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

**Anti-Dumping
Commission**

INVESTIGATION 473

**ALLEGED DUMPING OF AMMONIUM NITRATE EXPORTED TO
AUSTRALIA FROM THE PEOPLE'S REPUBLIC OF CHINA,
SWEDEN AND THE KINGDOM OF THAILAND**

VERIFICATION VISIT REPORT - IMPORTER

DOWNER EDI MINING-BLASTING SERVICES 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**

August 2018

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1 BACKGROUND

On 25 June 2018, the Commissioner of the Anti-Dumping Commission initiated an investigation into the alleged dumping of ammonium nitrate exported to Australia from the People's Republic of China, Sweden and the Kingdom of Thailand.

Public notification of the initiation of the investigation was published on the Anti-Dumping Commission's (Commission's) website. The background relating to the initiation of this investigation is contained in Consideration Report 473.

Following the initiation, the Commission wrote to Downer EDI Mining-Blasting Services Pty Ltd (DBS) and other importers of ammonium nitrate inviting them to cooperate with the investigation. DBS cooperated with the investigation and completed the importer questionnaire and relevant attachments.

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team did not receive information to enable it to verify the completeness and relevance of DBS' sales listing by reconciling it to audited financial statements in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

The verification team notes that a majority of DBS' sales to Australian customers were made through sales agreements, with a minority being spot sales.

2.2 Verification of sales to source documents

The verification team verified the accuracy of DBS' sales listing by reconciling it to sales agreements, commercial invoices, proof of payment and other source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues. Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

2.3 Related customers

The verification team did not find any evidence that DBS is related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

During the investigation period, DBS imported commercial grade, low density porous prilled ammonium nitrate (also referred to as PPAN or LDAN), which is relevant to the description of the goods that are the subject of this application.

DBS confirmed that the majority of its imported ammonium nitrate during the investigation period was from Sweden, one of the countries subject to this investigation. During the investigation period, DBS also imported ammonium nitrate from countries not the subject of this investigation.

3.2 Verification of importation and selling costs

The verification team verified the accuracy of the importation and selling costs by reconciling selected imports to source documents in accordance with ADN No. 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

One issue was identified in the verification of importation and selling costs to source documents. No other issues were identified.

3.2.1 Selling, general and administrative expenses

In verifying the selling, general and administrative (SG&A) expenses to management records and the financial statement, DBS advised that minor additional costs should be allocated to the SG&A amount relating to the goods. These related to the ammonium nitrate sales team expenses. The verification team considered these expenses relevant to the sale of the goods, and therefore should be included in the calculation of SG&A. This had the effect of marginally increasing the amount of SG&A allocated to the goods.

3.3 Import listing

Following verification of the information provided by DBS, the verification team is satisfied that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team calculated the weighted average Free On Board export price by supplier at **Confidential Appendix 1**.

3.4 Forward orders

DBS provided a list of forward orders. The verification team did not identify any issues with the list of forward orders, which is at **Confidential Appendix 2**.

3.5 The importer

The verification team found that DBS is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

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

3.6 The exporter

Subject to further inquiries, the verification team considers the manufacturer of the ammonium nitrate imported by DBS from Sweden to be the exporter of ammonium nitrate.¹

3.7 Profitability of imports

The verification team calculated the amount of profit achieved by DBS for the selected shipments that involved DBS' import and sale of ammonium nitrate to its customer. However, certain selected shipments involved DBS undertaking further processing of ammonium nitrate to produce bulk explosives material that was part of DBS' explosives delivery service. For those shipments, the verification team was unable to accurately calculate an amount of profit with respect to ammonium nitrate.

In relation to the selected shipments that involved the sale of unmodified goods for which profitability could be calculated, the verification team found that all these shipments were profitable. The assessment is at **Confidential Appendix 3**.

3.8 Related party suppliers

The verification team did not find any evidence that DBS is related to its supplier of ammonium nitrate exported from Sweden during the investigation period.

3.9 Arms length

In respect of imports of ammonium nitrate to Australia by DBS during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.²

Therefore, subject to further inquiries, the verification team is satisfied that import transactions between DBS and its Swedish supplier are arms length transactions.

² Subsection 269TAA(2) of the *Customs Act 1901*.

4 SUPPLY TENDERS AND CONTRACTS

4.1 DBS' supply tenders and bids

DBS provided the verification team with a listing of its supply proposals and bids it made during 2017 and 2018. This information is at **Confidential Attachment 2**.

Following the visit, the verification team requested and received additional information from DBS relevant to its tender bids. This information is at **Confidential Attachment 3**.

4.2 DBS' supply contracts

The verification team requested that DBS provide information relating to its supply agreements with Australian and overseas suppliers of ammonium nitrate. The verification team also requested that DBS provide information relating to its supply and service agreements with its customers. This information is at **Confidential Attachment 4**.

5 RECOMMENDATIONS

The verification team are of the opinion that for ammonium nitrate imported by DBS from Sweden:

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

Subject to further inquiries with these exporters, the verification team recommends that the export price for ammonium nitrate imported by DBS from Sweden can be established under subsection 269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

6 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification Work Plan
Confidential Attachment 2	Listing of tenders
Confidential Attachment 3	DBS' supply tenders and bids
Confidential Attachment 4	Agreements with AN suppliers