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commercial + international

1 July 2021

Mr Reuben McGovern
Assistant Director
Anti-Dumping Commission
Level 6, 215 Spring Street
Melbourne
Victoria 3000

By email

Dear Reuben

ME Elecmetal – continuation inquiry concening grinding balls Response to late-submitted Molycop comments

We are the lawyers for Compania Electro Metalurgica S.A. ("ME Elecmetal") in this matter.

Yet again we find it necessary to go on to the public record to contest falsehoods and misrepresentations spouted by Commonwealth Steel Company Pty Ltd ("Molycop") about the circumstances of the manufacture of grinding balls supplied by our client in the Australian market, and the normal value methodology employed by the Commission.¹

In this regard we wish to remind all concerned that those circumstances have been explained to the Commission and directly verified on a number of occasions, most recently in Review 520. As a result, the Commission knows everything about the processes, composition and costs of Changshu Longteng's manufacture of grinding bar, which takes place by way of steelmaking, from base materials, in a blast furnace.

In contrast, Molycop does not know about the detailed processes, composition and costs of Changshu Longteng. It does not even have *comparative* knowledge, because its production method involves *secondary* steelmaking, being the process of melting scrap steel in an electric arc furnace.

The Commission plainly describes its "benchmark cost" methodology in the SEF,² as follows:

¹ EPR 569 Doc 029 ("the Molycop letter").

² EPR 569 Doc 021.

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steel billet

- (a) *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.³*

+ ferroalloys

- (b) *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.⁴*

+ conversion

- (c) *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.⁵*

= benchmark cost of grinding bar

In its latest letter, Molycop says nothing about “ferroalloys”, nothing about “replication”, and nothing about “conversion costs”. The words are simply not mentioned, even though the SEF makes quite clear that they are central to the Commission’s findings.

The Molycop letter makes the following claims – claims which are variously misleading or just plain wrong – about the Commission’s benchmark cost methodology, and about the production of grinding balls supplied by ME Elecmetal:⁶

- 1 *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.*

This is misleading. The Commission clearly explains its methodology in the SEF – see paragraph (b) above. The Commission did not simply use “[t]he benchmark steel billet (Grade A36/A36-08)” as the benchmark cost. The total cost of ferroalloys was added to the steel billet cost, as was the cost of conversion.

- 2 *Grinding balls production requires Special Bar Quality (SBQ) steel...*

This is wrong. So-called “SBQ” steel bar is primarily a US-only category of steel bar, with limited recognition outside North America. In most markets in the rest of the world, SBQ designation is unknown and unavailable. It is totally wrong to suggest that the cost of such a niche product, for precision grade applications, in unrelated markets, must be used to construct the cost for a product

³ EPR 569 Doc 021, page 34.

⁴ Ibid, page 35.

⁵ Ibid.

⁶ Molycop letter, first page (unnumbered).

that does not even use such bar as a material input, instead of using the cost the Commission has always adopted in its proven and verified method of cost construction.⁷

- 3 *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.meelecmetal.com/en/productos-10-grinding-media.html>).*

This is wrong. Our client's reference to "clean steel" describes the much lower impurities in its steel products, a quality derived from strict process control practiced by Changshu Longteng. Furthermore, the high grade iron ore used as the base raw material in Changshu Longteng's blast furnace steelmaking, which is primarily imported from Australia itself, has low quantities of sulphur, phosphor and other harmful elements, like residual and interfering alloys such as copper, to start with. In contrast, electric arc furnace operations like those employed by Molycop use metal scrap, and not iron ore, as the feedstock to make steel. Scrap has higher level of impurities and contaminants, due to the mixed composition of the metals as collected in the upstream recycling activities.

Thus, "clean steel" refers to the steel processed by Changshu Longteng from high grade iron ore with tight process control. Steel made by Chengshu Longteng for grinding bar production has lower impurity levels than the majority of steel products made from electric arc furnaces. Grinding balls with less impurity have better physical properties and perform better than those with greater impurity. It is as simple as that. It is a total falsehood to attribute a meaning to the statement on ME Elecmetal's website that it does not have.

We recommend our previous submission to the Commission, as that submission also responds to claims that Molycop has recycled in its latest letter.

Apart from the matters addressed by this submission, we believe nothing more needs to be said.

Yours sincerely



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⁷ These comments do not detract from our client's overriding objection to cost surrogacy, nor to its position that if cost surrogacy is to be considered with respect to grinding bar used to produce grinding balls supplied by ME Elecmetal to the Australian market then it could only apply to grinding bar purchased from outside suppliers in China. In that regard, we note that Changshu Longteng *manufactures grinding bar from raw materials*, the major part of which is iron ore that is *purchased on the international market from overseas suppliers*.