



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

APPLICATION FOR ANTI-DUMPING MEASURES

**QUICKLIME EXPORTED FROM MALAYSIA, THE KINGDOM OF
THAILAND (THAILAND) AND THE SOCIALIST REPUBLIC OF
VIETNAM (VIETNAM)**

VERIFICATION VISIT REPORT - IMPORTER

MERCHANT CEMENT & LIME PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

September 2016

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BACKGROUND

1.1 Background

On 18 April 2016 the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of quicklime exported to Australia from Malaysia, Thailand and Vietnam. Public notification of the initiation of the investigation was published on the Commission's website.

The background relating to the initiation of this investigation is contained in Consideration Report 348.¹

Following the initiation, the Commission wrote to Merchant Cement & Lime Pty Ltd (Merchant) and other importers of quicklime inviting them to cooperate with the investigation. Merchant cooperated with the investigation and completed an importer questionnaire response (IQR) and relevant attachments.

¹ Accessible at www.adcommission.gov.au.

2 VERIFICATION OF IMPORTS

2.1 The goods

Merchant confirmed that it imported quicklime from Malaysia during the investigation period.

2.2 Import and distribution functions

Merchant described their business as a shipping, logistics and freight forwarding company. Merchant was registered in 2009 and their initial operations were importing cement into Darwin and Townsville. In the 2008 year Merchant had become aware of Esperance as a suitable location to both export and import goods and subsequently distribute to remote regions of central Western Australia. Merchant commenced importing lime in the 2014 year and utilises their own trucks, pneumatic tanks and infrastructure to import and distribute quicklime into the Australian market. The company does not add value to these products before distributing them.

Merchant explained that they generally hold a month's worth of inventory at their storage facility in Esperance, with the subsequent month's quicklime being shipped.

2.3 Verification of import listing

Merchant confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of its imports of quicklime over the investigation period.

The verification team calculated the weighted average FOB export price by supplier and this is attached at **Confidential Appendix 1**.

2.4 Verification of importation costs

The Commission selected 8 shipments from the ABF import database to examine in further detail. The verification team was provided with source documents for the costs associated with the import of quicklime for the selected shipments. The verification team verified the accuracy of Merchant's imports by reconciling selected imports to the source documents.

The verification team is satisfied that the sample shipments have been verified to source data. The verified data is attached at **Confidential Attachment 1**.

2.4.1 Overseas Freight and Marine Insurance

The verification team was satisfied that the overseas freight costs listed on the cost to import and sell spreadsheet were complete and accurate.

In relation to marine insurance, Merchant provided the verification team with an extract of its insurance policy that covers marine insurance for the imported quicklime. Merchant

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advised that this is part of a wider policy that covers all group companies, and provided details of the specific cost. The verification team accepted the company's explanation and considered the rate reasonable in the circumstances. The extract of the insurance policy that covers marine insurance is attached at **Confidential Attachment 2**.

2.4.2 Delivery charges

Merchant explained that they own their own ships, trucks and tanks used in transporting quicklime from the port of export in Malaysia (Port Kelang) through to their customers in Australia. As Merchant does not hire third parties for transport or freight within Australia, they do not have a delivery charge in their selling expenses.

Merchant explained that their delivery charges form part of their general expenses – specifically transport and haulage, labour and maintenance of vehicles. The Commission verified a number of these expenses back to source documents and is satisfied that this is reasonable.

2.4.3 Customs entry fees, customs broker fees and port service charges

The verification team verified customs entry fees and port service charges to source documents supplied by Merchant. The Commission is satisfied with the accuracy and reliability of the data provided with regards to customs charges and fees.

2.4.4 Selling, general and administration costs

Merchant explained that they were not able to determine an exact figure for selling, general and administrative (SG&A) costs specifically for quicklime. Instead, Merchant calculated an estimate using the following method:

- allocating the total SG&A expenses for the 2015 calendar year;
- calculating the total sales quantity of all products for the 2015 year;
- calculating what percentage of total sales quantity consisted of quicklime; and
- applying this percentage to the total SG&A expenses for the 2015 calendar year.

The verification team were able to verify costs to supporting documentation and confirmed that the costs were directly attribution to quicklime.

The verification team noted that Merchant had not included expenses relating to travel, employment and occupancy in their total SG&A expenses. Merchant advised the verification team that these expenses were directly related to the selling of quicklime and therefore the verification team made an adjustment to SG&A to include these amounts in the revised cost to import and sell spreadsheet (**Confidential Attachment 3**).

Merchant's accounting system is MYOB and they report at 30 June. Their financial statements are not audited and therefore the verification team requested management financial accounts. Merchant provided a profit and loss statement at 31 December 2015 (**Confidential Attachment 4**) and the verification team were able to verify the total SG&A expenses to the profit and loss statement.

2.5 Forward orders

Two forward orders were listed in the cost to import and sell spreadsheet. The verification team reconciled one forward order to a purchase order. No issues were identified.

2.6 The importer

The verification team considers Merchant to be the beneficial owner of the goods at the time of importation and therefore the importer.

2.7 The exporter

Subject to further inquiries, the verification team considers that Merchant's supplier (RCI Lime located in Malaysia) are principles in the country of export, which manufacture the goods and gave up the goods for shipment directly to Merchant and therefore can be considered the exporter of the goods imported by Merchant.

2.8 Arms-length

Merchant advised that it has no relationship with its supplier of quicklime. Merchant further stated that it does not receive any reimbursement, rebates or other support from its supplier in respect of the goods. It also advised that the invoice price was the price paid to its supplier, which was verified as accurate during the verification visit.

The verification team did not find any evidence that, in respect of the purchase of quicklime:

- there was any consideration payable for, or in respect of, the goods other than price;
- the price was influenced by a commercial or other relationship between Merchant, or an associate of Merchant, and its supplier or an associate of the supplier; and/or
- Merchant, or an associate of Merchant, was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.²

The verification team is satisfied that transactions between Merchant and its supplier are at arms-length in terms of section 269TAA.

² Section 269TAA of the Act states the circumstances in which the price paid or payable shall not be treated as being at arms-length.

3 VERIFICATION OF AUSTRALIAN SALES

3.1 Verification of sales to audited financial statements

As noted above, Merchant advised their financial statements are not audited therefore “MYOB enterprise” management financial accounts as at 31 December 2015 were provided for verification.

The verification team verified the completeness and relevance of the sales spreadsheet by reconciling it to management financial accounts in accordance with ADN 2016/30.

Merchant provided a line by line listing of sales prior to the verification visit. The verification team selected a sample of invoices from this listing for verification. Merchant advised at the visit that this listing included cost of goods sold values, and they subsequently provided an adjusted worksheet including sales revenue values.

The verification team identified total Quicklime sales at 31 December 2015 from management financial accounts. The goods under consideration (GUC) were allocated under account “004 – Quicklime Powder (CaO 90%)”. This total balance reconciled to total sales in the “Part C – Sales” worksheet (after deducting the “Quicklime (0mm-5mm)” product).

The sales listing is in **Confidential Attachment 5**.

3.2 Verification of sales to source documents

The verification team verified the accuracy of Merchant’s sales spreadsheet by reconciling Shipments 1 to 4 and 7 to sales invoices in Merchant’s sales records system in accordance with ADN 2016/30. Total sales values and quantities were verified. The verification team did not identify any discrepancies or issues.

3.2.1 Rebates and discounts

Merchant advised the verification team that no rebates and discounts were provided to customers during the investigation period. They offer a refund based on product performance but at the time of the visit have not had to provide it.

3.3 Profitability of sales

The verification team calculated net profit/loss for the eight selected shipments in the cost to import and sell spreadsheet.

The verification team observed that shipments 1, 4 and 5 were profitable while shipments 2, 3, 6, 7 and 8 resulted in small losses. Merchant advised the verification team these losses were a result of significantly high start-up costs, particularly in implementing their local supply chain in Esperance and through to Kalgoorlie. Merchant stated that the percentage of SG&A will reduce considerably as their sales volume starts to increase. As noted above under 2.4.4 the verification team were able to verify costs to source documents.

4 RECOMMENDATIONS

The verification team are of the opinion that the goods imported by Merchant:

- have been exported to Australia otherwise than by the importer (Merchant);
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms-length transactions.

The verification team recommend that the export price for quicklime can be established under paragraph 269TAB(1)(a) of the Act, using the invoiced price, less deductions, to the FOB level as required.

5 GENERAL COMMENTS

Merchant made the following general comments at the visit:

- Merchant does not believe the goods have been dumped into Australia from Malaysia; and
- Merchant believes a slight downturn in the market for metals (and the flow on effect to mine sites and operations) has caused many end users to request tender processes in their purchase of quicklime, and this has enabled quicklime from other sources (i.e. the export countries) to enter the market.

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6 ATTACHMENTS

Confidential Appendix 1	Calculation of FOB export price
Confidential Attachment 1	List of verified shipments
Confidential Attachment 2	Extract of insurance policy
Confidential Attachment 3	Revised cost to import & sell spreadsheet
Confidential Attachment 4	Profit & Loss Statement (2015 calendar year)
Confidential Attachment 5	Sales Listing for 2015 calendar year