



27 March 2022

The Director
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Anti-Dumping Commission
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Public File

Dear Sir/Madam

Re: Investigation No. 596 – Review of anti-dumping measures on grinding balls exported to Australia by Jiangyin Xingcheng Magotteaux Steel Balls Co Ltd of China

I. Background and Introduction

On 18 February 2022 the Anti-Dumping Commission (“the Commission”) published Anti-Dumping Notice (“ADN”) No. 2022/003 notifying of the commencement of a review of measures (i.e. variable factors) inquiry into exports of grinding balls to Australia by Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd (Xingcheng Magotteaux”) from the People’s Republic of China (“China”).

The application for the review of the applicable measures by Xingcheng Magotteaux was in respect of the variable factors applicable to the exporter (as listed in the Dumping Commodities Register) CP Xingchen Special Steel Co., Ltd (or via Jiangyin Xingcheng Special Steel Works Co Ltd) only. ADN 2022/003 (which is dated 21 December 2021, but was not published until 18 February 2022) limited the variable factors review to the measures “as they affect Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd” only.

The goods the subject of the review are:

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

The goods covered by the measures include all ferrous grinding balls, typically used for the comminution of metalliferous ores, meeting the above description of goods, regardless of the particular grade or alloy content. Goods that are excluded include stainless steel balls, precision balls that have been machined and/or polished, and ball bearings.

The anti-dumping measures applicable to all other Chinese exporters are not the subject of Investigation No. 596.

By notice published on 8 September 2021 (refer ADN 2021/95) the then Minister for Industry, Science and Technology (“Minister”) continued the anti-dumping measures applicable to grinding balls exported to Australia from China. The Minister’s decision to continue the measures was contrary to the Commissioner’s recommendation in Report 569 that the Minister not take steps to continue the measures. The published notice stated:

“I, CHRISTIAN PORTER, the Minister for Industry, Science and Technology, have considered REP 569 and have decided to not accept the recommendations in REP 569.”

The Minister’s decision to secure the continuation of the measures meant that the dumping notices that applied to the goods pursuant to section 269ZH(4)(a)(i) continued in force from 9 September



2021. The referenced notice was published on 11 November 2020 following a review of variable factors investigation (Invest No. 520) where the variable factors were adjusted to reflect changes to normal values and export price applicable to Chinese exporters of grinding balls.

II. Reasons for Minister's decision of 8 September 2021

On 10 September 2021 the then Minister published his "Reasons for decision on Continuation Inquiry No. 569" (refer Non-Confidential Attachment 1). The Minister's reasons for not accepting the recommendations of the Commission in REP 569 include that the then Minister:

- Did not "agree with the Commissioner's findings of fact, evidence and reasons for the Commissioner's recommendations in REP 569 that the expiration of the anti-dumping measures in respect of exports of the goods from China would not lead, or be likely to lead to a continuation of, or a recurrence of, the dumping and subsidisation and the material injury that those measures are intended to prevent;
- Was "not satisfied that the Commissioner's selection of benchmarks used in the assessment in REP 569 of whether the Chinese exporters were dumping were the appropriate benchmarks." The then Minister "was not satisfied that the Commissioner's conclusions about dumping by Chinese exporters are correct";
- Was "not satisfied that there is evidence in support of not continuing the dumping and countervailing measures on the goods".

The Minister's Statement of Reasons further detailed his concerns with the findings and recommendations contained in REP 569, including:

In REP 569 the Commissioner adopted benchmarks without providing sufficient reason in REP 569 and without giving sufficient consideration to other benchmarks that might be more appropriate for selection. I am not satisfied that REP 569 evidenced a thorough analysis of available benchmarks for the goods. I consider on balance that dumping would be likely to continue if the measures are allowed to expire.

In REP 569 the Commissioner adopted a Latin American export steel billet price benchmark (Latin American benchmark) without a full consideration of other benchmarks that might be more appropriate for selection and may have resulted in a materially different finding in relation to whether dumping was continuing.

I note submissions made by Commonwealth Steel Company Pty Ltd (Molycop) that the Latin American benchmark does not represent the best available information for determining competitive market costs for steel billet, and the alternative methodology proposed by Molycop for constructing a competitive grinding bar benchmark on the basis of competitive market prices for grinding bar.

I note that steel billet is converted into grinding bar which is then converted into grinding balls. Grinding bar is therefore closer in the production chain to the goods under consideration, and I am satisfied it is a more appropriate benchmark to use than steel billet where both benchmarks are available.

I am not satisfied that the Commissioner conducted a thorough analysis of available benchmarks for steel billet in REP 569, in light of the submission by Molycop. I am not satisfied that the Latin American benchmark is the most appropriate benchmark.

I am satisfied that Molycop's evidence demonstrated that the Latin American benchmark was not reflective of actual purchase prices faced by grinding ball manufacturers and that this warranted further investigation by the Commissioner and consideration of grinding bar as an appropriate benchmark, rather than steel billet.



The Commissioner did not sufficiently analyse the accuracy of the Molycop submission or the issues raised in the Molycop submissions.

The then Minister rejected the findings of the Commissioner as detailed in REP 569 and continued the measures for a further five-year period.

III. Current review

The measures to which Xingcheng Magotteaux' application for review applies therefore are the revised variable factors that were implemented on the 11 of November 2020. ADN 2022/003 confirmed that the review investigation period for the examination of variable factors applicable to Xingcheng Magotteaux in Investigation 596 is 1 January 2021 to 31 December 2021.

Xingcheng Magotteaux's exports of grinding balls are understood to be subject to the measures applicable to the exporter Jiangsu CP Xingcheng Special Steel Co., Ltd ("CP Xingcheng") or via Jiangyin Xingcheng Special Steel Works Co Ltd that attract a rate of interim dumping duty ("IDD") of 27.1 per cent. The Dumping Commodity Register ("DCR") notes that the IDD rate applicable to exports from 10 September 2021 with exports by Jiangsu CP Xingcheng Special Steel Co., Ltd and Jiangyin Xingcheng Special Steel Works Co Ltd subject to the "all other exporters" rate of IDD.

The normal value determined for CP Xingcheng in Invest 520 was that applicable to "*all other exporters*". As CP Xingcheng was not identified as a cooperative exporter in review of measures investigation No. 520, normal values for CP Xingcheng were determined under subsection 269TAC(6) with reference to the normal values determined for the Chinese cooperative exporters in accordance with subsection 269TAC(2)(c).

In Invest 520, the Commission used the steel billet benchmark selling price for Latin American export steel billet at the FOB point Brazil. In Xingcheng Magotteaux's application detailing the grounds for review of normal values, the applicant references changes in the "*Asian regional billet prices*" over the period September 2020 to April 2021. Xingcheng Magotteaux indicates (in its public file version of the application) that the Asian regional billet price has increased – presumably by a material amount.

It is evident that the Chinese exporter applicant has referenced the Minister's rejected basis for normal value that includes a benchmark selling price for steel billet.

IV. Normal value in Investigation No. 520

(a) Background

In Review of Measures Report No. 520 ("Report 520") the Commission determined that a "*particular market situation existed in respect of the domestic market for grinding balls in China for the review period*".¹ As a consequence, normal values for grinding balls sold in China could not be determined under subsection 269TAC(1).

(b) Selected benchmark

The Commission therefore determined normal values for the cooperative Chinese exporters on a constructed basis (under subsection 269TAC(2)(c)) that incorporated a *benchmark* steel input cost that was intended to reflect a market price for the raw material steel input unaffected from Government of China ("GOC") influence.

¹ Report No. 520, Section 5.3, P.16.



The Commission identified in Report 520 that three of the four cooperating exporters – Changshu Longte Grinding Ball Co., Ltd (“Longte”), Jiangsu Yute Grinding International Co., Ltd (“Jiangsu Yute”) and Iraeta Energy Equipment Co., Ltd (“Iraeta”) - used grinding bar as the raw material input in the production of grinding balls and considered that *“this represents the largest proportion of the cost of production”*². The Commission further concluded that domestic grinding bar selling prices were also influenced by the GOC and could not be used as a benchmark in the exporters’ normal value calculations. Similarly, imported grinding bar selling prices were deemed unsuitable by the Commission. The Commission ruled out using *“any externally published grinding bar prices”* and elected to follow the methodology adopted in Report 316 that used a constructed external benchmark *“based on the inputs which make up grinding bar, e.g. steel billet, ferroalloys and conversion costs”*. The Commission considered that this constructed benchmark could *“be used to identify a competitive market price”*.

The Commission considered that the Latin American export billet prices at Free on Board (FOB) level published by S&P Global (Platts) provided for *“an independent and reliable basis for constructing a benchmark using steel billet as an input component”*³.

The export steel billet price identified by the Commission was used in the determination of normal values in Report No. 520 and again in the recommendations to the Minister contained in Report 569.

In both investigations Molycop rigorously opposed the selection of the Latin American steel billet export price as the benchmark as it was largely destined for markets heavily influenced by Chinese steel prices and thus cannot be considered a *benchmark* that is free of GOC influence. In Invest 569 Molycop provided a submission dated 12 July 2021 where the quality, chemical, and metallurgical property deficiencies of the steel billet selected as the benchmark were rigorously challenged (refer Confidential Attachment 1).

(c) Minister’s decision in respect of Report 569

On 8 September 2021 ADN 2021/095 (Non-Confidential Attachment 1) was published announcing that the then Minister for Industry, Science and Technology (“the Minister”) had rejected the Commissioner’s recommendations in Report No. 569 to allow the measures to expire. On 10 September 2021 the then Minister published his reasons for his decision not to accept the Commissioner’s recommendations as contained in Report No. 569 (refer ADN 2021/095 at Non-Confidential Attachment 2).

As explained above, the then Minister decided to reject the Commissioner’s recommendations in Report 569 and continue the anti-dumping measures for a further five-year period. Whilst the then Minister agreed with the Commissioner that a particular market situation for grinding balls was evident during the investigation period, he did not agree with the Commissioner’s selection of the benchmark based upon steel billet. The then Minister made it clear that grinding bar was a more preferable benchmark than the selected steel billet, namely:

“I note that steel billet is converted into grinding bar which is then converted into grinding balls. Grinding bar is therefore closer in the production chain to the goods under consideration, and I am satisfied it is a more appropriate benchmark to use than steel billet where both benchmarks are available.”

Molycop has maintained throughout Invest 520 (review of measures) and Invest 569 (continuation of measures) that grinding bar is the appropriate benchmark as it is the actual steel product used to manufacture grinding balls rather than an unrelated steel billet that does not possess the requisite chemistry nor physical and metallurgical properties to manufacture grinding balls.

² Report No. 520, Section 5.3.1, P. 17.

³ Report No. 520, Section 5.3.1, P.17.



Molycop concurs with the then Minister's decision that grinding bar is closer to the production chain of the subject goods being grinding balls and is therefore a more representative benchmark for eliminating the GOC's influence in the steel production process of the goods.

The preferred benchmark for incorporation into a subsection 269TAC(2)(c) normal value for Xingcheng Magotteaux is therefore external selling prices for grinding bar.

V. Relevant benchmark for Review Investigation No. 596

Molycop is concerned that the Commission remains steadfast in its position concerning the selection of an appropriate benchmark for normal values for grinding balls in China. In Report 520, the Commission rejected Molycop's submission to base the benchmark on selling price information for grinding balls in Chile that were obtained from Molycop's affiliate that is a grinding ball manufacturer in Chile. That producer sourced grinding bar from two local sources of supply. The Commission stated:

"The Commission 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, Molycop has not presented any evidence which demonstrates that market conditions across Latin America are such that the benchmark the Commission has selected is not representative of competitive market costs."

Molycop considers that the above extract is patently incorrect, aside from the selected benchmark not possessing the requisite quality to produce grinding balls, the chosen Latin American benchmark actually represented steel billet exports from a **single Brazilian port**. Molycop has maintained – and this was subsequently agreed by the then Minister for Industry, Science and Technology – that the selected benchmark is **incorrect**. The Commission did not consult with the Australian industry in the selection of the benchmark in Investigation No. 316. The selected benchmark was not based upon any advice from the sole Australian manufacturer with almost 100 years of experience in the production of grinding balls. The benchmark selection was made by the Commission based upon its short exposure to the industry apparently without any independent verification.

The Commission noted in Invest 569 that three of the four cooperative exporters had purchased grinding bar as the raw material input into the manufacture of grinding balls. The existence of this prevalent process of manufacture did not dissuade the Commission in its view to revert back to a steel billet benchmark (even though the majority of Chinese industry cooperative exporters used grinding bar sourced from a supplier).

Molycop references the recent Minister's statement of reasons for his rejection of the Commissioner's recommendation in Report 569 – the selected benchmark does not reflect a production cost that is as closely aligned to the exported goods as grinding bar. Rather steel billet is the precursor in the production process for hot rolled steel bars, of which grinding bars are a subset if manufactured at a steel mill with the requisite technology and know-how to steels as "Special Bar Quality Steel" or alternatively "Alloy Steel" or "Engineering Steel" or "Special Steel" or "High Quality Steel".

The Commission further stated in Report No. 520 when commenting on Molycop's disapproval with the selected benchmark:

"The Commission 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 which cost would be payable in China."



Molycop agrees that pricing across a number of countries would be a more suitable basis for a benchmark and restates that the selected benchmark only represents steel billet exported from a single Brazilian port and is clearly not a *multi country* benchmark. Similarly, the prices across a number of countries would be indicative of what the price would be payable in China in the absence of GOC influence.

In this regard, in Investigation No. 569 Molycop provided the Commission with pricing information for grinding bar across [number] countries where [source of pricing information] grinding bar from independent, third party suppliers. The pricing information provided [source and coverage of information].

This information was considered relevant and appropriate by the then Minister and remains relevant and appropriate for the intended purpose of a benchmark for the replacement cost of grinding bar in a Chinese exporter cost of production profile.

In this review of variable factors for Xingcheng Magotteaux, Molycop can provide domestic selling price information for grinding bar in [country and period for data], along with independent purchase prices for grinding bar in the domestic markets of [identification of countries for information].

Table 1 details the movements in grinding bar prices between the two different periods of investigation period in Invest 520 (i.e. July 2018 to June 2019) and calendar year 2021 (to November 2021).

Table 1 – Movements in grinding bar prices 2018/19 to 2021

| Country | 2018/19 US\$/MT | 2021 US\$/MT | % change |
|---------------------|-----------------|--------------|----------|
| Country 1 | | | |
| Domestic Supplier 1 | US\$xxx | US\$xxx | xxx% |
| Domestic Supplier 2 | US\$xxx | US\$xxx | xxx% |
| | | | |
| Country 2 | | US\$xxx | xxx% |
| Country 3 | | US\$xxx | xxx% |
| Country 4 | | US\$xxx | xxx% |
| Country 5 | | US\$xxx | xxx% |
| Country 6 | | US\$xxx | n/a |
| | | | |

Source: Country Grinding bar prices – Confidential Attachment 3

Notes: [Country and nature of pricing].

It is evident from the above grinding bar price information outlined in Table 1 that raw material grinding bar prices have increased materially between the investigation period in Invest 520 and calendar year 2021.

Molycop submits that the grinding bar prices that it has obtained can be used by the Commission as the benchmark steel input cost for the determination of normal values for the Chinese exporter Xingcheng Magotteaux review of variable factors investigation. The increase in raw material grinding bar prices is anticipated to result in an increase in the selling prices for grinding balls of between xx and xx per cent.



VI. Recommended actions

Anti-dumping measures applicable to grinding balls exported from China were continued by the then Minister for Industry, Science and Technology “the Minister”) on 8 September 2021. The measures were continued at the levels assessed and implemented following Invest 520 and were based upon costs applicable in the 1 July 2018 to 30 June 2019 investigation period.

The Minister was satisfied that the appropriate benchmark for inclusion in a constructed cost normal value under subsection 269TAC(2)(c) was for grinding bar as this was considered to be closer in the production phase to the grinding balls (than the initial production phase steel billet).

Molycop has obtained multi-source purchase price information for grinding bar from independent suppliers [*pricing source and countries*] during 2021 that can be utilised in the constructed normal value assessment for Xingcheng Magotteaux for the purpose of determining contemporary normal values for grinding balls manufactured in China free of GOC influence in the 2021 investigation period. Molycop can further assist the Commission with the validation and verification of the grinding bar purchase price information as required.

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