

The application must include a detailed statement setting out reasons for seeking continuation of the anti-dumping measure. Applicants must provide evidence addressing whether, in the absence of measures, dumped or subsidised imports would cause material injury to the local industry producing like goods. Applicants should refer to the “Guidelines for Preparing an Application for Continuation of Measures” for assistance.

**(i) Subject goods – grinding balls**

The goods the subject of anti-dumping measures that are due to expire on 9 September 2021 are as follows:

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

Goods that fall within the goods description include all ferrous grinding balls, typically used for the comminution of metalliferous ores, that fall within the goods description regardless of the particular grade or alloy content.

Goods excluded from the coverage of the measures include stainless steel balls, precision balls that have been machined and/or polished, and ball bearings.

The Australian market for grinding balls is supplied by Molycop, also by importers selling direct to end-users, and end-users importing grinding balls directly from an overseas supplier.

Demand for grinding balls is primarily from the mining industry for use in magnetite, copper and gold mine processing applications, with the balance used in coal pulverizing for electricity production and grinding plaster and cement for the building industry.

Molycop does not consider there have been any changes to the technical specifications for grinding balls since the findings in the original investigation No. 316.

**(ii) Application coverage**

The anti-dumping duty notice applies to all exports of grinding balls to Australia from China. The countervailing duty notice applies to all exporters from China other than:

- Jiangsu Yute Grinding International Co., Ltd;
- Changshu Longte Grinding Ball Co., Ltd;
- Jiangsu CP Xingcheng Special Steel Co., Ltd; and
- Hebei Goldpro New Materials Co., Ltd.

**PART A – Will the dumping continue, or recur?**

**(iii) Anti-dumping actions by other countries**

Molycop understands that anti-dumping measures do not apply to exports of grinding balls from China in any other jurisdiction.

**(iv) Relevant evidence as to the current normal values for grinding balls in China**

**(a) Report 316**

Report No. 316 of 9 September 2016 included the following finding concerning the market for grinding balls in China<sup>1</sup>:

*Subsection 269TAC(2) provides that in certain circumstances, the normal value of the goods exported to Australia is an amount determined under subsections 269TAC(2)(c) or 269TAC(2)(d). In particular, where the normal value of the goods cannot be ascertained under subsection 269TAC(1) because the situation in the market of the country of export is*

<sup>1</sup> Report No. 316, Section 5.5, P.23.

*such that sales in that market are not suitable for use in determining a price under subsection 269TAC(1).*

*In the application, it was alleged that a particular market situation (market situation) exists in the Chinese grinding balls market, such that the domestic selling prices of grinding balls in the Chinese domestic market are not suitable for establishing normal values under subsection 269TAC(1). The applicants alleged that grinding ball prices in China are artificially lower, or not substantially the same as they would be if they were determined in a competitive market.*

*Having considered these allegations, the Commissioner formed a view in SEF 316 that there is a market situation in the Chinese domestic grinding ball market and that domestic selling prices are not suitable for establishing normal values under subsection 269TAC(1).*

The Commission's finding that a market situation exists in respect of domestic sales of grinding balls in China was based upon a considered assessment of a broad range of key influencing factors. This assessment of the GOC's influence on the Chinese grinding ball industry concluded that:

*The Commission holds that the GOC (including central, provincial and local governments) materially contributed to the excess supply of steel billet in the domestic Chinese market and hence significantly influenced domestic price for Chinese grinding bar and hence grinding balls during the investigation period. This influence has occurred through the following mechanisms:*

- *GOC directives, subsidy programs and involvement in strategic enterprises; and*
- *Taxation arrangements, including value add taxes and export rebates.*

The Commission's examination of the detail of the policy programs, involvement in the industry and taxation arrangements culminated in the following finding:

*"....that the GOC materially influenced conditions within the Chinese grinding ball market during the investigation period. The mechanisms through which the GOC exerted this influence include government directives and oversight, subsidy programs, taxation arrangements and the significant number of state owned steel companies.*

*The Commission also concludes that because of the significance of this influence over the Chinese grinding ball market, the domestic price for Chinese grinding balls was substantially different to what it would have been in the absence of these interventions by the GOC. Based on this analysis, the Commission has determined that during the investigation period the domestic price for Chinese grinding balls was influenced by the GOC to a degree which makes domestic sales of grinding balls unsuitable for use in determining normal values under subsection 269TAC(1).*

Full details of the Commission's examination of GOC directives including policies and plans, subsidy programs, and the GOC's involvement in strategic enterprises is included in Appendix 2 – Particular Market Situation Finding in Report 316.

(b) Report 520

The Commission has recently published Report No. 520 (Report 520) that involved the review of anti-dumping measures applicable to grinding balls exported from China. At the commencement of the investigation (July 2019), the Commission forwarded a questionnaire to the GOC requesting information as to the grinding balls market in China. The Commission requested information concerning 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 Commission did not receive a response from the GOC. Report 520 was published on 12 November 2020. Recently published Report 520 has confirmed the continued influence of the GOC on the domestic market for grinding balls in China. The Minister's finding of a particular market situation remains current in 2020.

Molycop has therefore determined normal values for grinding ball in China on a constructed basis.

(c) Grinding balls normal value

In Report 520, the Commission detailed its approach to constructing normal values for grinding balls in China. The Commission's methodology, as detailed in Report 316, reflects the following:

As the Commissioner considers that there is a market situation for grinding balls in China, normal values may be determined on the basis of a cost construction or third country sales. Normal values were constructed under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the *Customs (International Obligations) Regulation 2015* (the Regulations).

In relation to determining the cost of production or manufacture for the purposes of subsection 269TAC(5A)(a), subsection 43(2) of the Regulations requires that, if an exporter keeps records relating to the like goods which are in accordance with generally accepted accounting principles, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

The Commission constructed normal values for grinding balls in accordance with subsection 269TAC(2)(c) of the *Customs Act*. As the Commission considers that the significant influence of the GOC distorted prices in the iron and steel industry and grinding balls market in China and the GOC did not respond to the Commission's questionnaire, the Commission was not able to rely on GOC data to quantify the impacts of GOC distortion on exporters' cost inputs. Hence the Commission quantified the effects of the distortion by comparing each exporter's cost of production with a benchmark.

In Report 520, the Commission noted *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<sup>2</sup>.

Report 520 further recognised that grinding bar is the chief raw material input and represents the largest proportion of the cost of production. In Report 520 the grinding bar prices from state invested enterprises and private suppliers for cooperative exporters were similar and, in the absence of published prices for grinding bar, the Commission could not benchmark the Chinese exporter's grinding bar purchase prices. The Commission therefore returned to the benchmark of raw material steel billet prices, adjusted for ferroalloys (as required) and conversion costs.

Molycop has examined movements in domestic selling prices on the Australian market subsequent to the review investigation period in Report 520 (i.e. from 1 July 2018 to 30 June 2019).

[Molycop analysis of price trends for grinding balls post Investigation period in Report 520].

Molycop submits that the calculated normal values for Chinese exporters may be adjusted [adjustment percentage] per cent to reflect applicable normal values in the 1 October 2019 to 30 September 2020 period.

Molycop's assessment of the applicable normal values for Chinese exporters of grinding balls in 2019/20 as adjusted for the 2018/19 year normal values is reflected in Table 1.

**Table 1 – Constructed selling price for grinding balls – China**

	G80MB	G125M61K
2018/19 CTMS	\$	\$
Diff in Prices 2018/19 to 2019/20	( %)	( %)
2019/20 Normal Value	\$	\$

Notes: 1. 2018/19 CTMS included at Confidential Attachment 2.

**(v) Have exports continued following the imposition of measures and estimates of export prices**

Chinese exporters of grinding balls have continued to supply the Australian market following the imposition of anti-dumping measures on 9 September 2016.

The following Table 2 details import volumes from China:

**Table 2 – Import volumes of grinding balls (tonnes)**

Source	2016/17	2017/18	2018/19	2019/20*
China	34677	37318	47467	51208
Other	6640	2261	680	8415
Total	41317	39578	48146	59623

Source: Australian Bureau of Statistics monthly import data<sup>3</sup>.

Note: Data is for years ending September.

<sup>2</sup> Report 520, Section 5.3.1, P.17.

<sup>3</sup> Confidential Attachment A2 for import volumes and values 2016/17 to 2019/20.

Imports of grinding balls from China have continued following the imposition of measures in September 2016 and are now 48 per cent higher than in 2016/17 (the first twelve-month period in which the measures applied).

The Australian Bureau of Statistics (ABS) import data records monthly volumes and value data only by country. The export prices for Chinese grinding balls, by quarter, over 2019/20 are reflected in Table 3.

Quarter	A\$ FOB/MT
Oct-Dec 2019	\$1063
Jan-Mar 2020	\$1191
Apr-Jun 2020	\$1288
Jul-Sep 2020	\$1300

Source: ABS import data at Confidential Attachment 3.

The data for imports of grinding balls confirms that China is the single largest import source for grinding balls into Australia. Imports of Chinese grinding balls have increased year-on-year since the measures were imposed on 9 September 2016.

**(vi) Have Chinese exporters maintained distribution links in Australia?**

The import data detailed in Table 2 confirms that Chinese exporters of grinding balls have maintained distribution links for supply to the Australian market.

Report 520 confirms that exporters that have not recently exported to Australia – Anhui Sanfang New Material Co., Ltd (“Anhui”) and Iraeta Energy Equipment Co., Ltd (“Iraeta”) did not export to Australia during the 1 July 2018 to 30 June 2019 investigation period, however, were motivated to seek independent variable factors to commence exports to Australia.

The Chinese exporter Changshu Longte Grinding Ball Co., Ltd (“ME Longte”) is understood to account for the greatest proportion of exports of grinding balls to Australia from China.

ME Longte has maintained and continues to supply the Australian market with increasing volumes of grinding balls the subject of measures.

**(vii) Do Chinese producers/exporters retain excess capacity that may be directed to Australia?**

There are a large number of grinding ball manufacturers in China with significant capacity to produce and supply the Australian market. Molycop understands that ME Longte is seeking to increase export volumes to Australia at the expense of locally produced grinding balls (see further below).

As indicated, Anhui and Iraeta have indicated a willingness to supply grinding balls to the Australian market, however, both exporters had no export volumes during the investigation period in Investigation 520.

It is reasonable to conclude that Chinese grinding ball manufacturers have the capacity to increase exports to Australia, as required.

**(viii) Will future exports of grinding balls from China be at dumped prices?**

Following the recent completion of review of measures investigation No. 520, Molycop considers that Chinese exporters of grinding balls to Australia will be vigilant about whether export prices to Australia are at dumped levels.

Report 520 confirmed the following dumping margins for the 2018/19 investigation period:

<b>Exporter</b>	<b>Dumping Margin</b>
Changshu Longte Grinding Ball Co., Ltd	2.1%
Jiangsu Yute Grinding International Co., Ltd	15.0%
Anhui Sanfang New Material Technology Co., Ltd	0.0%
Iraeta Energy Equipment Co., Ltd	0.0%
All other exporters	27.1%

The recent findings in Report 520 confirm that Chinese exporters have continued to export at dumped and injurious prices, although dumping measures have been in place.

Molycop has not calculated dumping margins for grinding balls exported to Australia during 2019/20. This is due to uncertainty as to the likely product mix (i.e. varying diameter balls covered by the measures) and an absence of a breakdown in the import statistics.

Molycop considers that Report 520 was published on 12 November 2020 and is likely reflective of the Chinese exporter's dumping activity for 2019/20.

## **PART B – Will material injury recur?**

### *(a) Summary*

Molycop submits that in the event the anti-dumping measures applicable to Chinese exports of grinding balls were allowed to expire on 9 September 2021, the Australian industry (as represented by Molycop as the sole Australian producer of grinding balls) will suffer and be threatened with a recurrence of material injury that the measures were intended to prevent.

### *(b) Chinese supply*

The following factors are relevant to this continuation of measures application:

1. Imports from China are the single largest import source for grinding balls over the last four year period (i.e. 2016/17 to 2019/20), accounting for 86 per cent of total imports in 2019/20;
2. Review of measures Report 520 confirmed that Chinese exports of grinding balls to Australia in 2018/19 (where ME Longte was sole exporter of the subject goods to Australia) were at dumped levels with a 2.1 per cent weighted-average dumping margin;
3. With anti-dumping measures in place, Chinese export prices to Australia were at dumped and injurious levels; and
4. The artificially low steel input prices (i.e. steel billet or grinding bar) provide Chinese exporters with a competitive advantage not available to other suppliers that permits the Chinese exporters to undercut the selling prices of the Australian industry.

Chinese export prices for grinding balls influence the pricing levels of other import suppliers such that they often do not recover all costs. This cost advantage is achieved from the artificially low steel input prices in China (whether steel billet or grinding bar) thereby affording Chinese exporters a competitive advantage on export markets.

### *(c) Competitor activity*

Molycop continues to be adversely affected by the increasing volumes of grinding balls to Australia by the manufacturer ME Longte. Molycop has identified the continued effect of the ME Longte exports and the price undercutting that is evident. Please refer Confidential Attachment 4.

Confidential Attachment 5 details domestic volumes threatened by Chinese imports of grinding balls.

The foregoing demonstrates that Chinese exporters of grinding balls have been actively seeking out supply to customers on the Australian market. The recent activity is indicative that there is an expectation that either no measures will apply (or at minimal levels). Molycop submits that should the anti-dumping measures be allowed to expire (and the floor-price mechanism removed that presently operates) it is considered highly likely that Chinese exporters of grinding balls would aggressively target grinding ball end-users across Australia.

*(d) Australian market*

The manufacture of grinding balls involves a significant capital investment that must be underwritten by high utilization in production facilities. Following the imposition of measures in September 2016, the Australian industry was rationalized from two domestic producers to one, with a streamlining of production assets resulting. Molycop remains as the sole producer in Australia of the subject goods.

The Australian market for grinding balls has expanded since the imposition of measures. This growth in the local market has been due to increased demand in the mining industry. The Australian market for grinding balls is therefore of increasing attractiveness to Chinese exporters, particularly for exporters where the level of interim dumping duties (IDD) applied is minor.

In Report 316 the Commission identified that *“pricing is an integral aspect of the tender process from the perspective of the Australian industry”*. The Commission further found that *“...import offers and movements in the price of imported grinding balls are leveraged by customers to negotiate prices with the Australian industry in the tender processes, and that the Australian industry must respond to the price of imported products by reducing its price offers to remain competitive<sup>4</sup>.”*

Molycop continues to encounter price undercutting across its customer base as the Chinese exporters seek to increase export volumes to Australia. Indeed, the Australian market for grinding balls is price sensitive. The Commissioner’s conclusions concerning price undercutting as evidenced in the original investigation period continue in 2020.

Molycop submits that should the measures be allowed to expire then there will likely be a decrease in export prices to Australia for Chinese grinding balls. A decline in export prices will be followed by an increase in export volumes, with both price and volume impacts resulting in a recurrence of material injury that the measures are intended to prevent.

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<sup>4</sup> Refer Report 316, Section 8.6.1, P. 59.

## Conclusions and Recommendation

Molycop is requesting the Commissioner to commence an investigation into the continuation of anti-dumping measures applicable to grinding balls exported from China. By this application, Molycop is seeking the Commissioner to recommend that the Minister take steps to ensure the measures do not expire on 9 September 2021 and that the measures are continued for a further five-year period.

Molycop has demonstrated that Chinese exporters of grinding balls are actively seeking to supply increased volumes of grinding balls across the mining industry in 2020. The identified competitor activities confirm that Chinese exports will undercut Molycop's selling prices resulting in a recurrence of material injury to the Australian industry.

Molycop submits that a recurrence of material injury that the anti-dumping measures are intended to prevent is considered likely on the basis of the following:

- Chinese exporters of grinding balls have continued to supply the Australian market following the imposition of measures in September 2016;
- It is apparent that the Chinese exporters have maintained distribution links and supply channels into the Australian market;
- The Minister's finding 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 (reaffirmed in recent Report 520);
- exports of Chinese grinding balls to Australia (as validated in Report 52) were determined to have been at dumped prices in the recent 2018/19 investigation period;
- It is apparent from recent competitor activity on the Australian market that Chinese exporters possess spare capacity to grow export volumes to Australia and displace sales of locally produced grinding balls;
- Molycop submits that as identified by the Commission in Report 316 the "price" offer for grinding balls in tender negotiations is pivotal in the awarding of a tender. Molycop has observed an increase in price undercutting from Chinese exporters for grinding balls in 2020;
- Molycop contends that the anti-dumping measures to date (that include a price-floor mechanism) have had the effect of reducing the material injury from dumping and subsidization 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 jeopardized 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).

Molycop considers it has demonstrated that should the Minister allow the measures to expire on grinding balls exported from China it is likely that the Australian industry would experience a recurrence of dumping and material injury that the measures are intended to prevent.

Molycop requests the Commissioner to commence a formal investigation into the continuation of anti-dumping measures to examine whether it is appropriate for the Commissioner to recommend to the Minister that the measures not be allowed to expire on 9 September 2021 (and continued for a further five year period).



**List of Attachments:**

<b>Attachment No.</b>	<b>Description</b>	<b>Confidential/Non-Confidential</b>
1	Letter of Authority	Confidential
2	2018/19 Chinese constructed CTMS	Confidential
3	ABS Import data for grinding balls	Confidential
4	Competitor activity	Confidential
5	Customer volumes threatened by Chinese imports	Confidential
Appendices	Molycop Financial Appendices A1 to A7	Confidential