



22 June 2021

Mr Rhys Piper
Director
Investigations Unit 1
Anti-Dumping Commission
GPO Box 2013
CANBERRA ACT 2601

Email: investigations1@adcommission.gov.au

Dear Mr Piper

For Public File

Re Statement of Essential Facts No. 569 – Grinding balls exported from The People’s Republic of China

Molycop appreciates the recent opportunity to discuss the content of its submission to the Anti-Dumping Commission (“the Commission”) in response to Statement of Essential Facts No. 569 (“SEF 569”).

As reflected in Molycop’s 7 June 2021 submission, Molycop disagrees with the Commission’s findings and recommendations in SEF 569. In support of its position that the selected Latin America steel billet FOB price is the incorrect benchmark for the purposes of determining normal values for Chinese exporters of grinding balls, Molycop has demonstrated:

- (i) The benchmark steel billet (Grade A36/A36-08) is Merchant Bar Quality (MBQ) steel ie standard steel quality for non-critical applications that does not inherently possess the required cleanliness, quality nor metallurgical properties for the production of grinding balls. Grinding balls production requires Special Bar Quality (SBQ) steel, which is also supported by ME Elecmetal’s claim “*We use the highest quality bar stock available, made with “clean steel” technology*” (<http://www.me-elecmetal.com/en/productos-10-grinding-media.html>).;
- (ii) The benchmark steel billet [*redaction of billet size and finishing to casting*] to achieve the required service properties (eg breakage resistance) of grinding media;
- (iii) The selected Latin America export billet FOB price is not a “multi-country” benchmark price nor is it free of Government of China influence as claimed by the Commission. The benchmark actually represents billet exports for a single port in Brazil where, during the investigation period, more than xx per cent of exports were to China, Asia and Africa – markets that are heavily influenced by Chinese steel export prices;
- (iv) Based on independent analysis by two prominent and reputable global research and business intelligence consultancies¹, the selected benchmark FOB export price is materially less than:
 - a. the **manufacturing cost** of MBQ billet from xx steel mills located in Mexico and Brazil, noting the multi-country basis of this analysis;

¹ [Name] and [Name]



- b. the **full cost to make and sell**², on FOB basis, a MBQ billet, noting that this material is not a precursor to grinding media and that the benchmark is even less than the manufacturing costs of this material;
 - c. the full **cost to make and sell**, on FOB basis, of the actual precursor for the manufacture of grinding media (SBQ billet);
 - d. the manufacturing costs of MBQ billet at steel mills in North America and Europe
- (v) The provision of purchased raw material grinding bar [*commercially sensitive pricing information on grinding bar*] and [*confidential cost data for grinding bar to media*] that confirm:
- a. The GOC influence and distortionary effects;
 - b. The selected benchmark is not a suitable material for the ultimate production of grinding balls due to its inferior quality;
 - c. Exporters must absorb the additional freight and logistics costs to compete in the export markets with the local producers in that market;
 - d. Given the high fixed costs of Steel Mills profit can be maximised by increasing sales (and production) by selling at below full costs and above marginal costs
- (vi) The preferred steel benchmark for inclusion in the Chinese exporter's production costs is a market-determined price for raw material grinding bar, based [*commercially sensitive grinding bar pricing information*].

For the purposes of the Chinese exporter that uses scrap steel rather than billet in its manufacture of grinding balls (Anhui Sanfang) the selected *Turnings Brazil South East Domestic Production Mill Delivered* benchmark reflects an inferior scrap steel price for goods that cannot be used in grinding media production due to its inferior quality. Molycop has recommended a US East Coast FOB benchmark price for scrap metal that is of a quality necessary for the production of grinding media.

Prior to finalising its recommendation to the Minister Molycop requests the Commission to:

- I. Undertake a complete and thorough analysis of Molycop's representations;
- II. Reconsider its advised position not to take a more nuanced view of the selected benchmark and consult with an independent steel industry expert to diligently test the veracity the key claims of all parties including:
 - a. Suitability of the selected benchmark for the production of grinding balls;
 - b. ME Longte's claim that the co-product gas sourced from their related party's primary iron and steelmaking facility and used in their grinding ball production process has zero cost;
 - c. Feasibility of the use of 100% "turnings" scrap in the production of cast grinding balls;
 - d. Replace the proposed benchmark on *Turnings Brazil South East Domestic Production Mill Delivered* benchmark with the US East Coast FOB benchmark to reflect a comparable quality of steel required for grinding ball manufacture for a producer using steel scrap input.
- III. Provide all parties with greater transparency on the methodology of calculating the full CTMS, specifically how costs such as SG&A, sustaining capital, capital employed and a profit margin

² Molycop considers the full CTMS should fully account for SG&A, sustaining capital, capital employed and a profit margin that reflects a Return on Invested Capital unsuppressed by GOC distortions.



that reflects a Return on Invested Capital unsuppressed by GOC distortions are being fully accounted for.

Molycop submits, that following a comprehensive re-assessment of normal values supported by independent expert advice, the Commissioner will re-evaluate dumping margins for all Chinese exporters of grinding balls to Australia above negligible levels.

Following confirmation of positive dumping margins above negligible levels for Chinese exporters, it is therefore *likely* that future exports of grinding balls to Australia will be at dumped prices. Exports of Chinese grinding balls at dumped prices will likely result in a recurrence of material injury that the anti-dumping measures are intended to prevent. [*Removal of commercially-sensitive competitive pricing demonstrating price under cutting of Molycop's prices*].

Molycop therefore requests that the Commissioner recommend to the Minister that he take steps to ensure that the measures on certain grinding balls exported from China not be allowed to expire on 9 September 2021.

If you have any questions concerning this submission, please do not hesitate to contact me on (02) 4974 0414 or Molycop's representative Mr John O'Connor on (07) 3342 1921.

Yours sincerely

Keith Ritchie
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Molycop Australia