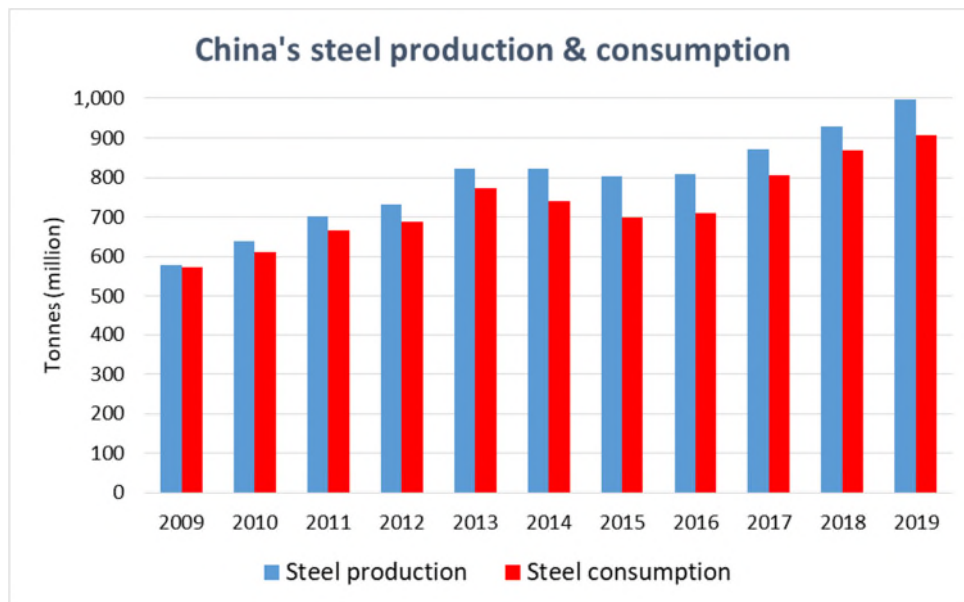


Figure 22: Crude steel production and consumption in China

⁸⁰ World Steel Association - Steel Statistical Yearbook 2019, <https://www.worldsteel.org/en/dam/jcr:7aa2a95d-448d-4c56-b62b-b2457f067cd9/SSY19%2520concise%2520version.pdf>

⁸¹ World Steel Association, World Crude Steel Production – Summary, 27 January 2020, <https://www.worldsteel.org/en/dam/jcr:391fbe61-488d-46d1-b611-c9a43224f9b8/2019%2520global%2520crude%2520steel%2520production.pdf>

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Source: World Steel Association

China's capacity utilisation fluctuated between 2009 and 2018, declining to 70 per cent in 2015 while production capacity reached its highest levels. In 2018, China's production capacity was 1,023.4 million tonnes, while its actual steel production reached 928 million tonnes. REP 316 found that there was significant excess capacity during the 2015 investigation period and an oversupply in the Chinese steel market.

Following China's 2016 supply side reform and five year plan, there has been an increase in industry consolidation and a reduction in excess capacity. China removed 150 million MT per year of capacity and 140 million MT per year of "unlicensed" induction furnace capacity. However, at the same time, new steel facilities have been installed which are more efficient, with improved, more environmentally friendly technology.⁸² These changes can be seen in Figure 3.

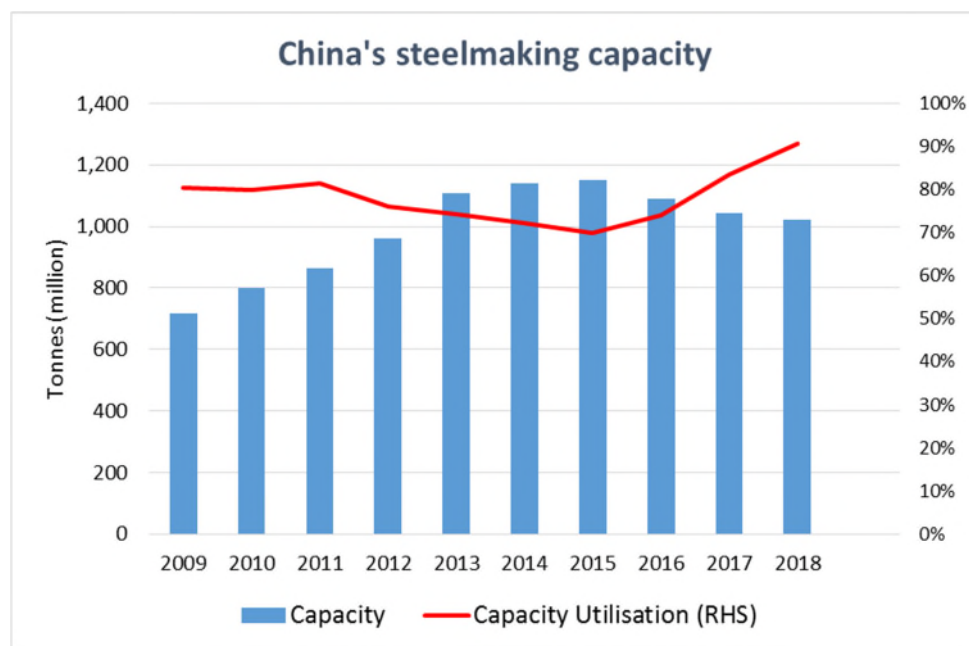


Figure 3: China's steel capacity utilisation

Source: Organisation for Economic Co-operation and Development (OECD)⁸³,
World Steel Association, ADC calculations

A5 GOC influence in Chinese steel markets

The Commission considers the GOC's involvement within, and influence across the steel industry to be a primary cause of the prevailing structural imbalances within both the broader steel industry and the grinding balls market. This involvement includes the issuing of planning guidelines and directives, along with provisions of direct and indirect financial

⁸² S&P Global Platts, China Steel Refining Capacity Rises as Supply Side Reforms Come Under Pressure (2019), <https://www.spglobal.com/en/research-insights/articles/china-steel-refining-capacity-rises-as-supply-side-reforms-come-under-pressure>

⁸³ OECD Steelmaking Capacity Database (version 2019). Note: The data on nominal crude steelmaking capacity provided for China does not include production capacity by "illegal" induction furnaces, nor do they reflect any changes in steelmaking capacity associated with those furnaces. Accessed on 5 May 2020.

support.⁸⁴ Other key mechanisms include the role and operation of SOEs, taxation arrangements and tariff policies.

A5.1 Role and operation of SOEs

In 2016, sixteen of the world's 50 largest steelmaking companies were SOEs from China.⁸⁵ In 2018, eight of the top ten steel producers in China were SOEs, either wholly or majority owned by the government. The Commission estimates that Chinese SOEs accounted for approximately 40 per cent of total Chinese steel production.

The OECD defined SOEs as “any corporate entity recognised by national law as an enterprise, and in which the state exercises ownership, should be considered as an SOE. This includes joint stock companies, limited liability companies and partnerships limited by shares.”⁸⁶ State enterprises can be defined to even a broader extent, in that it goes beyond the notion of ownership to explicitly include cases of “control” through minority shares, or other forms of control that can be exercised by the state such as legal stipulations or corporate rules that grant effective influence over the company's decision-making process. The competitive advantages enjoyed by state enterprises may have fostered capacity investments, not necessarily in response to market-based considerations, but rather as the outcome of predefined policy goals.⁸⁷

The World Bank also found that “state enterprises have close connections with the Chinese government. SOEs are more likely to enjoy preferential access to bank finance and other important inputs, privileged access to business opportunities, and even protection against competition.”⁸⁸

While the Commission does not consider that the presence of these entities alone causes markets to be distorted, it does consider that the presence of these entities is likely to result in the GOC's plans and directives being adhered to. The Commission also considers that the support provided to these entities by the GOC has enabled many of them to be operated on non-commercial terms for extended periods, significantly impacting supply and pricing conditions within the domestic Chinese market.⁸⁹ Examples of these support mechanisms include government subsidies, support from associated enterprises (through direct subsidy, interest-free loans or provision of loan guarantees) and loans from state-owned banks.⁹⁰

The Commission considers these mechanisms have supported the rapid expansion of steel production capacity in the SOE segment, in spite of repeated attempts by the Central

⁸⁴ Duke Centre on Globalisation, Governance & Competitiveness (Duke Centre), 2016. *Overcapacity in Steel: China's role in a global problem*, September 2016, page 24.

⁸⁵ World Steel Association (2018), The Chinese steel industry at a crossroads, https://www.worldsteel.org/en/dam/jcr:295ce643-fff1-4a23-8db8-d24bf3b154f2/PPT%2520for%2520MB%2520iron%2520ore%2520conference%25202018_EN_final.pdf

⁸⁶ OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition, OECD Publishing, Paris.

⁸⁷ Mattera, G. and F. Silva (2018), State enterprises in the steel sector, OECD Science, Technology and Industry Policy Papers, No. 53, OECD Publishing, Paris.

⁸⁸ World Bank, *China 2030: Building a Modern, Harmonious, and Creative Society*, Report No. 96299 (March 2013), page 25.

⁸⁹ Anti-Dumping Commission, *Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission August 2016*, page 47.

⁹⁰ Liu. H & Song. L, 2016, page 348.

Government to reduce the scale of steel production. It is also the Commission's view that these support mechanisms have created rigidities in the way recipient firms respond to price and profit signals, and hence have significantly contributed to the excessive investment in capacity, excess steel production and distorted prices.

The significance of SOEs to the broader Chinese economy, including the steel industry, is also reflected in the State Council of China's *Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation* (the *Guidance*).⁹¹ When it introduced the *Guidance*, the State Council noted the important role of SOEs in actively promoting structural adjustment, optimisation of structural layout and quality improvement within the Chinese economy. The *Guidance* also indicates that the State Council will deepen reform of SOE policies and arrangements to optimise state owned capacity allocation, promote transformation and upgrading. Details concerning the promotion of central enterprises restructuring and reorganisation include the 'safeguard measures' theme, the strengthening of the organisation and leadership of SOEs, strengthening of industry guidance, increased policy support and improved support measures more generally.

A5.2 Initiatives influencing Chinese steel markets

The Commission recognises that in recent years the GOC has taken significant steps to restructure and reorganise the domestic steel industry to better manage the level of excess production capacity, oversupply and environmental concerns.

Specific initiatives announced in recent years to address imbalances in the Chinese steel markets include the Central Government's supply-side reform initiatives, *Advice on Addressing Excessive Capacity and Relieving Hardship for the Steel Industry* (GOC Advice) and *The Opinions of the State Council on Reducing Overcapacity in the Iron and Steel Industry* (GOC Opinions).

The *GOC Opinions* strictly forbids the registration of new production capacity in any form and demands that any production that does not meet environmental, energy consumption, quality, safety or technical standards be taken offline.⁹²

Examples of these capacity management measures announced include tightening bank lending to smaller mills, industry consolidation through mergers and acquisitions, and use of stricter environmental requirements to forcibly shut down capacity.⁹³ While noting these efforts are targeted at correcting current imbalances and resulting distortions, the Commission considers them to be evidence of the extent of the GOC's involvement within and influence over the broader steel industry during the inquiry period.

In 2016, the GOC announced a target to eliminate crude steel capacity by 100 to 150 million tonnes by 2020.⁹⁴ However in 2020 steel capacity is still expanding due to three

⁹¹ State Council issues guideline on reorganization of SOEs, http://english.gov.cn/policies/latest_releases/2016/07/26/content_281475402145108.htm.

⁹² KPMG, 2016. *The 13th 5 Year Plan: China's Transformation and Integration with the World Economy*, page 29. Sourced from *GOC Opinions*, State Council, 4 February 2016.

⁹³ Platts, 2016. *Global Market Outlook, Steel Business Briefing*, January 2016, page 14.

⁹⁴ Reserve Bank Of Australia (2018), <https://www.rba.gov.au/publications/bulletin/2018/dec/chinas-supply-side-structural-reform.html>

main factors, the replacement of long idled capacity, improved technology and unapproved expansions.⁹⁵

The effectiveness of the GOC's attempts to address overcapacity through mergers and acquisitions has been constrained by the GOC's desire to:

- replace older mills with new larger and more efficient mills; and
- close smaller mills to offset the commissioning of new larger mills.

Its impact to date has been to increase production and exacerbate existing structural imbalances.

In 2016, China set a target that 60 per cent to 70 per cent of steel should be produced by the top 10 steel groups by 2025.⁹⁶ Examples of industry's response to these directives is reflected in the restructuring of Baosteel Group and Wuhan Iron and Steel Group, whose merger created the China Baowu Steel Group⁹⁷, which in 2018 was the largest producer of crude steel in China and the second largest worldwide.

In citing the GOC's ongoing interventions within the domestic steel industry, it is the Commission's view that these attempts to address existing structural imbalances have had limited success to date.

A5.3 Industry planning guidelines and directives

The extent of the GOC's involvement is reflected through the numerous planning guidelines and directives regarding the industry's structure and composition.

There have been a number of GOC policies, plans and initiatives relevant to the China steel industry published over many years, including the *National Steel Industry Development Policy* (2005), the *Blueprint for the Adjustment and Revitalisation of the Steel Industry* (2009) and the *2011-2015 Development Plan for the Steel Industry* (2011). Other major planning guidance and directives include:

- Steel Industry Adjustment Policy (2015 Revision).
- Circular of the State Council on Accelerating the Restructuring of the Sectors with Production Capacity Redundancy.
- State Council Guidance on the Promotion of Central Enterprises Restructuring and Reorganisation.
- The Opinions of the State Council on Reducing Overcapacity in the Iron and Steel Industry of Gain Profit and Development (2016).

Some of the current key themes and objectives of major GOC planning guidance and directives used to influence the structure of the Chinese steel industry include:

1. 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (2016-2020)

- Develop China into a manufacturing powerhouse.

⁹⁵ S&P Global Platts, 30 January 2020, <https://www.spglobal.com/platts/en/market-insights/latest-news/metals/013029-spotlight-china-steel-new-capacity-slowing>

⁹⁶ XinhuaNet, 23 April 2019, http://www.xinhuanet.com/english/2019-04/23/c_138001574.htm

⁹⁷ S&P Global Market Intelligence, Baosteel-Wuhan combination to be named China Baowu Steel, 2016, <https://www.spglobal.com/marketintelligence/en/news-insights/blog/covid19-mining-impacts-mining-projects-with-at-risk-production>

- Address overcapacity in steel and coal industries through mergers, reorganisations, debt restructurings, bankruptcy liquidations.
- Environmental governance and protection initiatives to transform enterprises such as those in the steel industry that cannot consistently meet emissions standards.
- Reduce taxes and fees for enterprises by lowering the proportion of their VAT and turnover taxes.
- Reform of SOEs by ensuring SOEs grow stronger, better, and bigger, and help them exercise a greater level of influence and control over the economy and enabling it to contribute more effectively to accomplishing national strategic objectives.
- Encourage more of China's equipment, technology, standards and services to go global through overseas investment, equipment exporting, project contracting, with a focus on industries such as steel and non-ferrous metals.

2. The Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020)

- Removal of 100 to 150 million tonnes of capacity between 2016 and 2020.
- Raising of capacity utilisation rates to 80 per cent by 2020.
- Further industry consolidation leading to 10 largest producers accounting for 60 per cent of production by 2020.

3. Made in China 2025

- Upgrade the Chinese manufacturing industry, make it more efficient, promote innovation and focus on quality
- Raise domestic content of essential components and key materials to 40% by 2020 and 70% by 2025.
- Promote technology upgrading, improve design, manufacturing, and management in industries such as steel.
- Further relax controls over market entry by revising industrial policy in the steel, chemical and shipping industries.

4. Blue Sky Action Plan (2018-2020)

- Improve air quality to achieve blue sky outcome
- Reduce air pollution by focusing on winter production cuts across major steel producing regions
- Steel production capacity to be reduced to within 200 million tons by 2020 in Hebei province

The Transformation and Upgrade Plan for the Iron and Steel Industry (2016-2020) was formulated according to the "Thirteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China", "Made in China 2025" and "State Council's Opinions on Resolving Overcapacity in the Iron and Steel Industry to Realize the Development of Relief", as a guidance document for the development of China's iron and steel industry.⁹⁸

⁹⁸ See INV 466, [EPR 11](#), Attachment 1, Transformation and Upgrade Plan for the Iron and Steel Industry (2016-2020)

The five-year plans sets forth China's strategic intentions and defines its major objectives, tasks, and measures for economic and social development. The plans serve as a guide to action for market entities.

China's 14th Five-Year Plan (2021-2025) is currently being prepared and is not expected to be approved until 2021.

In assessing the relevance of these planning guidelines and directives, the Commission notes the importance of the GOC's national five year plans which provide the overarching framework for the industry and local government plans. Regarding industry specific planning guidelines and directives, the Commission notes, but does not agree with, the GOC's previously expressed view that they are for guidance and are not enforceable.⁹⁹ Mechanisms through which the Commission considers the GOC is able to enforce these guidelines and directives include the presence and role of SOEs within the broader steel industry, the role of the National Development and Reform Commission (NDRC) and explicit enforcement mechanisms.

SOEs' significant share of total Chinese steel production, and propensity to follow government guidance and directives, ensures that the GOC is able to influence broader trends in industry capacity and steel production. Similarly, the NDRC, through its dual role of developing planning guidelines and directives and approving large scale investment projects, has the capacity to ensure that the broader objectives of the central government are implemented. Explicit enforcement mechanisms detailed within directives, such as the State Council notice on *Further Strengthening the Elimination of Backward Production Capabilities and Guidelines*, includes a range of sanctions, such as revocation of pollutant discharge permits, restrictions on the provision of new credit support, restrictions on the approval of new investment projects, and restrictions on the issuing of new (and cancelling of existing) production licenses.¹⁰⁰

A further example of the GOC's use of planning guidelines and policy directives to achieve its objective can be seen in the GOC's *Standard Conditions of Production and Operation of the Iron and Steel Industry*. It is the Commission's understanding that this document sets out the minimum requirements for production and operation in the Chinese steel industry. Firms are incentivised to comply with the standard conditions, as doing so provides the basis for policy support. In contrast, firms that do not conform are required to reform, and if they still fail to conform, must gradually exit the market.¹⁰¹

The Commission therefore considers that the GOC's historic and continued involvement within the Chinese steel industry, through its policies, planning guidelines, plans and directives, materially contributed to the steel industry's overcapacity, oversupply and distorted structure during the inquiry period. It is the Commission's view that the prices of steel billet (and therefore grinding bars and grinding balls) would be substantially different in a market not characterised by GOC influence.

A5.4 Direct and indirect financial support

The nature of support provided by the GOC to the Chinese steel industry is also documented through previous investigations undertaken by the Commission. Examples of the types of subsidies provided to the Chinese steel industry include preferential loans and

⁹⁹ International Trade Remedies Branch Report No. 177 ([REP 177](#)), page 123

¹⁰⁰ REP 177, page 128.

¹⁰¹ Announcement on the *Standard Conditions of Production and Operation of the Iron and Steel Industry*. Included in the context of REP 177 on the [EPR for that case](#).

directed credit, preferential tax and direct cash grants. It is the Commission's view that these subsidy programs have directly contributed to conditions within the Chinese steel industry and grinding ball market during the inquiry period by providing direct and indirect financial support to recipient steel producers.

These subsidies reduce the operating costs of Chinese steel enterprises, confer a competitive advantage through the ability to offer steel products at lower prices. This type of financial support not only inflates the profitability of recipient firms encouraging an expansion of supply but also supports otherwise unprofitable producers, delaying their timely exit from the industry.

The Commission notes that, in respect of this inquiry, countervailable subsidies have been received by grinding ball exporters referred to as "uncooperative exporters" from China (chapter 7 refers).

A5.5 Taxation arrangements

The Commission has previously identified evidence of export taxes and export quotas on a number of key inputs in the steel making process, including coking coal, coke, iron ore and scrap steel in *Anti-Dumping Commission Report No. 198*.¹⁰² The Commission found that these measures would keep input prices artificially low and create significant incentives for exporters to redirect these products into the domestic market, increasing domestic supply and reducing domestic prices to a level below what would have prevailed under normal competitive market conditions.

The GOC has traditionally operated, amongst other taxation arrangements, a VAT and a VAT rebate system for certain exports. Under the Chinese VAT system, up to 17 per cent tax is paid on consumption of goods, including the inputs used in the production of steel. For goods produced and sold within China, the tax is ultimately paid by the final consumers of the particular good. Because it is difficult for exporters to pass these taxes on, some steel exporters have traditionally been compensated for VAT paid during the production process through VAT rebates.

Through altering the VAT rebates and taxes applied to steel exports, the GOC is able to alter the relative profitability of different types of steel exports and of exports compared to domestic sales. For example, by either reducing VAT rebates or increasing export taxes on steel exports, the GOC is able to reduce the relative profitability of exports to domestic sales and hence provide significant incentives for traditional exporters to redirect their product into the domestic Chinese market. By using these mechanisms to alter the relative supply of particular steel products in the domestic market, the GOC is also able to influence the domestic price for those products.

During the review period in REP 520, the applicable VAT rebate rate for grinding balls varied from 5 per cent to 13 per cent, resulting in a zero per cent applied VAT rate by the last quarter of the inquiry period.¹⁰³ While this differential would have created an incentive to export grinding balls, export taxes may apply to these goods. However, in the absence of a response to the government questionnaire from the GOC, the Commission is unable to further comment on this issue in regards to the inquiry period.

¹⁰² Anti-Dumping Commission, 2013, Report Number 198, pp. 41-43.

¹⁰³ The VAT rate varied during the review period (REP 520): 17% before May 2018; 16% from 1 May 2018 to 1 April 2019; and 13% from 1 April 2019. Export VAT rebates; 5% until the 15 September 2018; 13% from 15 September 2018.

A5.6 China steel market

Figure 4 and 5 obtained from the ‘Resources and Energy Quarterly Dec 2019’¹⁰⁴ from the Department of Industry, Science, Energy and Resources, illustrates the profits made by the Chinese steel industry, particularly during 2017/18 where revenue exceeded cost by a substantial margin. In 2017, revenue reached above 4000 Chinese Yuan (CNY) per tonne, costs just above 3000 CNY/T, and profit above 1000 CNY/T (Figure 4 refers). Since that period, profits have declined substantially with a loss in 2019.



Figure 4: Steel industry profits in China¹⁰⁵

China was the largest importer of iron ore in 2018, importing approximately 64 per cent of the world's imports, sourced mainly from Australia.¹⁰⁶ Iron ore is the primary raw material in the manufacture of steel and it can be observed that China's profit margins have fallen in 2018/19, coinciding with rising costs in iron ore and a decrease in revenue (Figure 5 refers).

¹⁰⁴ The Office of the Chief Economist, Department of Industry, Science, Energy and Resources – ‘Resources and Energy Quarterly December 2019’.

¹⁰⁵ Sourced from Bloomberg (2019) China Steel Profit Index as cited in ‘Resources and Energy Quarterly December 2019’.

¹⁰⁶ World Steel Association - [Steel Statistical Yearbook 2019](#).



Figure 5: Iron ore price against China steel production growth¹⁰⁷

A5.7 SOEs in the steel market

As stated earlier, SOEs receive substantial subsidies and have access to lower cost of borrowing where credit allocation is skewed towards less efficient SOEs. The preferential treatments for SOEs can create market distortions and affect competitive neutrality.¹⁰⁸

In 2018, sixteen of the top twenty steel producers in China were SOEs¹⁰⁹ and accounted for approximately 39 per cent of China's total crude steel production. As these figures only take into account the top twenty steel producers, there are potentially many more SOE producers which haven't been considered. Due to the number and size of these enterprises, the SOEs influence in the steel market cannot be underestimated.

Historically, many of the SOEs were loss making firms compared to the number of profitable private firms. In a competitive market, firms are motivated by profit maximization. If enterprises are not required to earn a commercial rate of return, they would be able to undercut competition by factoring lower profit margins into their pricing.¹¹⁰ This places downwards pressure on steel prices and impacts the pricing behaviour of other firms.

	Top 20 steel producers	Top 20 steel production (million tonnes)	China total production (million tonnes)
SOE	16	361.7	
Non-SOE	4	95.3	
Total	20	457	928.3
% SOE	80%	79%	39%

Table 31: China's top 20 steel producers 2018¹¹¹

¹⁰⁷ Sourced from Bloomberg (2019) China import prices; World steel association, as cited in 'Resources and Energy Quarterly December 2019'.

¹⁰⁸ International Monetary Fund (IMF) (2019), IMF Country Report No. 19/274, People's Republic Of China.

¹⁰⁹ SOEs include enterprises that are wholly or partly owned by the government

¹¹⁰ OECD (2012) Competitive Neutrality - A compendium of OECD recommendations, guidelines and best practices, <http://www.oecd.org/daf/ca/50250955.pdf>.

¹¹¹ World Steel Association - Top steelmakers in 2018, https://www.worldsteel.org/en/dam/jcr:80ce948e-6a12-47d0-baf1-26799888db67/2018%2520Top%2520Steel%2520Producers_Extended%2520List.pdf.

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Source: World Steel Association, ADC calculations

A review of the subsidies received by the top Chinese steel producer in 2018 shows that government grants and preferential loans were received, as well as a preferential tax rate to one of its subsidiaries. The government subsidies are generally recorded under non-operating income, deferred income or other income in the financial statements.

Based on information held by the Commission and publicly available information, the standard rates and subsidised rates available to industry, subject to certain eligibility criteria, varies considerably as shown in the following table.

2018	
General	Subsidy
Corporate income tax rate: 25%	Preferential tax rate: 15%
One year lending interest rate: 4.35%	One year lending interest rate: over 100 basis points less than the benchmark

Table 32: Standard and Preferential rates

During the inquiry period, grinding ball exporters sourced their raw materials from both SOEs and non-SOEs.

A6 Conclusion

The Commission has determined that the GOC has exerted influence on the Chinese steel industry, which has distorted competitive market conditions in the steel industry in China. The GOC was able to exert this influence through its directives and oversight, subsidy programs, taxation arrangements and the significant number of SOEs. As a result, the Commission considers that there is a particular market situation in the China domestic market for grinding balls.

APPENDIX B – ASSESSMENT OF COUNTERAVAILABLE SUBSIDIES

B1 Finding

After assessing all relevant information available, the Commission has found that financial benefits¹¹² were conferred to grinding ball producers in respect of the goods via countervailable subsidy programs.

B2 Relevant legislation

Section 269T(1) defines a ‘subsidy’ as follows:

subsidy, in respect of goods exported to Australia, means:

(a) a financial contribution:

- (i) by a government of the country of export or country of origin of the goods; or
- (ii) by a public body of that country or a public body of which that government is a member; or
- (iii) by a private body entrusted or directed by that government or public body to carry out a governmental function;

that involves:

- (iv) a direct transfer of funds from that government or body; or
- (v) the acceptance of liabilities, whether actual or potential, by that government or body; or
- (vi) the forgoing, or non-collection, of revenue (other than an allowable exemption or remission) due to that government or body; or
- (vii) the provision by that government or body of goods or services otherwise than in the course of providing normal infrastructure; or
- (viii) the purchase by that government or body of goods or services; or

(b) any form of income or price support as referred to in Article XVI of the General Agreement on Tariffs and Trade 1994 that is received from such a government or body;

if that financial contribution or income or price support confers a benefit (whether directly or indirectly) in relation to the goods exported to Australia.

Section 269TAAC defines a countervailable subsidy as follows:

- (1) For the purposes of this Part, a subsidy is a **countervailable subsidy** if it is specific.
- (2) Without limiting the generality of the circumstances in which a subsidy is specific, a subsidy is specific:
 - (a) if, subject to section (3), access to the subsidy is explicitly limited to particular enterprises; or
 - (b) if, subject to section (3), access is limited to particular enterprises carrying on business within a designated geographical region that is within the jurisdiction of the subsidising authority; or
 - (c) if the subsidy is contingent, in fact or in law, and whether solely or as one of several conditions, on export performance; or
 - (d) if the subsidy is contingent, whether solely or as one of several conditions, on the use of domestically produced or manufactured goods in preference to imported goods.
- (3) Subject to section (4), a subsidy is not specific if:
 - (a) eligibility for, and the amount of, the subsidy are established by objective criteria or conditions set out in primary or subordinate legislation or other official documents that are capable of verification; and
 - (b) eligibility for the subsidy is automatic; and

¹¹² Sections 269TACC(2)(a) and (b) refer.

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- (c) those criteria or conditions are neutral, do not favour particular enterprises over others, are economic in nature and are horizontal in application; and
 - (d) those criteria or conditions are strictly adhered to in the administration of the subsidy.
- (4) The Minister may, having regard to:
- (a) the fact that the subsidy program benefits a limited number of particular enterprises; or
 - (b) the fact that the subsidy program predominantly benefits particular enterprises; or
 - (c) the fact that particular enterprises have access to disproportionately large amounts of the subsidy; or
 - (d) the manner in which a discretion to grant access to the subsidy has been exercised; determine that the subsidy is specific.
- (5) In making a determination under section (4), the Minister must take account of:
- (a) the extent of diversification of economic activities within the jurisdiction of the subsidising authority; and
 - (b) the length of time during which the subsidy program has been in operation.

Section 269TACC directs how the Minister determines whether a financial contribution, or income, or price support confers a benefit, and is, therefore, a countervailable subsidy. Section 269TACD provides how the amount of this benefit is determined.

B3 Definition of Government, Public and Private Bodies

In its assessment of each program, the Commission has had regard to the entity responsible for providing the financial contribution (if any) under the relevant program, as part of the test under section 269T(1) for determining whether a financial contribution is a subsidy. Under section 269T(1), for a contribution to be a subsidy, the contribution must have been made by:

- a government of the country of export or country of origin of the goods; or
- a public body of that country, or a public body of which that government is a member; or
- a private body entrusted or directed by that government or public body to carry out a governmental function.

B3.1 Government

As described in section 16.2 of the Manual, the Commission considers that the term “government” is taken to include government at all different levels, including at a national and sub-national level.

B3.2 Public Bodies

The term “public body” is not defined in the Act. Determining whether an entity is a “public body” requires evaluation of all available evidence of the entity’s features and its relationship with government, including the following:

- (1) The objectives and functions performed by the body and whether the entity in question is pursuing public policy objectives. In this regard relevant factors include:
- legislation and other legal instruments,
 - the degree of separation and independence of the entity from a government, including the appointment of directors, and
 - the contribution that an entity makes to the pursuit of government policies or interests, such as taking into account national or regional economic interests and the promotion of social objectives.

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- (2) The body's ownership and management structure, such as whether the body is wholly- or part-owned by the government or has a majority of shares in the body. A finding that a body is a public body may be supported through:
- the government's ability to make appointments,
 - the right of government to review results and determine the body's objectives, and
 - the government's involvement in investment or business decisions.

The Commission considers this approach is consistent with the WTO Appellate Body decision of *United States – Countervailing Measures (China)*.¹¹³ In that case the Appellate body referred to the following three indicia which may assist in assessing whether an entity is a public body vested with or exercising government authority:

- Where a statute or other legal instrument expressly vests government authority in the entity concerned;
- Where there is evidence that an entity is, in fact, exercising governmental functions; and
- Where there is evidence that a government exercises meaningful control over an entity and exercises governmental authority in the performance of government functions.

These principles have also previously been considered in the Federal Court of Australia.¹¹⁴

B3.3 Private Bodies

Where an entity is neither a government nor public body, the Commission will consider it a private body, in which case, a government direction to make a financial contribution in respect of the goods must be established in order for the contribution to be considered a subsidy, as defined by section 269T(1).

Pursuant to section 16.3 of the Manual, in determining the character of an entity which may have provided a financial contribution, the Commission will consider whether a private body has been:

- “entrusted” to carry out a government function, which occurs when a government gives responsibility to a private body; or
- “directed” to carry out a government function, which occurs in situations where the government exercises its authority over a private body.

Accordingly, not all government acts will be considered as entrusting or directing a private body. Encouragement or mere policy announcements by government in and of themselves are not sufficient to satisfy this test. However, threats and inducements may be evidence of government intervention. In situations where the private body is considered to be a proxy by government to give effect to particular financial contributions that this test will usually be satisfied.

¹¹³ DS379 United States – Definitive Anti-Dumping and Countervailing Duties on Certain Products from China.

¹¹⁴ See; *Panasia Aluminium (China) Limited v Attorney-General of the Commonwealth* [2013] FCA 870, [27]-[70]; *Dalian Steelforce Hi Tech Co Ltd v Minister for Home Affairs* [2015] FCA 885, [50] to [73].

B4 Information considered by the Commission

In assessing the alleged subsidy programs, the Commission has considered information provided in the REQs and verification activities. This includes information provided by exporters regarding whether these exporters were in receipt of any previously investigated or new countervailable subsidies and, if so, the value of any benefits received. The Commission did not receive a response to the government questionnaire from the GOC for this inquiry.

The Commission has also considered information contained in other investigation cases and previous findings of the Commission.



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Commission

B5 Subsidy programs considered

The Commission examined the 66 subsidy programs that were found to be countervailable in the original investigation (REP 316) and review of measures (REP 520).

B5.1 Existing programs

The Commission provided the GOC with a government questionnaire to gather evidence for the purposes of determining whether the existing programs are still countervailable in relation to grinding balls exported to Australia from China. The GOC did not provide a response to the government questionnaire.

In accordance with section 269TAACA(1), because the GOC has not given the Commission information considered to be relevant to the inquiry, in determining whether a countervailable subsidy has been received in respect of the goods, the Commission has acted on the basis of all the facts available to the Commission and made such assumptions as it considers reasonable. The Commission's consideration of the facts available in relation to the existing programs is set out in the following table.

No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
3	Preferential Tax Policies in the Western Regions	Income Tax	Countervailed by the Commission in 2016 in relation to grinding balls (Program 3). Notified by the GOC to the WTO in G/SCM/N/343/CHN (2019).	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
4	Land Use Tax deduction	Income Tax	Countervailed by the Commission in 2016 in relation to grinding balls (Program 4)	Yes
5	Preferential Tax Policies for High and New Technology Enterprises	Income Tax	Countervailed by the Commission in 2016 in relation to grinding balls (Program 5). Notified by the GOC to the WTO in G/SCM/N/343/CHN (2019).	Yes
6	Tariff and VAT Exemptions on Imported Materials and Equipment	Tariff and VAT	Countervailed by the Commission in 2016 in relation to grinding balls (Program 6)	Yes
7	One-Time Awards to Enterprises Whose Products Qualify for “Well-Known Trademarks of China” and “Famous Brands of China”	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 7)	Yes
8	Matching Funds for International Market Development for Small and Medium Enterprises	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 8)	Yes
9	Superstar Enterprise Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 9)	Yes
10	Research & Development (“R&D”) Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 10)	Yes
11	Innovative Experimental Enterprise Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 11)	Yes
12	Special Support Fund for Non-State Owned Enterprises	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 12)	Yes
13	Venture Investment Fund of Hi-Tech Industry	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 13)	Yes
14	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 14)	Yes
15	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 15)	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
16	Water Conservancy Fund Deduction	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 16)	Yes
17	Anti-Dumping Respondent Assistance	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 17)	Yes
18	Technology Project Assistance	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 18)	Yes
20	Environmental Protection Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 20)	Yes
21	High and New Technology Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 21)	Yes
22	Independent Innovation and High-Tech Industrialisation Program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 22)	Yes
23	Environmental Prize	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 23)	Yes
24	Provincial emerging industry and key industry development special fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 24)	Yes
25	Environmental Protection Fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 25)	Yes
26	Intellectual Property licensing	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 26)	Yes
27	Financial resources construction special fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 27)	Yes
28	Reducing pollution discharging and environmental improvement assessment award	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 28)	Yes
29	Comprehensive utilisation of resources – VAT refund upon collection	Tariff and VAT	Countervailed by the Commission in 2016 in relation to grinding balls (Program 29)	Yes
30	Grant for elimination of out dated capacity	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 30)	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
31	Grant from Technology Bureau	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 31)	Yes
34	Patent Award of Guangdong Province	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 34)	Yes
35	Wuxing District Freight Assistance	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 35)	Yes
36	Huzhou City Public Listing Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 36)	Yes
37	Huzhou City Quality Award	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 37)	Yes
38	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 38)	Yes
39	Wuxing District Public List Grant	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 39)	Yes
40	Transformation technique grant for rolling machine	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 40)	Yes
41	Grant for Industrial enterprise energy management - centre construction demonstration project Year 2009	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 41)	Yes
42	Key industry revitalization infrastructure spending in 2010	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 42)	Yes
43	Jinzhou District Research and Development Assistance Program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 43)	Yes
47	Preferential loans and interest rates	Preferential Loans	Countervailed by the Commission in 2016 in relation to grinding balls (Program 47)	Yes
48	International trade increase project fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 48)	Yes
49	Industrial economy reform and development fund	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 49)	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
50	Sales revenue increase award	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 50)	Yes
51	Tax contribution award	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 51)	Yes
52	Energy and recyclable economy program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 52)	Yes
53	National controlled essential pollutant source supervision system third party operation and maintenance subsidy program	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 53)	Yes
54	Scientific program awards in high and new scientific zone	Grant	Countervailed by the Commission in 2016 in relation to grinding balls (Program 54)	Yes
55	Jinan City Zhangqiu District Economic and Information Technology Bureau transferred clean production incentives	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 55)	Yes
56	Shandong Provincial Intellectual Property Office the fourth batch of patent funding in Shandong Province in 2017	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 56)	Yes
57	Zhangqiu Local Taxation Bureau transferred personal income tax withholding fee	Tax	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 57)	Yes
58	The Jinan Science and Technology Information Research Institute the first batch of high-tech enterprises incentives	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 58)	Yes
59	Jinan City Zhangqiu District Economic and Information Technology Bureau 2017 energy-saving advanced enterprise incentives	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 59)	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
60	Shandong Provincial Intellectual Property Office the first batch of patent funding in Shandong Province in 2018	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 60)	Yes
61	The Zhangqiu District Finance Bureau of Jinan City funds for the promotion of key products of leading enterprises in Jinan City in 2018	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 61)	Yes
62	Jinan City Zhangqiu District Science and Technology Bureau the third batch of Jinan outstanding innovation team subsidies	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 62)	Yes
63	Jinan City Zhangqiu District Market Supervision Administration rewards	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 63)	Yes
64	Jinan Intellectual Property Office patent grants	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 64)	Yes
65	Jinan City Zhangqiu District Science and Technology Bureau project subsidies	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 65)	Yes
66	Jinan City Zhangqiu District Economic and Information Bureau rewards	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 66)	Yes
67	Jinan City Zhangqiu District Human Resources and Social Security Bureau support funds	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 67)	Yes
68	Jinan Intellectual Property Office patent subsidy	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 68)	Yes
69	Shandong Mingshui Economic Development Zone Management Committee Infrastructure Construction Subsidy	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 69)	Yes

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No.	Program name	Type	Evidence that program is still countervailable	Countervailable?
70	Shanming Water Economic and Technological Development Zone Management Committee project investment support funds	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 70)	Yes
71	Jinan City Zhangqiu District Science and Technology Bureau project subsidies	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 71)	Yes
72	Jinzhuang Zhangqiu District Guanzhuang Sub-district Office corporate tax incentives	Tax	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 72)	Yes
73	The Guanzhuang Sub-district Office of Zhangqiu District, Jinan City, the Party Construction Demonstration Support Fund	Grant	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 73)	Yes
74	State Administration of Taxation Jinan City Zhangqiu District Taxation Bureau withholding income tax handling fee	Tax	Countervailed by the Commission in 2020 (REP 520) in relation to grinding balls (Program 74)	Yes