



**INVESTIGATION 238**

**ALLEGED DUMPING AND SUBSIDISATION OF CERTAIN DEEP  
DRAWN STAINLESS STEEL SINKS**

**EXPORTED FROM CHINA**

**VISIT REPORT - IMPORTER**

**EVERHARD INDUSTRIES 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

July 2014

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### ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Commission	Anti-Dumping Commission
Everhard	Everhard Industries Pty Ltd
FOB	Free On Board
GOC	Government of China
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
██████	████████████████████ [Confidential Information about supplier name]
SEF	Statement of Essential Facts
Tasman	Tasman Sinkware Pty Ltd
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
USP	Unsuppressed Selling Price

## 1 BACKGROUND AND PURPOSE

### 1.1 Background

On 31 January 2014, Tasman Sinkware Pty Ltd ('Tasman') lodged an application requesting that the Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) publish a dumping duty notice and countervailing duty notice in respect of certain deep drawn stainless steel sinks exported to Australia from China.

Tasman alleges that the Australian industry has suffered material injury caused by deep drawn stainless steel sinks exported to Australia from China at dumped and subsidised prices.

Public notification of initiation of the investigation was made on 18 March 2014 via Anti-Dumping Notice (ADN) 2014/20.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that an entity declared as Everhard Industries Pty Ltd ('Everhard') had imported deep drawn stainless steel sinks from China during the investigation period, which is 1 January 2013 to 31 December 2013.

The Anti-Dumping Commission (the Commission) wrote to Everhard on 18 March 2014 advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the Importer Questionnaire and associated spreadsheets to complete.

Everhard completed the Importer Questionnaire, providing:

- Part A - details regarding the, company, overseas supplier information and identification of its Australian customers
- Part B – details of the cost to import and sell plus profit of eight selected importations (the 'Importer Transaction Form'), and details of forward orders
- Part C – a detailed sales listing to Australian customers during the investigation period.

### 1.2 Purpose of visit

The purpose of the visit was to:

- provide Everhard with an understanding of the dumping and countervailing system and the key issues, dates and processes that relate to the Commission's investigation into certain deep drawn stainless steel sinks exported to Australia from China;
- confirm that Everhard is an importer of deep drawn stainless steel sinks from China as attributed to it within the import database and obtain information to

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assist in establishing the identity of exporters of the deep drawn stainless steel sinks from China;

- verify information on imports of deep drawn stainless steel sinks from China to assist in the determination of export prices;
- establish whether the purchases of deep drawn stainless steel sinks from China were arms-length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for deep drawn stainless steel sinks from China; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	Everhard Industries Pty. Ltd.
Address	405 Newman Rd Geebung QLD 4034
Date of visit	4 June 2014

The following were present at various stages of the meetings.

Everhard Industries Pty. Ltd.	Doug Stanaway – Chief Executive Officer – Everhard Industries Ross Chambers – Group Accountant – Everhard Industries
the Commission	Andrea Stone – Manager – Operations 2 Danielle Rudolph – Senior Investigator – Operations 2 Thalia Brazdil – Senior Investigator – Operations 1

### 1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2009 for the purpose of analysing the condition of the Australian industry.
- Andrea Stone is the Case Manager for this investigation. Danielle Rudolph would be supporting Andrea in investigating Tasman's allegations, and Thalia Brazdil would be responsible for assisting in the verification of Everhard's data.

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- The importer and exporter verifications would occur over the next couple of months (see Chapter 8 for further details).
- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 7 July 2014, this may be extended by the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) to a later date as allowed under s.269ZHI of *the Customs Act 1901* (the Act).<sup>1</sup> If this occurs, it will be notified on the investigation's Public Record.

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

Interested parties are encouraged to make submissions within 20 days of the SEF's release.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary.

The final report is due to be submitted to the Parliamentary Secretary by 20 August, though any extension to the SEF will result in a subsequent extension to the final report.

The Parliamentary Secretary has 30 days from receipt of the final report to make a decision on the report's recommendations.

- The Commission is able to impose a preliminary affirmative determination (PAD) and provisional measures on exporters of the goods if it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice. A PAD is able to be made at any time after Day 60 of the investigation, which was 19 May 2014 in this case.

### 1.5 Key case issues

The Commission advised Everhard on issues that were key to this investigation:

- *Market situation*: the Commission will consider Tasman's allegation that GOC involvement in the Chinese stainless steel market has led to a 'market situation'. If the allegation is proven, the Commission will likely construct normal values under s.269TAC(2)(c) using the exporters' cost to make and sell plus an amount for profit.
- *Costs reasonableness*: the Commission will consider the reasonableness of exporters' costs in determining normal values, which may result in the use of costs

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<sup>1</sup> All references to sections, sub-sections or paragraphs in this report relate to the Act unless specifically stated otherwise.

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other than those actually incurred by the exporter on the purchase of certain raw materials.

- *Subsidisation*: the Commission will investigate Tasman's allegation that the Government of China (GOC) has been subsidising Chinese deep drawn stainless steel sinks exporters, through grant programs, taxation programs and the provision of raw materials at less than adequate remuneration.

Everhard advised that in its view, its sole Chinese supplier of the goods, [REDACTED] [Confidential information about supplier], seemed to operate as a normal company, but Everhard has no knowledge as to whether [REDACTED] [Confidential information about supplier] was receiving GOC assistance.

- *Approach to product comparisons*: the Commission would focus on considering how best to compare the products imported from China with Tasman's products, to consider issues that influence price – such as sink configuration, steel grade etc. This also applies to comparing products exported to Australia and sold within China for assessing dumping.

Everhard noted that configurations (e.g. number of drainer boards and bowls) are important for comparing like with like but there are so many different configurations that it would be difficult to product match. Everhard submitted that accessories affect price and sinks including accessories should not be compared to products without accessories. Everhard advised that finish of the product only has a small price difference but should be compared to like products where possible.

### 1.6 Visit report

We explained to the company that we would prepare a confidential report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential. We noted that any confidential material would be handled appropriately by the Commission and not released to any third parties.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

## 2 THE GOODS

### 2.1 Description

The goods the subject of the application (the goods or GUC) are:

*Deep drawn stainless steel sinks with a single deep drawn bowl having a volume of between 7 and 70 litres (inclusive), or multiple drawn bowls having a combined volume of between 12 and 70 litres (inclusive), with or without integrated drain boards, whether finished or unfinished, regardless of type of finish, gauge, or grade of stainless steel and whether or not including accessories.*

The following provides further information in relation to the goods the subject of the application.

*For the purposes of this definition, the term “deep drawn” refers to a manufacturing process using metal forming technology to produce a smooth basin with seamless, smooth, and rounded corners.*

*Deep drawn stainless steel sinks are available in various shapes and configurations and may be described in a number of ways including flush mount, top mount, or undermount (to indicate the attachment relative to the countertop). Stainless steel sinks with multiple deep drawn bowls that are joined through a welding operation to form one unit are covered by the scope of the investigations.*

*‘Finished or unfinished’ refers to whether or not the imported goods have been surface treated to their intended final ‘finish’ for sale. Typically, finishes include brushed or polished.*

*Deep drawn stainless steel sinks are covered by the scope of the investigation whether or not they are sold in conjunction with accessories such as mounting clips, fasteners, seals, sound-deadening pads, faucets (whether attached or unattached), strainers, strainer sets, rinsing baskets, bottom grids, or other accessories.*

*Excluded from the definition of the goods the subject of this application are stainless steel sinks with fabricated bowls. Fabricated bowls do not have seamless corners, but rather are made by notching and bending the stainless steel, and then welding and finishing the vertical corners to form the bowls. Stainless steel sinks with fabricated bowls may sometimes be referred to as ‘fabricated sinks’.*  
*Deep drawn stainless steel sinks are commonly used in residential and non-residential installations including in kitchens, bathrooms, utility and laundry rooms. When used in the context of bathrooms, deep drawn stainless steel sinks may there be referred to, for marketing purposes, as ‘wash basins’. As noted above, deep drawn stainless steel sinks may have may, or may not, have a single (or multiple) integrated drain board that forms part of the sink structure, designed to direct water into the sink bowl.*



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### 2.2 Tariff classification

The goods are classified within tariff subheading 7324.10.00 (statistical code 52), in Schedule 3 of the *Customs Tariff Act 1995*.

The ACBPS tariff branch has confirmed this is the correct classification.

The rate of Customs duty payable is 5%.

### 2.3 The goods and like goods

During discussion with Everhard, we determined that it imports three broad categories of products from [REDACTED] **[Confidential information about supplier]** in China that either are or include deep drawn stainless steel sinks:

1. 'unaltered' deep drawn stainless steel sinks;
2. standalone laundry unit 'kits'; and
3. separate 'lipped' laundry tubs for assembly with Australian-made cabinets into standalone laundry units.

Everhard also imports two product ranges – the 'Como' and 'Circo' – from [REDACTED] **[Confidential supply information]**. These items are not imported from China and thus do not fall within the goods description.

Everhard considers that its imports that fall into Category 1 are like to Tasman's production but Tasman does not produce goods that are like to the Category 2 or 3 imports.

#### 2.3.1 Unaltered deep drawn stainless steel sinks (Category 1)

Everhard imports and sells deep-drawn stainless steel sinks of a 'drop in' nature (i.e. for mounting in a bench top) under the product names: Nu-gleam, Excellence, Benchline, Squareline and Milan. These deep drawn stainless steel sinks come in various sizes up to 70L.

As noted above, Everhard considers that these are like to Tasman's own production of deep drawn stainless steel sinks and compete directly with them.

- *Benchline*: Everhard's range of 'drop in' laundry tubs.

Everhard submitted that Tasman's most similar products that would compete in the same market are Tasman's 'Laundry' range.

- *Nu-gleam*: Everhard's upper entry/mid-level kitchen sink range.

These type of sinks are very popular and are designed to fit standard-sized Australian bench tops (and are referred to as the 'Australia range' by [REDACTED] **[Confidential information about supplier]** for this reason).

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Everhard submitted that this range is most likely to compete with Tasman's 'Lakeland' range.

- *Excellence*: this range is similar to the Nu-gleam but its different drainers make it a mid-tier range. It comes with optional accessories such as drainer baskets, colanders and chopping boards and is Everhard's only sink range to do so.

Everhard explained that the inclusion of accessories in this range enables better profit margins as it can be marketed as a better/more inclusive product. When sold with accessories, sinks may be packed in a way that enables accessories to be placed in the sink bowl.

Everhard submitted that this range is most likely to compete with Tasman's mid-range products.

- *Squareline*: this range is positioned at the mid-range end of the product range because of its more square and modern appearance.

Everhard submitted that this range is most likely to compete with some Tasman or Clark upper mid products (though none were specified).

- *Milan*: this is an upper mid-tier range of undermount sinks. Sales of this sink have been minimal in recent years.

### 2.3.2 Stand-alone laundry unit 'kits' and lipped tubs for assembly with Australian cabinets (Categories 2 and 3)

Everhard sells fully-assembled standalone laundry units. This involves importing from [REDACTED] **[Confidential information about supplier]**:

- 'kits' that include stainless steel 'lipped' laundry sinks and [REDACTED] **[Confidential information about imported products]** which are [REDACTED] **[Confidential information about imported products]** at Geebung into standalone laundry units; or
- 'lipped' laundry tubs that are assembled into standalone laundry units with polymer cabinets manufactured by Everhard at Geebung.

Everhard explained that, in relation to standalone laundry unit kits (Category 2), [REDACTED] **[Confidential information about supplier]** prices and invoices the sinks and flat pack cabinets collectively as one item. This contains all components necessary for assembly into a standalone laundry unit. Everhard provided the Commission with invoices and shipping summaries that confirmed that [REDACTED] **[Confidential information about supplier]** invoices Everhard for the laundry unit kits as a single product, rather than individual products (contained in the selected importations source documents – see Chapter 4).

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Everhard explained that its Category 3 products (lipped tubs that it assembles with Everhard-manufactured polymer cabinets) are invoiced and sold by [REDACTED] **[Confidential information about supplier]** as just the sink alone.

The Commission advised that the goods description for this investigation encompasses all deep drawn stainless steel sinks that meet the description of the goods and it is likely that:

- the lipped sinks imported for Category 3 use would meet the description of the goods subject to the investigation (being deep drawn stainless steel sinks in the applicable size range) and hence are subject to the investigation and any anti-dumping measures that may result; and
- the tubs within the standalone laundry unit kits would meet the goods description if imported separately (being similar to those described above), but the incorporation of other items with the tub into a full kit may no longer make the imported good a 'deep drawn stainless steel sink' and hence these may be excluded from the investigation (and any possible subsequent measures) by virtue of not being the goods subject to the investigation – this matter is being further considered by the Commission.

Everhard disagreed with the notion that the Category 3 lipped sinks should be subject to investigation. Everhard advised that while Tasman does have laundry tubs in its 'Laundry' product range, these products do not meet Everhard's requirements for assembly into standalone laundry units and are not like to Everhard's lipped sinks (either those within Category 2 kits or imported separately (Category 3)).

Everhard explained Tasman's products are designed to be incorporated (i.e. mounted) into a bench top and thus lack the metal lip/overhang that allows the sink to slot directly onto the top of laundry cabinet to form a laundry unit. Everhard stated that Tasman would need to invest in new moulds to deliver such a product and it would be uncertain whether it could do so at a competitive price in any case.

Everhard advised that because it does not consider its Category 2 or 3 imports to be like goods, it did not include data applicable to these imports in its response to the Importer Questionnaire.

We advised that there are provisions under the *Customs Tariff (Anti-Dumping) Act 1975* for goods to be exempted from anti-dumping measures in certain circumstances, including where like or directly competitive goods are not offered for sale by the Australian industry. We advised that the investigation may consider whether these conditions were met by the lipped laundry tubs imported by Everhard for incorporation into its laundry units.

We also advised that the investigation would further consider laundry unit 'kits' in terms of whether they are already excluded by virtue of not being the GUC.

We encouraged Everhard to monitor the investigation Public Record for future developments on the good and like goods, as well as possible exemptions. We also advised Everhard that it may wish to make submissions to the investigation on this point.

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### 2.3.3 Characteristics of imports (Category 1 goods)

Everhard outlined the following characteristics of its imported deep drawn stainless steel sinks.

#### Packaging and branding

Everhard's purchases from [REDACTED] **[Confidential information about supplier]** are packaged with Everhard branding, as is standard across the industry. The goods are boxed individually or wrapped and stacked and where accessories are included, these are within the box or wrapping.

Everhard advised that packaging costs around [REDACTED] per item for heavily packaged items (i.e. individually boxed).

#### Accessories

Everhard advised that 'basket wastes' (plugs) are included as standard in all its sink ranges and in some of its laundry tub items. Everhard advised that the inclusion of basket wastes is standard with modern kitchen sinks.

As discussed above, the Excellence sink range includes other accessories (e.g. chopping board). No other range includes accessories (other than standard basket wastes). Milan undermount also has accessories.

#### Product tier determination

Everhard advised that there are multiple factors that affect price and product tier range for its Category 1 deep drawn stainless steel sinks.

- *Configurations*: dimensions and number of drainer boards contribute to different product tiers.
- *Finishes*: 'Brushed', 'satin' and 'mirror' are the different finishes for stainless steel sinks. All Everhard's kitchen sinks are of 'mirror' finish. A 'satin' finish is used in Everhard's laundry bowls. A satin finish is slightly cheaper than the mirror finish.
- *Design*: more modern looking 'Squareline' deep drawn stainless steel sinks are of a higher tier to other designs.

Everhard advised that its current range was relatively small and focused on the entry-to-lower mid-tier product ranges, but it was working to develop a more up-market range.

#### Patents/exclusive supply arrangements

Everhard advised that it doesn't have any patents on the products it imports but it maintains some exclusivity over certain ranges and has invested heavily in research and development through co-contributing to [REDACTED] **[Confidential information about supplier]** development of new moulds.

Everhard submitted that it co-invested with [REDACTED] **[Confidential information about supplier]** to develop the Squareline and Milan sink moulds and works with [REDACTED] **[Confidential information about supplier]** on the understanding that [REDACTED]

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[Confidential information about supplier] can sell those ranges to suppliers from other countries but not from Australia (where Everhard has exclusive import rights over those ranges).

Conversely, the Nugleam and Benchline products are [Confidential information about supplier] developed moulds, but if [Confidential information about supplier] gets an inquiry from a potential customer about sourcing those ranges it will contact Everhard before responding to the sales request.

### Applicable standards and quality

Everhard advised there are few standards in China regarding the production of stainless steel or deep drawn stainless steel sinks and it does not believe there is an Australian standard for deep drawn stainless steel sinks.

However, Everhard explained that it will not accept any imperfect products and conducts its own quality control on received items. It also visits [Confidential information about supplier] factory to inspect quality and manufacturing practices. Everhard explained that [Confidential information about supplier] has supplied consistently high quality products.

Everhard explained that the steel used by [Confidential information about supplier] is of good quality, 304 grade and 0.8mm in thickness. Everhard explained that it believes that some manufacturers use sub-standard steel (not grade 304) and thinner steel (e.g. 0.6mm).

Everhard advised that a sound backing rubber matting is included in all sinks where a drainer board has been included (that is, all products except the Benchline range). The rubber matting is supplied with the sink from China. Everhard explained that other Australian and Chinese suppliers use timber laminate or a spray with a protective coating as an alternative to rubber backing. Everhard does not consider this is a major point of difference between products.

All products are supplied with clips or foam padding for ease of installation.

### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

Everhard is a wholly-owned subsidiary of Sibad Investments Pty Ltd. Everhard was established in 1926 and has remained a privately owned family business since.

Everhard initially focussed on manufacturing pre-cast concrete products and over the last 30 years has expanded into injection moulding (which it performs itself), waste water solutions and laundry and kitchen products.

Everhard is a manufacturer and wholesaler of a variety of products. It sells to plumbing and hardware merchants and civil contractors (smaller entities engaged in larger infrastructure projects). It does not sell direct to the public.

Everhard consists of three groups or divisions:

- Merchant/wholesale division – the company's largest division specialising in the supply of goods for use in domestic kitchens and laundries ('front of wall' products), as well as in the backyard ('back of wall' products).

The 'front of wall' items include the GUC, as well as other laundry, bathroom and kitchen products and accessories. These products are typically sold to home wares and plumbing retailers (such as [REDACTED] [Confidential customer information]).

The 'back of wall' products comprise largely of surface water drainage products manufactured by Everhard and sold by plumbing and hardware retailers for installation by home owners/plumbers.

- Environmental division – specialising in 'Aqua-nova' wastewater treatment systems used in non-sewered areas.
- Civil division – specialising mainly in supplying smaller companies involved in infrastructure projects with pre-cast concrete/polymer products.

Everhard provided the Commission with brochures that detail products supplied by the company, including deep drawn stainless steel sinks that are subject to this investigation. These form **Attachment 1**.

#### 3.2 Accounting structure and details of accounting systems

Everhard operates multiple cost centres across its operations and three profit centres at the division level and one at the whole of company level.

The company uses an enterprise resource planning system for all accounting functions including invoicing, costing and management reporting.

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### 3.3 Relationship with suppliers and customers

#### 3.3.1 Suppliers

Everhard's sole Chinese supplier of the goods is [REDACTED] [Confidential information about supplier]. Everhard advised that:

- it has no ownership interest in, and no relationship other than an arms length commercial relationship with, [REDACTED] [Confidential information about supplier]; and
- there were no discounts or rebates applicable to purchase of goods from [REDACTED] [Confidential information about supplier] during the investigation period.

We found no evidence of any discounts or rebates being provided to Everhard by [REDACTED] [Confidential information about supplier] during our verification.

#### 3.3.2 Customers

Among Everhard's major customers for deep drawn stainless steel sinks are:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]; and
- [REDACTED]

[Above redactions relate to confidential customer information]

Everhard sells directly to the individual outlets of these customers (e.g. directly to a specific [REDACTED] [Confidential customer information] commercial store).

Everhard explained that:

- it has no ownership interest in, and no relationship other than an arms length commercial relationship with, any of its customers; but
- there are a range of discounts or rebates applicable to sales of the goods to its customers during the investigation period - these are discussed further at Section 5.3.4.

Everhard explained that it maintains 'trading agreements' with customers that provide a framework through which to manage the customer relationship and terms of trade. It provided a confidential copy of the first few pages of a trading agreement with [REDACTED] [Confidential customer information] to assist the Commission in understanding the nature of these trading agreements. This forms **Confidential Attachment 2**.

### 4 IMPORTS

#### 4.1 Volume of trade

ACBPS' import database shows that during the investigation period Everhard had imported [REDACTED] **[Confidential information relating to import volumes]** consignments under the relevant tariff classification and statistical code, totalling [REDACTED] **[Confidential information relating to import volumes]** items in quantity. This includes Everhard's imports of all three categories of goods discussed in Section 2.3.

The shipments listed in the import database did not distinguish the sink configuration, the model type, whether accessories were also included in the import, or which abovementioned category (1 – 3) the imported products were.

As part of the Importer Questionnaire, we asked Everhard to confirm whether the imported goods listed were considered the goods subject to the investigation (deep drawn, stainless steel sinks). While completing the Importer Questionnaire, Everhard advised that:

- it did not consider certain imports to be the goods subject to the investigation (see Section 2.3); and
- the majority of the consignments in the provided database listing were mixed consignments that included the goods and non-GUC products in the one line.

Consequently, Everhard provided the percentages of GUC to non-GUC for eight selected importations (chosen by the Commission for further verification – see below), but was unable to do this for all consignments due to the manual nature of determining this percentage.

As discussed in Section 4.3 below, the Commission verified the accuracy of the data in the import database download by selecting eight shipments for verification to source documents.

In performing this task with Everhard, it was observed that for two of the selected shipments (ACAPEKRRA and ACC7TH333), the quantity in the ACBPS database had been under recorded, and that for another shipment (ACEM7WN77), the quantity had been over recorded. After making these slight corrections, we note that the import database download shows that Everhard imported [REDACTED] **[Confidential information relating to import volumes]** items during the investigation period.

After performing these checks and minor corrections, we are satisfied that the total quantity and customs value in the import database correspond with the supplier's invoices. However, we note that the database information contains imports of all three categories of products discussed above, including laundry tub kits that are potentially not the goods. We therefore consider the ACBPS import database to be of limited utility to the investigation because it includes some irrelevant data.

A copy of the corrected import database download forms **Confidential Attachment 3**.



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### 4.2 Stock levels, ordering and supply process

Everhard advised that its ordering process is generally as follows:

- [REDACTED] [Confidential information about supplier] issues a fixed price list for Everhard branded goods. There are no discounts or rebates applicable to this price list. [REDACTED] [Confidential information about supplier] periodically amends this price list and refers to raw material prices listed on the London Metal Exchange when making pricing changes.
- Everhard maintains stock of [REDACTED] [Confidential information about supplier] products but tries to maintain minimal/maximum inventory.
- Regularly, Everhard will assess its stock levels and forecasted need for [REDACTED] [Confidential information about supplier] products and places purchase orders on [REDACTED] [Confidential information about supplier]. Sales trends inform Everhard's sales forecast and the forward orders sought from [REDACTED] [Confidential information about supplier].
- [REDACTED] [Confidential information about supplier] produces and dispatches the goods, which arrive up to 90 days after placing the order. This accounts for 60 days for lead time to manufacture and 30 days for freight. Orders are placed regularly because of the large volumes and 90 day lead time.
- All sales are made at Free on Board (FOB) terms and invoices are issued in US dollars.
- [REDACTED] [Confidential information about supplier] issues Everhard an invoice at the Bill of Lading date.
- Everhard advise that there is no credit afforded on the shipments from [REDACTED] [Confidential information about supplier], with a direct deposit payment made by Everhard once a week on Fridays, covering the invoices supplied during that week (we consider this amounts to minimal credit terms).
- Everhard organises for the product to be landed, cleared and delivered (using a third party) to its warehouse premises.

### 4.3 Verification of imports

As discussed above, from the listing of all of Everhard's relevant importations obtained from the ACBPS import database, the Commission selected eight shipments to examine in detail and Everhard completed an 'Importer Transaction Form' detailing the costs to import and sell for each selected shipment as Part B of its response to the Importer Questionnaire (**Confidential Attachment 4**).

At the visit, Everhard provided the following source documents, so as to verify the data in its 'Importer Transaction Form' for the eight selected shipments (**Confidential Attachment 5**):

- Commercial invoices from [REDACTED] [Confidential information about supplier];

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- Packing lists;
- Packing declarations;
- Bills of lading;
- Customs broker and logistics invoices
- Purchase orders to ██████████ **[Confidential information about supplier]**;
- Copies of customs entry declarations;
- Insurance policy and premium invoice; and
- Proof of payment (in the form of a report showing invoice numbers and their amount paid collectively and the relevant bank deposit slip for each).

From the Importer Transaction Form, we were able to reconcile the shipment number, bill of lading number and packing list for the selected shipments with the source documentation provided in relation to each of the selected shipments.

### 4.3.1 Supplier invoice details

We matched the invoice prices, volume and supplier details for each of the selected shipments on the Importer Transaction Form to the supplier invoices.

We observed that only importations of Category 1 ('drop in') deep drawn stainless steel sinks were included in the Importer Transaction Form, and that importations of Category 2 and 3 (laundry unit kits and lipped laundry tubs) were not included by Everhard. We observed the importation volumes and values of these other Category 2 and 3 goods on various invoices that included these products as well as Category 1 goods.

We confirmed that all the selected shipments were supplied by ██████████ **[Confidential information about supplier]** and were invoiced at FOB and in USD.

For each selected shipment, we verified that Everhard paid ██████████ **[Confidential information about supplier]** directly via EFT for the FOB price as reflected in the importation spreadsheet and commercial invoices. We were satisfied that the amount on the commercial invoice was the price paid to ██████████ **[Confidential information about supplier]** by Everhard.

In line with Everhard's statement that invoices were paid weekly after invoicing, we observed that payment was made by Everhard to ██████████ **[Confidential information about supplier]** within a one to two week period from the date of the commercial invoice.

We observed that, within the Importer Transaction Form, Everhard converted the USD commercial invoice prices to AUD using the exchange rate that was paid at the time of the EFT transaction (i.e. the exchange rate actually incurred by Everhard when making the EFT payment). The exchange rate was verified to the bank deposit slips in the proof of payment documents.

We observe that the AUD calculations in the ACBPS import database are converted using the exchange rate on the date of the customs entry and hence did not exactly match those recorded in the Importer Transaction Form.

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### 4.3.2 Shipment costs

Under the heading of 'Shipment Costs' in the Importer Transaction Form, Everhard entered amounts for overseas freight but not for marine insurance.

Everhard explained that they have a blanket marine insurance policy that covers all of Everhard's freighted goods, both inland domestic freight and marine freight for imports. Everhard explained that the premium for this policy was [REDACTED] **[Confidential information about insurance costs]** for March 2013 – March 2014. Everhard explained that its insurance premium reflects its strong claim history.

We verified this premium amount to the insurance tax invoice provided in Confidential Attachment 5 and we observed from the insurance documents provided that this covered all of Everhard's freighted goods as explained.

Considering the level of the premium and the amount of freight per annum it covered, we determined the amount of insurance attributable to the selected imports to be negligible and that it was therefore reasonable to be excluded from the calculations in the Importer Transaction Form.

Within the source document packages, Everhard provided invoices for ocean freight for each of the selected eight shipments. We observed that the Importer Transaction Form allocated the total freight costs for the shipment to the Category 1 deep drawn stainless steel sinks in the Importer Transaction Form (that made up only part of each shipment – see above) by reference to revenue. In light of the fact that the shipments contain various different products of differing weights, we consider this to be a reasonable method of allocation (as opposed to a volume-based allocation). We confirmed that the listed freight calculations were correct.

Using the verified data in the Importer Transaction Form, a weighted average ocean freight cost in AUD/unit has been calculated in the below table.

	Weighted average cost AUD/Unit
Ocean freight	[REDACTED]

These calculations are within **Confidential Attachment 6**.

### 4.3.3 Importation costs

Under the heading of 'Australian Importation Costs' on the Importer Transaction Form, Everhard entered amounts for:

- Customs entry fees;
- Customs brokers fees;
- Quarantine charges (where applicable);
- Port service and terminal handling charges;
- Delivery (cartage) charges;
- Import duty; and
- Shipping line doc fees and LoLo charges.

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All importation charges relevant to specific purchase orders were incurred by the freight company which then submitted a commercial invoice to Everhard for the total value of costs incurred.

We compared the importation cost amounts provided in the relevant invoices to the Importer Transaction Form. Some minor discrepancies were found (which appeared to be manual entry errors) and the data reported in the Importer Transaction Form was adjusted accordingly.

Using the verified data in the Importer Transaction Form, weighted average importation costs in AUD/units have been calculated in the below table. These calculations are located in Confidential Attachment 6.

Item	Weighted Average cost AUD/units
Customs entry fees	
Customs broker fee	
Quarantine Charges	
Port Service Charges	
Import Duty	
Delivery (cartage)	
Doc fees	
<b>Total</b>	

#### 4.4 Selling, general and administrative (SG&A) costs

In its Importer Transaction Form, Everhard provided a percentage figure for each shipment line (related to the individual item codes of each line) that it reported was representative of selling, general and administrative expenses as a proportion of total revenue. Everhard then applied this percentage to a figure of reported revenue for each of the selected shipments by line, to arrive at a calculation of its total selling, general and administrative expenses applicable to that line.

As part of its response to the Importer Questionnaire, Everhard submitted a 'Selling and Admin Estimates' workbook that supported the abovementioned percentages by each shipment line (this workbook forms **Confidential Attachment 7**).

In this workbook, Everhard:

- listed its total selling, general and administrative expenses for calendar year 2013;
- listed its total revenue figure for calendar year 2013;
- listed its calendar year 2013 total revenue for each type of deep drawn stainless steel sink by item code;
- evenly allocated selling, general and administration expenses to each applicable item code by reference to its sales revenue as a proportion of total sale revenue; then
- arrived at the percentage applicable to each item line by dividing the allocated selling, general and administration expenses for the item code by the total financial year revenue for all products.

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We were able to trace the reported expenses in the above calculations to Everhard's calendar year 2013 profit and loss statements (split into January – June and July – December) included in Confidential Attachment 13 – see Section 5.3.4 below.

To verify the revenue figures by item code, Everhard provided sales summary reports for each applicable item code showing monthly revenue and volume as well as annual revenue and volume for the period. These form **Confidential Attachment 8**.

We considered that Everhard's calculations of selling, general and administrative expenses for the purposes of the Importer Transaction Form were not accurate because they calculate the selling, general and administrative costs percentage used in the Importer Transaction Form as the total costs allocated to the item line as a percentage of all revenue, as opposed to revenue for that item line.

We note that amending the calculations so that the applied percentage is determined as total allocated expenses per item line/revenue for the item line, has the same effect as performing this analysis at a whole-company level (i.e. all expenses/all revenue) because Everhard has evenly allocated expenses to item line based on their proportion of revenue.

Consequently, we have re-calculated Everhard's selling, general and administrative expenses as its total selling, general and administrative expenses as a proportion of whole company revenue for calendar year 2013. We have amended the Importer Transaction Form accordingly.

Using the verified data in the Importer Transaction Form, we calculated weighted average SG&A costs as [REDACTED] **[Confidential information about costs]**. These calculations are within Confidential Attachment 6.

### 4.5 Export prices for selected shipments

Based on verification of eight of the selected shipments, we calculated weighted average FOB export price (in AUD) for the goods over the investigation period.

These calculations are summarised in the below tables (by range and then by bowl number).

	<b>Nugleam</b>	<b>Excellence</b>	<b>Benchline</b>	<b>Squareline</b>
Export price by model	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<b>1</b>	<b>1.5</b>	<b>1.75</b>	<b>2</b>
Export price by bowl number	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

These calculations are in **Confidential Attachment 9**.

## 5 AUSTRALIAN MARKET

### 5.1 General

Everhard stated that new housing builds peaked in 2010, so 2009 and 2010 were reasonably good years nationally. However, Everhard submitted that the market has dropped off since then in terms of volume.

Everhard submitted that there are different market conditions across the different states. Victoria's market has been depressed for the last year or so, Sydney's was depressed for about 8 years but started picking up again last year, Queensland's has been quite flat across the injury period and other states haven't seen much change.

Everhard stated that, in recent times, market conditions have seemed to improve slightly.

Everhard explained there is no apparent seasonality in the market, excluding the traditional lull early in the new year when construction slows during peak holiday time.

Additionally, Everhard submitted that there has been changes in the composition of the suppliers in the market over the last five years, with a growth in the number of Chinese importers (e.g. Sunny, Starlight, Ostar etc.) that are based in China and are able to use their existing relationships and knowledge of the Chinese industry to source products cheaply and efficiently. Customers who have also been the traditional customers of Everhard, Tasman and other importers/suppliers (such as builders and developers and major retailers like [REDACTED] [Confidential customer information]) have also become competitors as they increasingly look at options to source directly from overseas manufacturers. For example, Everhard has seen a rise in the prevalence of [REDACTED] [Confidential customer information] own imported exclusive brands during the injury analysis period.

Everhard advised that across the industry some merchants sell predominately to new builders, while some target renovators. As [REDACTED] [Confidential market information] sale of flat pack kitchens has grown in recent years, renovations and the sale of products for incorporation into flat-pack kitchens would likely have also increased (although this would correspond with a drop in sales to developers of new buildings).

Everhard considers it competes directly with Tasman in the deep drawn stainless steel sinks market. [REDACTED] [Confidential customer information] and many other merchants would stock both Everhard and Tasman products.

Everhard explained that the purchasing decisions of end users are largely determined by the customer's objectives and requirements (e.g. bench space, top or undermount, appearance, etc.), as well as budget. Everhard observed that, as a result, major retailers like [REDACTED] [Confidential market information] stock a variety of brands to appeal to [REDACTED] [Confidential market information] broad array of customers.

Everhard considers that market conditions have meant that it is increasingly important for manufacturers to put in place robotics and other automated mechanisms to help reduce costs and maintain a competitive advantage. Everhard observed that if Tasman hasn't updated its plant recently to allow for cost savings, it will have struggled to be competitive.

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### 5.2 Distribution and Selling

Everhard typically imports stock to its' Queensland (Geebung) site. All [redacted] **[Confidential information about production processes]** processes – including of laundry tubs using stainless steel sinks imported from China – occur at Everhard's [redacted] facility at [redacted] Branches **[Confidential information about production processes]**.

Everhard holds stock across five Australian branches, and in other warehouses operated by Everhard agents [redacted] **[Confidential information about sales processes]**

Deliveries are contracted through a third party delivery service that operates out of Everhard's facilities.

Everhard advised that some retailers hold floor stock, while others don't. Even amongst those that do keep stock, Everhard considers there is a growing trend amongst retailers to hold less stock and this places the burden of holding stock largely on Everhard and other suppliers, who are often required to deliver items to retailers the day after they've been ordered. For this reason, Everhard has had to increase stock levels over the injury analysis period.

### 5.3 Sales

#### 5.3.1 Ordering and sales process

- Everhard maintains a price list that it distributes to its customers. Discounts and rebates are additional to this listing. Details of this price list are outlined below.
- Everhard's customers place orders either via phone, fax or email.
- Everhard fills these orders the following day for despatch to its customers that day.
- Everhard invoices their customers at the end of every month. Customers have varying credit terms [redacted] **[Confidential sales processes]**.
- All sales are made at free-into-store (FIS, delivered) terms where applicable.

#### 5.3.2 Pricing

As outlined above, Everhard maintains a price list, which it reviews on a regular basis. This is known as the 'wholesale' price list.

The prices in this list take into account costs to import and sell, including importation costs as well as overheads, delivery, rebates, warehousing, domestic freight etc., and then ideally a [redacted] **[Confidential pricing information]** profit margin.

However, Everhard stated that it typically meets the market price of deep drawn stainless steel sinks communicated to it by its clients, which can erode its margins. Everhard provided the Commission with a copy of its current wholesale price list. This forms **Confidential Attachment 10**.

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While Everhard uses a standardised wholesale price list as its base, competition in the sector can necessitate further negotiations with some customers. These negotiations can result in agreeing with customers a [redacted] **[Confidential pricing information]** price list which applies to specific Everhard products. [redacted]

[redacted] **[Confidential pricing information]**

Further to the listed price, Everhard has a selection of discounts and rebates available to its customers. Rebates and discounts applicable to each customer are detailed in trading agreements with individual customers.

Rebates come in various types – e.g. volume, incentive (this relates to a company stocking Everhard products continuously for at least 12 months). Rebates can be between [redacted] **[Confidential pricing information]** of the total invoice price.

In relation to advertising fund contributions, sometimes Everhard will agree to pay for its products to be advertised in customers' catalogues and it accrues a 'rebate' amount against customers for this purpose. Some retailers like [redacted] **[Confidential market information]** will instead make their own decisions regarding whether their suppliers' products will be featured in advertisements. In addition to rebates, [redacted] **[Confidential pricing information]**

Everhard advised that its customers commonly deduct the [redacted] **[Confidential pricing information]** themselves off the invoice price (as some have multiple rebates to apply), and Everhard reconciles the payment made against the invoice issued after payment is received.

Everhard explained that whilst they do not encourage rebates, rebates have the benefit of being easier to hide on invoices than are other discounts, so provide less transparency around a company's pricing mechanisms if shared by a customer to other competitors.

### 5.3.3 Warranties

Everhard offers a 25-year warranty on all products. The warranty is serviced by Everhard directly. Competitors are offering similar warranties, although it's unclear to Everhard if warranties are a selling feature. The warranty covers manufacturing defects only and Everhard always inspect any products when a complaint is received.

### 5.3.4 Sales verification

As discussed in Section 1.1, Everhard provided detailed sales listing of its sales of deep drawn stainless steel sinks to its Australian customers during the investigation period.

This listing did not include sales of standalone laundry units (either assembled using Everhard-manufactured polymer cabinets or cabinets imported in 'kits').

#### Accuracy – verification to source documents

During the verification, Everhard provided source documents relevant to the eight Australian sales selected by the Commission for verification from Everhard's Part C sales listing, including:

Deep drawn stainless steel sinks from China – Importer Visit Report – Everhard Industries Pty. Ltd.



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- invoices (and a credit note for one selected credit);
- remittance advices; and
- extracts of Everhard's bank statements showing the payment of remittance advices.

These form **Confidential Attachment 11**.

We matched the invoice details (value, quantity, product details, and invoice date) for the eight transactions to Everhard's sales listing.

We observed from invoices containing sales of multiple products that included deep drawn stainless steel sinks and other goods not subject to the investigation or standalone laundry units, that only the invoice line pertinent to deep drawn stainless steel sinks was included in the Everhard Part C sales listing.

We also observed that the remittance advices listed the selected invoice numbers and listed the gross invoiced amount for payment as part of the remittance advice total and the provided bank statement extracts displayed the payment of the total of these remittance advices to Everhard's account.

We asked Everhard how it could demonstrate that the rebate and discount amount listed in the Part C sales listing was accurate for the eight selected shipments, allowing us to verify the net sales price provided in the sales listing.

Everhard explained that in some cases it will credit its customers with rebate amounts on a periodic basis, while other customers calculate their own rebates that they believe they are entitled to and deduct this from the total of the payment made to Everhard for applicable invoices (this is more common).

Everhard further explained that in terms of settlement discounts its customers simply deduct the settlement discount from their payment when they have paid in line with the conditions of the discount.

We observed that within several provided remittance advices Everhard's customers were deducting amounts for [REDACTED] **[Confidential pricing information]** prior to arriving at the net amount due for the remittance advices (these totals were verified to bank statements – see above). In some cases, these deductions were listed on an invoice-by-invoice level, and others on aggregate for the whole remittance advice.

We were able to trace these discount and rebates amount within the remittance advices to the sales of deep drawn stainless steel sinks in the sales listing by reference to the percentage of the gross invoice or remittance advice value represented by the discount and rebates listed on the advices, which was comparable to the percentage of the gross invoiced price represented by the rebate and discount listed for each invoice line in the Part C sales listing.

As a result of the above verification, we are satisfied that invoice details recorded in Everhard's sales listing are accurate and that Everhard's customers are incurring the net invoiced amount listed in the sales listing.

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### Completeness and relevance – verification to Everhard's accounts

We requested Everhard provide us with documents to conduct an upwards reconciliation of Everhard's Part C sales listing of deep drawn stainless steel sinks.

Everhard was able to interrogate its accounting records to generate a sales report showing total gross revenue by product code for its 'CMF' division during calendar year 2013. The forms **Confidential Attachment 12**.

Within this, Everhard identified the product codes of its deep drawn stainless steel sinks imported from China (i.e. not including those purchased from [REDACTED] **[Confidential supply information]** discussed above). We were able to directly reconcile the total gross sales value of all lines in the Part C sales listing to the total of the identified relevant sinks product codes in this report.

Everhard then provided copies of its company-wide profit and loss reports for the following periods:

- financial year 2013;
- July 2012 – December 2012;
- January 2013 – June 2013; and
- July 2013 – December 2013.

These form **Confidential Attachment SALES 13**.

We observed that these profit and loss statements reported gross revenue separately for each of Everhard's four divisions, and rebates and discounts were reported on aggregate for the divisions to arrive at net revenue.

We used these statements to calculate the gross sales revenue for the CMF division in 2013 (the investigation period, and the period of the Part C sales listing). We were able to reconcile this profit and loss statement total to the total of the 2013 CMF division sales report discussed above.

We were then able to reconcile the net revenue reported in the financial year 2013 profit and loss statement to the audited profit and loss statement in Everhard's 2013 audited accounts (provided during verification and attached as **Confidential Attachment SALES 14**).

Following the above verification, we are satisfied that Everhard's Part C sales listing is a complete and relevant list of all of Everhard's sales of deep drawn stainless steel sinks over the investigation period.

### **5.3.5 Profitability of sales**

We discussed the need to assess the profitability of each selected shipment with Everhard by reference to the total actual selling price of the imported products in that shipment.

Everhard explained that it is not possible for it to trace the actual selling prices of its imported deep drawn stainless steel sinks to their originating shipment because the

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goods enter its warehouse facilities and may be sold across different times to multiple different customers.

Instead of providing actual revenue for each shipment, in the Importer Transaction Form (Confidential Attachment 4) Everhard instead provided the 2013 annual average unit revenue for each applicable imported product, by reference to its item code (product name and bowl number). The average revenue by item code was also included in the original selling, general and administrative costs calculations and verified to a sales report (Confidential Attachment 8) – see Section 4.4.

To assess the reasonableness of using these annual sales prices to determine profitability, we undertook quarterly analysis of selling prices reported in the Part C sales listing. In doing so, we observed that prices by product name and bowl number fluctuated on a quarterly basis, in some cases over [REDACTED] from one quarter to the next. Consequently, we replaced the annual figures provided by Everhard in the Importer Transaction Form with quarterly revenue figures from the Part C sales listing analysis.

Using this revenue and the verified cost to import and sell, we calculated the total profit for all of the eight selected shipments in the Importer Transaction Form. All sales examined were profitable.

The range of profit for the selected transactions was calculated at between [REDACTED]. We observed that overall the shipments were profitable with an average profit of [REDACTED].

The Commission's assessment of selling prices on a quarterly basis, and its calculations for profitability and selling price form **Confidential Attachment 15**.

## 6 WHO IS THE IMPORTER AND EXPORTER

### 6.1 Who is the importer?

We reviewed the documents provided in respect of the selected shipments. We note that Everhard:

- negotiates directly with the supplier;
- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- arranges and pays for ocean freight and marine insurance;
- has an insurable interest in the goods while they are on the water;
- arranges Customs clearance, logistics and storage of the goods after they delivered to the Australian port; and
- retains ownership of the goods until they are delivered to Everhard's customers;

We consider Everhard the beneficial owner of the goods at the time of importation, and therefore the importer.

### 6.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principal in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

Subject to further inquiries, we are satisfied that [REDACTED] **[Confidential information about supplier]** can be considered the exporter of deep drawn stainless steel sinks imported by Everhard. To our knowledge, [REDACTED] **[Confidential information about supplier]** is a principle in the country of export that manufactures the goods and gave up the goods for shipment directly to Everhard.

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### 7 ARMS LENGTH

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is 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; and
- in the opinion of the Parliamentary Secretary, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Everhard advised that it has no relationship with its supplier of deep drawn stainless steel sinks (████████ [Confidential information about supplier]) other than being buyer and seller in arms length transactions.

It stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Everhard advised that the invoice price was the price paid to its supplier.

During our examination of the selected shipments, we did not find any evidence, in respect of the purchase of deep drawn stainless steel sinks, that:

- there is any consideration payable other than price;
- the price was influenced by the commercial relationship between Everhard and its suppliers; and
- subsequent to the purchase, Everhard received or will receive a benefit in respect of any part of the price.

Further, we found that all of the selected shipments were profitable.

We are satisfied that import transactions between Everhard and its supplier of deep drawn stainless steel sinks are at arms length in terms of s. 269TAA.

## 8 GENERAL COMMENTS

- [REDACTED] **[Confidential information about supplier]** *domestic pricing*: Everhard suggested that [REDACTED] **[Confidential information about supplier]** domestic sales prices might not produce an accurate dumping margin because it would likely sell to domestic buyers directly and in smaller quantities, rather than benefiting from economies of scale found in export markets. The Commission confirmed that comparisons between export and domestic prices take into account, as much as possible, terms of trade (such as distribution-level price vs. retail-level prices).

Everhard emphasised it could find cheaper Chinese suppliers of the GUC, but uses [REDACTED] **[Confidential information about supplier]** to supply the goods because it has established a strong relationship with [REDACTED] **[Confidential information about supplier]** and benefits from [REDACTED] **[Confidential information about supplier]** quality service. Everhard's insurance company completed an audit for quality and health and safety at [REDACTED] **[Confidential information about supplier]** and reported very positive results. Everhard stated it would be willing to share the audit with the Commission if needed.

- *Tasman's profitability*: Everhard suggested Tasman probably has too many items in stock and that this would likely lead to issues with inventory, inability to promote specific products, etc. that would affect Tasman's profitability.
- The Commission will verify two other importers. It contacted the six top importers of the goods identified in the ACBPS database and three agreed to cooperate. The other two companies that have decided to cooperate with the Commission's investigation at this time are GWA Group and International Research & Marketing (IRMC).

Everhard noted that IRMC's role was to source products for [REDACTED] **[Confidential market information]** exclusively, rather than to act as a typical importer that wholesales to a variety of customers. IRMC sources some products from the same factory as [REDACTED] **[Confidential market information]** (though the specific factory was not identified).

- Everhard advised that across the kitchen/laundry sales sector, margins have been dropping continually over the last five years because of a lull in the housing sector and changes in the market. Major retailers are increasingly setting the price of the goods because companies like [REDACTED] **[Confidential market information]** increasingly use third parties to source items directly from manufacturers on their behalf. Everhard has found that its customers are increasingly in competition with Everhard and other importers and this creates difficulties in maintaining a profit margin. The heavy competition, with a variety of import sources, has also led to an environment in which it is difficult to make a profit – particularly on the entry-to-lower middle tier ranges.

## 9 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the goods imported by Everhard from [REDACTED] **[Confidential information about supplier]**:

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

Subject to further inquiries with these exporters, we recommend that the export price for deep drawn stainless steel sinks imported by Everhard from [REDACTED] **[Confidential information about supplier]** can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

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### 10 APPENDICES AND ATTACHMENTS

<b>Attachment 1</b>	Selection of Everhard brochures
<b>Confidential Attachment 2</b>	██████████ customer agreement
<b>Confidential Attachment 3</b>	ACBPS import database download
<b>Confidential Attachment 4</b>	Importer Transaction Form
<b>Confidential Attachment 5</b>	Selected importation source documents
<b>Confidential Attachment 6</b>	Weighted average freight, importation costs and FOB export price calculations
<b>Confidential Attachment 7</b>	Selling, general and administrative costs calculation workbook
<b>Confidential Attachment 8</b>	Sales summary reports by item code
<b>Confidential Attachment 9</b>	Weighted average export price calculations
<b>Confidential Attachment 10</b>	Wholesale price list
<b>Confidential Attachment 11</b>	Selected sales source documents
<b>Confidential Attachment 12</b>	CMF division sales report
<b>Confidential Attachment 13</b>	Selected profit and loss statements
<b>Confidential Attachment 14</b>	Audited financial statements
<b>Confidential Attachment 15</b>	Profit calculations