



Australian Government
Anti-Dumping Commission

INVESTIGATION 377

**ALLEGED DUMPING OF COOLING TOWER WATER
TREATMENT CONTROLLERS
EXPORTED FROM THE UNITED STATES OF AMERICA**

VERIFICATION VISIT REPORT - IMPORTER

TANVENAMORE HOLDINGS PTY LTD

TRADING AS

WATERDOS INSTRUMENTS AUSTRALASIA

**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**

March 2017

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1 BACKGROUND

On 23 January 2017, the Anti-Dumping Commissioner (the Commissioner) initiated an investigation into the alleged dumping of cooling tower water treatment controllers exported to Australia from the United States of America (USA). Background to the initiation of this investigation is contained in Consideration Report 377 which is available on the Commission's website www.adcommission.gov.au.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to Waterdos Instruments Australasia (Waterdos) and other entities believed to be importers of cooling tower water treatment controllers, inviting them to cooperate with the investigation. Waterdos responded to the Commission's invitation by providing information on its imports and sales.

2 COMPANY DETAILS

2.1 Company background

The entity trading as Waterdos Instruments Australasia (Waterdos) was established in 2010 by A J Tan, who was formerly an employee of the USA-based water treatment equipment manufacturer, Advantage Controls. Waterdos initially established a supply deal with the major Australian water treatment service company, Integra Water Pty Ltd, which remains one of its primary customers.

Dave Venamore joined Waterdos in 2011, leaving Aquarius Technologies Pty Ltd just prior to it undergoing an ownership change. In 2015, AJ Tan stepped aside from his management role at Waterdos, he retains some ownership stake in the company. Dave Venamore, is now the Managing Director of Waterdos and he also has some ownership of the company. There are no other owners.

2.2 Commercial Operations

Waterdos is a supplier of equipment to the water industry in Australia, New Zealand and the Asia-Pacific region. The company supplies water monitoring and treatment systems, incorporating controllers imported from the USA, to water treatment service companies. In addition to cooling tower water treatment systems, Waterdos is a manufacturer/distributor of a range of water treatment equipment, including pumps and accessories.

Waterdos has a total of seven staff, XXXXXXXXXXXXXXXXXXXXXXXX [employment arrangements]. The company has a manufacturing facility, head office and warehouse in Melbourne.

A company profile brochure is at **Attachment 1**.

2.3 Accounting structure and details of accounting systems

Waterdos uses the Sage Accpac accounting system

2.4 Relationship with suppliers and customers

Waterdos advised that it is not related to its supplier or customers for cooling tower water treatment controllers.

3 AUSTRALIAN MARKET

3.1 General

Waterdos explained that the Australian market for cooling tower water treatment controllers is divided between the commercial (or comfort) market consisting of commercial premises, data centres etc, and the industrial market involving enterprises such as breweries, food processing plants and oil refineries.

The company advised that the Australian market consists of five major water service treatment companies and a number of smaller operators. The major companies are:

- Integra Water Solutions (Integra);
- Hydrochem;
- Nalco/Ecolab;
- Solenis; and
- Hydroflow.

There are two main players in the commercial sector of the market, while the others are more active in the industrial market.

Waterdos stated that the following five companies supply cooling tower water treatment equipment packages (incorporating controllers) to the water treatment service companies:

- Waterdos;
- Aquarius Technologies;
- Convergent Water Controls (CWC);
- Iwaki Pumps Australia (Note: import Walchem & sell some to Solenis)
- Ecolab/Nalco.

Waterdos explained that it, Aquarius and CWC compete mainly in the commercial market, offering a similar range of controllers.

Waterdos explained that to its knowledge all the above competitors imported components.

The company estimates that there are approximately 30,000 cooling towers in Australia, although it is difficult to predict how this translates into annual demand for cooling tower water treatment controllers.

4 AUSTRALIAN SALES

4.1 Sales volumes

Waterdos provided reports showing a breakdown of sales volumes for all products for each financial year (ending 30 June) between 2012/13 and 2016/17 (to January). The company was unable to provide sales volumes prior to 2012/13. The reports show the following sales volumes of packages incorporating a cooling tower water treatment controller:

Year	Quantity
XXXXX	XXXX
XXXXX	XXXX
XXXXX	XXXX
XXXXX	XXXX
XXXXX	XXXX

4.2 Verification of sales to audited financial statements

The verification team was able to reconcile Waterdos' sales listing of cooling tower water treatment controllers in 2015/16 financial year (ending 30 June) to its accounting system documents in accordance with ADN 2016/30.

The verification team is satisfied that Waterdos' sales listing is a reasonably complete and relevant list of all the sales of the goods over the investigation period.

Details of this verification process and relevant reports are contained in the verification work program at **Confidential Attachment 2**.

4.3 Verification of sales to source documents

The verification team verified the accuracy of Waterdos' sales listing by matching the details to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 2**.

The verification team did not find any issues with the verification of the sales listing to source documents.

4.4 Related party customers

The verification team did not find any evidence that Waterdos is related to any of its Australian customers for cooling tower water treatment controllers.

5 IMPORTS

5.1 The goods

Waterdos confirmed that it imported cooling tower water treatment controllers from the USA during the investigation period, which match the description of the goods that are the subject of the application for anti-dumping measures.

Waterdos provided a report of controllers and other water treatment parts it purchased from Advantage Controls in 2015/16. The company explained that the controller is shipped with certain accessories, as indicated by the product code. For example, a XSCPRF3E-A7Y controller purchased from Advantage Controls includes:

- the controller,
- flow sensor clear tee;
- flow sensor toggle;
- ORP sensor;
- pH sensor and cable;
- PVC threaded tee fittings; and
- Threaded tee nuts.

Waterdos combines the above items with a range of other components to manufacture the cooling tower water treatment system supplied to the service companies.

In addition to cooling tower water treatment controllers, Waterdos purchases the following controllers that are used in other water treatment applications:

- Nano controllers – simple dual timer controllers not suitable for cooling towers;
- XSP controllers – pH controllers for trade waste applications;
- XSQ controllers – dual pH controllers; and
- XSR controllers – ORP controllers for applications such as fountains.

The verification team is satisfied that these controllers are not the goods the subject of the anti-dumping investigation.

5.2 Verification of importation and selling costs

The verification team verified the accuracy of all the company's importation and selling costs based on information provided by Waterdos.

Details of the verification are contained within the verification work program at **Confidential Attachment 2**.

The verification team did not find any issues with the verification of importation and selling costs to source documents.

5.3 Import listing

Waterdos provided a report of its purchases from Advantage Controls over the investigation period. Prices in US dollars for each product code did not change over the

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investigation period. The report indicates the following ex-works export prices in \$US over the period:

Product code	Product description	Ex-works export price \$US/unit
XSCF3-A7Y	Megatron XS controller Conductivity sensor: TE-4A Standard Tower probe; 140°F and 150 PSI max 3 feed timers Australian power cord, no pigtails, 240 volt relay card ETL Agency Listing	XXXX
XSCPRF3E-A7Y	Megatron XS controller Conductivity sensor: TE-4A Standard Tower probe; 140°F and 150 PSI max pH sensor: TPE-21 Standard Tower, 140°F and 100 PSI max 3 feed timers Flow switch: Standard float style flow switch assembly (towers): 140 PSI @75°F Australian power cord, no pigtails, 240 volt relay card ETL Agency Listing	XXXX
XSCMPRF3E-A7Y	Megatron XS controller Conductivity sensor: TE-4A Standard Tower probe; 140°F and 150 PSI max Make-up sensor: DI-4A Standard Make-up, 140°F and 150 PSI max, 1" MNPT pH sensor: TPE-21 Standard Tower, 140°F and 100 PSI max 3 feed timers Flow switch: Standard float style flow switch assembly (towers): 140 PSI @75°F Australian power cord, no pigtails, 240 volt relay card ETL Agency Listing	XXXX
XSCPRF3E-A7H1Y	Megatron XS controller Conductivity sensor: TE-4A Standard Tower probe; 140°F and 150 PSI max pH sensor: TPE-21 Standard Tower, 140°F and 100 PSI max 3 feed timers Flow switch: Standard float style flow switch assembly (towers): 140 PSI @75°F Australian power cord, no pigtails, 240 volt relay card Internet card with CAT5 connection ETL Agency Listing	XXXX

5.4 The importer

The visit team considers Waterdos to be the beneficial owner of the goods at the time of importation and is therefore the importer.

5.5 The exporter

Subject to further inquiries, the verification team considers that Advantage Controls to be the exporter of the goods.¹

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.

5.6 Profitability of imports

As explained above, Waterdos generally incorporates its imported controllers into cooling tower water treatment systems before selling them to customers in Australia. The verification team compared the selling prices into the Australian market for certain selected systems with the fully absorbed cost to import and sell those systems, including the additional components incorporated in the systems.

The verification team calculated the profit margins for the selected systems and observed that all except one model were profitable. The verification team considers that it is reasonable to consider the overall sales were profitable. The assessment forms **Confidential Appendix 1**.

5.7 Related party suppliers

The verification team did not find any evidence that Waterdos is related to its supplier of cooling tower water treatment controllers.

5.8 Arms' length

In respect of imports of the goods to Australia by Waterdos 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
- 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.

The verification team found that selected shipments were profitable overall.

Therefore, subject to further inquiries, the verification team is satisfied that import transactions between Waterdos and its supplier were arms' length.

6 RECOMMENDATION

The verification team is of the opinion that for the goods imported by Waterdos from Advantage Controls:

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

Subject to further inquiries with the exporter, the verification team recommends that the export price for the goods imported by Waterdos can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price. Invoices issued by Advantage Controls to Waterdos in the investigation period were all described as FOB Muskogee, Oklahoma.

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7 APPENDICES AND ATTACHMENTS

Attachment 1	Company profile brochure
Confidential Attachment 2	Verification Work Plan
Confidential Appendix 1	Profitability of sales