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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

CHEMICAL PUMPS AUSTRALIA TRUST

AND

IWAKI PUMPS AUSTRALIA 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**

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 Chemical Pumps Australia Trust (CPA) and other entities believed to be importers of cooling tower water treatment controllers, inviting them to cooperate with the investigation. CPA responded to the Commission's invitation by providing information on its imports and sales.

3 AUSTRALIAN MARKET

Iwaki Australia explained that there was a range of applications where operators sought to monitor, measure and control the quality of water. Industrial processes, such as those undertaken in steel plants, involve the cooling of water through cooling towers. The entities must maintain the water in the systems to prevent the production of disease causing bacteria and protect the equipment from corrosion.

Iwaki Australia advised that the market is serviced by chemical based water treatment companies, or 'water doctors', that specialise in the maintenance of water quality.

Iwaki Australia stated that it had an advantage in the Australia market when, from 2000, its Walchem controllers offered remote monitoring and control. The company advised that since 2010 all suppliers have offered this option.

Iwaki Australia's main customer for cooling tower water treatment controllers is XXXXX XXXXXXXX, which operates primarily in the industrial sector of the market, where cooling tower water treatment typically involves more complex and larger scale projects. The company regards the controllers it offers to be superior to controllers offered by XXXXXX XXXXXXXXXXXX, notwithstanding that they perform similar functions.

4 AUSTRALIAN SALES

4.1 Sales volumes

In its response to the importer questionnaire, Iwaki Australia provided information on XXX controllers sold in the 2015/16 financial year. Upon closer examination of the sales, we found that only XXX of the sales were of controllers designed for cooling tower use. The majority of the cooling tower units were sold to XXXXXXXXXX. The company also sold a number of imported cooling tower water treatment controllers to XXXXXXXXXXXXXXX.

Iwaki Australia also sold a small number of general industrial controllers but advised that the customers were not in the cooling tower water treatment market and the controllers were likely to have been used for other water treatment purposes.

4.2 Verification of sales to audited financial statements

The verification team was able to reconcile Iwaki Australia's 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 Iwaki Australia's sales listing is a 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 1**.

4.3 Verification of sales to source documents

The verification team verified the accuracy of Iwaki Australia's 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 1**.

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 Iwaki Australia is related to any of its Australian customers for cooling tower water treatment controllers.

5 IMPORTS

5.1 The goods

Iwaki Australia 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.

The company provided a Walchem controller price list for 2017 and explained that its customers could order from the range of controllers and accessories on the list. Iwaki Australia also provided a brochure for Walchem controllers and explained that the controllers fell into the following categories:

- W100 a basic controller designed for simple applications and without the level of function generally required in the Australian cooling tower market.

- W600 mid-range model with more functions than the W100 model – only a few sold by Iwaki Australia for use in cooling towers. Cooling tower models contain the prefix WCT.

- WebMasterONE Iwaki America Inc’s top controller with four sensor inputs and integrated communications and data handling features. WebMasterONE models designed for cooling towers have the prefix WMT (single system) or WMD (dual system).

Iwaki Australia has a special arrangement with XXXXXXXXXXXXXXXX, whereby it imports and stocks certain controllers incorporated into packages commonly required by the customer. The company provided a price list for XXXXXXXXXXXXXXXX that offers the following cooling tower water treatment controller products:

Product code	Description
DPMT8130-7P2BGN	WebMasterONE cooling tower controller with conductivity, pH and ORP sensors, 4 powered relays, 4 dry relays, flow switch manifold on plastic panel, 2 4-20 mA output boards, analogue and digital input boards, GPRS modem and antenna
WCT610HHSSANBB	W600 series cooling tower water controller with 4 powered relays, 4 dry relays, 2 sensor input cards, conductivity sensor, flow switch manifold on plastic panel, ORP sensor.

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 Iwaki Australia.

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

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

5.3 Import listing

Iwaki Australia agreed that the list of imports provided to it by the Commission was an accurate record of its purchases of Walchem brand products from Iwaki America Inc over the investigation period (although as noted above, only a subset of the controller units fit the description of cooling tower water treatment controllers).

5.4 The importer

The visit team considers CPA 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 Iwaki America Inc to be the exporter of the goods.¹

5.6 Profitability of imports

The verification team calculated the profit margins for the selected shipments and observed that small losses were made on two of the selected shipments. The verification team considers that it is reasonable to consider the overall sales were profitable. The profitability assessment forms **Confidential Appendix 1**.

5.7 Arms' length

Notwithstanding that Iwaki Australia is related to its supplier Iwaki America, in respect of imports of the goods to Australia by Iwaki Australia 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 Iwaki Australia and its supplier were arms' length.

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.

6 RECOMMENDATION

The verification team is of the opinion that for the goods imported by Iwaki Australia from Iwaki America Inc:

- 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, the verification team recommends that the export price for the goods imported by CPA can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price.

7 GENERAL COMMENTS

Iwaki Australia stated that it considered the anti-dumping application lodged by Aquarius Technologies was a reaction to market share it lost as a result of the Global Financial Crisis and a period of exchange rates favourable to importing. It stated that it did not believe that the Australian market was being flooded with low priced imported controllers. It also stated that it did not believe the cooling tower water treatment controllers it imported from the USA were at dumped prices.

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8 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification Work Plan
Confidential Appendix 1	Profitability of sales