



**INVESTIGATION 238**

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

**EXPORTED FROM CHINA**

**VISIT REPORT - IMPORTER**

**International Research & Marketing Corp 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

# PUBLIC RECORD

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### ABBREVIATIONS

The Act	<i>Customs Act 1901</i>
█	█
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
Commission	Anti-Dumping Commission
FIS	Free into store
FOB	Free on board
IRMC	International Research and Marketing Corporation
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
█	█
█	█
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative costs
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 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 International Research & Marketing Corp Pty Ltd. (IRMC) had imported deep drawn stainless steel sinks from China during the investigation period, covering 1 January 2013 to 31 December 2013.

The Anti-Dumping Commission (the Commission) wrote to IRMC on 18 March 2014 advising the company of the initiation of the investigation, requesting co-operation with the investigation, and providing the company with a copy of the importer questionnaire and associated spreadsheets to complete.

IRMC completed the importer questionnaire, providing details regarding the company, overseas supplier information and identification of its Australian customers with respect to sale of the imported goods.

### 1.2 Purpose of visit

The purpose of the visit was to:

- confirm that IRMC is an importer of deep drawn stainless steel sinks from China as attributed to it within the commercial database and obtain information to 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;

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- 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	International Research & Marketing Corp Pty Ltd (IRMC)
Address	Level 1, 21 North Terrace Burnie, TAS 7320
Date of visit	11 June 2014

The following were present at various stages of the meetings.

IRMC	Barry Lloyd Campbell – Managing Director - IRMC Valerie Ann Kerr – General Manager - IRMC
the Commission	Carl Halpin – Senior Investigator – Operations Team 4 Angela Kidson – Investigator – Operations Team 4

### 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.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (19 May 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD until (and 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.

- This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.
- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the Public Record by 5 October 2014, or such later date as the Parliamentary Secretary to the Minister for Industry (Parliamentary Secretary) allows under s.269ZH1 of *the Customs Act 1901* (the Act).

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- 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 that it raises.
- 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.
- This final report is due no later than 19 November 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

### **1.5 Visit report**

We explained to the company that we would prepare a 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 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) 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 nonresidential 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%.



### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

IRMC was established in approximately 1984. The founder's son, Barry Lloyd Campbell, assumed leadership of the company following the passing of his father in 2011.

The company considers itself to be an agent importer / wholesaler. IRMC began by sourcing goods, presenting these to potential customers and then developing products as they were requested by various customers. The company imported sinks and accessories as well as various other goods, including electrical appliances. Sinks and accessories have always formed a key part of the business and currently account for 90-95% of revenue and profits, as estimated by management.

IRMC first imported sinks and accessories from Korea, and then later the People's Republic of China (China). The company's main customer is [REDACTED] ([REDACTED]), a retail supplier of plumbing and bathroom products. IRMC also sells to [REDACTED] ([REDACTED]), a manufacturer and wholesaler of kitchen and bathroom products.

The company also engages in a range of other activities to generate income in the property industry. IRMC was formerly involved in a water bottling business. The company has an office in Burnie, Tasmania, and has two full time employees. The company is 100% owned by Lloyd Campbell Testamentary Trust and had annual turnover of \$[REDACTED] in 2012-13.

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

The company operates to a financial year ending 30 June, and uses MYOB software to manage its accounting records. Accountants external to the business prepare financial statements including a profit and loss statement and balance sheet for the company on an annual basis. IRMC stated that there had been no cause for audit and therefore none had been performed to date.

IRMC provided a copy of their financial statements for the year ended June 2013. **(Confidential Attachment 1)**

#### 3.3 Relationship with suppliers and customers

##### 3.3.1 Suppliers

IRMC advised that it purchased all of its products from [REDACTED] in China during the investigation period.

IRMC advised that:

- it works with [REDACTED] to develop new moulds for sink presses;
- it has no ownership interest in [REDACTED] and that the relationship is an arms length commercial one;

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- there were no discounts or rebates applicable to purchase of goods from [REDACTED] during the investigation period.

We found no evidence of any discounts or rebates being provided to IRMC by [REDACTED] during our verification.

IRMC has previously imported sinks and accessories from manufacturers in China and Korea. The company switched its business to [REDACTED] after becoming concerned that their designs were being copied by the factory and sold to other customers.

### 3.3.2 Customers

IRMC stated that they sell deep drawn stainless steel sinks to [REDACTED] and [REDACTED].

The company sells to [REDACTED] outlets in Victoria and Queensland, which in turn supply a range of [REDACTED] outlets across Australia.

IRMC stated that they supply certain models of sinks to [REDACTED] in an exclusive sales arrangement, [REDACTED]. IRMC established a relationship with [REDACTED] after initially meeting with the company to present a range of sinks to them.

IRMC also supplies [REDACTED] sinks to [REDACTED]. [REDACTED] fits the sinks supplied by IRMC to cabinets which it then sells as kitchen cabinets. IRMC advised that all sinks sold to [REDACTED] were for inclusion in the construction of [REDACTED] kitchen cabinets.

IRMC explained that:

- it has no ownership interest in, and no relationship other than an arms length commercial relationship with any of its customers; and
- there were no discounts or rebates applicable to sales of the goods to its customers during the investigation period; but
- the company provides goods free of charge on a periodic basis to [REDACTED] as a means to settle warranty claim expenses on goods supplied. These are discussed further at Section 4.3.2.

### 3.4 The goods and like goods

IRMC stated that they sold three ranges of deep drawn stainless steel sinks to [REDACTED], [REDACTED]. The company also sells two types of lay-on sink to [REDACTED], which are used in kitchen cabinets.

IRMC emphasised that most of their sinks have a gauge or thickness of 0.7 to 0.9 mm and are made of 304 (food grade) stainless steel. The sink designs vary in terms of the number and size of bowls, drainer boards and dimensions. All sinks have a silk finish and include a waste kit, sealing tape and clips (for installation).

The exceptions to the rule were two models of lay-on sinks sold to [REDACTED]. These sinks have a gauge of 0.7 to 0.8 mm and did not include any sealing tape or clips, as these are installed on top of a free-standing kitchen cabinet rather than into a bench top.

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### Ranges

The [REDACTED] is the company's entry level product line. The sink is a relatively older design within the company's product range and the shape is reversible (i.e. it can be used as a left or right-handed sink). The pricing on these sinks is low and profit margins are slim. The model is sold as a loss leader, however IRMC claims that even despite this, they could not match pricing levels set by Bunnings or Masters for similar products.

The [REDACTED] is IRMC's mid-range offering, and delivers the highest volume of sales. The company presented design sheets for three types of sink within this range (**refer Confidential Attachment 2**). The model includes a wood board located beneath the drainer to dull the sound of the drainer board and add rigidity to the sink. IRMC claimed this was a feature that was unique to the model. The sinks in this range have a depth of 195 mm and non-reversible design elements.

The [REDACTED] is IRMC's top tier product line which is sold exclusively to [REDACTED]. This design of sink was originally handmade, as the tight corners of the sink could not be pressed out in deep drawn sinks. Advances in the technology to press sink shapes has allowed for tight corners to be pressed out with the appropriate design mould. IRMC consider that the Australian manufacturers do not possess the technology to deep draw a sink with tight corners such as their [REDACTED] range.

The company sells two types of lay-on deep drawn stainless steel sinks to wholesaler [REDACTED]. These are 900 mm and 1200 mm sinks with a gauge of 0.7 to 0.8 mm. [REDACTED] fits these sinks to [REDACTED] kitchen cabinets and sells them as [REDACTED] products.

### Packaging, branding and standards

Packaging is boxed or nested depending on the product tier. The [REDACTED] and [REDACTED] sinks are packaged in boxes rather than nested, which adds to shipping costs due to the increased space required.

IRMC does not assemble any goods.

The company's customers, [REDACTED] and [REDACTED], carried out the branding and marketing of sinks. [REDACTED] supplies IRMC with the branding specifications for the packaging, which IRMC provides to its supplier [REDACTED] who label and pack the goods accordingly. Sinks sold to [REDACTED] are not branded products due to their use in further applications.

IRMC advised that there is no design standard for sinks. They stated that only waste baskets required a watermark of approval.

### Warranties

Warranties are offered by the retailers to end users. IRMC stated that they support [REDACTED] and [REDACTED] with the cost of any defects in supplied sinks. [REDACTED] offers 10 year workmanship cover on their sinks, while [REDACTED] provides a 25 year warranty. Examples of warranty claims included damage such as scratches and dents. An error in the die may also create anomalies in a sink.

[REDACTED] periodically invoices IRMC with a warranty expense, requesting goods free of charge in exchange for the cost incurred. The company provided evidence of this

Deep drawn stainless steel sinks from China – Importer Visit Report – International Research & Marketing Corp Pty Ltd.

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arrangement in the form of a purchase order from [REDACTED] and an invoice raised by IRMC in response. (**Confidential Attachment 3**<sup>1</sup>)

### Comparison with Tasman products

When asked about how their deep drawn stainless steel sinks compare with Tasman's, IRMC highlighted the thickness of the steel and the quality of the backing boards as key areas of difference. Reference was made to the fit of the boards and the materials used. Quality observations made by IRMC related to the difference between their products and the low tier products sold to the DIY market.

IRMC was not overly familiar with the Tasman range and could not comment in detail on how their sink range compared with Tasman products. The company did, however, break down their own product offering into product tiers.

### Product tier determination

IRMC confirmed that a range of factors will determine the product tier of a deep drawn stainless steel sink. They are listed below, in descending order of importance.

Steel grade – IRMC imports sinks with the 304 (food grade) stainless steel. The company noted that they had seen other sinks in the market which used a lower standard of 202 grade stainless steel.

Steel weight / thickness / gauge – IRMC claims that this affects the rigidity and longevity of the sink. The [REDACTED], has a thickness of 0.7 mm and [REDACTED] and [REDACTED] have a thickness of 0.9 mm. Sinks sold to [REDACTED] had a thickness of 0.7 to 0.8 mm. Some low quality sinks have a gauge of 0.6 to 0.7 mm.

Finish – silk, satin and mirror are common finishes. Mirror is an older finish which has fallen out of fashion. All IRMC sinks have a silk finish.

Angle of the corners – finer corners are a product of recent technology and command a premium over wider corners.

Depth – shallow sinks may be pressed out in a single action. A deeper sink, by comparison, may involve two separate presses and then welding of the two parts. Therefore deeper sinks fall into a higher product tier.

Inclusion of accessories such as boards, colanders and so on – the condition of these accessories, in terms of material and fit with the sink, were perceived by the market as indicators of quality for the overall sink package. IRMC also noted the quality of the backing boards as a factor.

Packaging – higher value sinks will be individually boxed in cartons to protect them from damage which may be incurred during delivery. Cheaper models of sinks are nested.

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<sup>1</sup> Confidential Attachment 3, Invoice no. 75347

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### Factors affecting classification by tier

#### *Project grade (low-tier):*

- Packaging: Stacked
- Reversible design elements
- Older design / style

#### *Mid-tier*

- Packaging: Individually Boxed
- Non reversible design elements
- Newer design / style

#### *Top-tier*

- Packaging: Individually Boxed
- Non Reversible Design
- Tighter corners using specific machine (IRMC don't believe Tasman can make this tight corner using deep drawn technology)
- Newer design / style

IRMC noted that their products did not cover the entry level, or project market. The company consider that their sinks target the mid-range to the top level segments and are priced relatively high in the market.

## 4 AUSTRALIAN MARKET

### 4.1 General

IRMC discussed industry trends in broad terms.

The company believe that the market size for deep drawn stainless steel sinks is increasing, as indicated by sales activity by their main customer [REDACTED]. IRMC has observed that their sales to [REDACTED] have been stable at a time when [REDACTED] has begun importing their own sinks as well.

Building and renovation activity was the main factor underpinning demand for sinks, according to IRMC. Occupational Health and Safety standards (requiring hand basins in offices and other commercial premises) and replacement of old sinks were other reasons cited for rising demand.

IRMC considers that Everhard, [REDACTED], Clark and Tasman are the key players in the deep drawn stainless steel sinks market. Omega, Shriro and Bunnings were identified as newer entrants. The company noted that some companies such as Omega, which had traditionally sold ovens and cooktops, had now expanded into offering sinks as well. IRMC believed that these companies had some scope to compete by leveraging their brand name and offering bundle packaging of goods.

IRMC stated that there are various markets for deep drawn stainless steel sinks, such as the DIY/project market, new building construction market and renovator/upgrader market.

IRMC considers that its sinks are predominantly sold by [REDACTED] to plumbers, who are engaged in the construction of new houses and the renovation of existing ones. They claimed that plumbers do not want the base sink and will choose products from the middle of the range and upwards, depending on the work.

IRMC explained that changing trends in construction were influencing demand for sinks. The move towards customisation, for example, has allowed the buyers of new homes and off-the-plan apartments to choose the type of sink that they want. This means that purchase orders for sinks from retailers, such as [REDACTED], are more varied than before.

The company has noted increasing competition at the lower end of the market from imported products in recent years, the majority produced in China. IRMC stated that the rise of the DIY buyer and the flat pack construction method has encouraged the market to the low end of the range. The customer in this segment is uneducated about the differences between sinks and so their decision is based largely on price. They observed that Bunnings, for example, sells basic sinks with a gauge of 0.6 to 0.8 mm.

IRMC do not consider that sales to the DIY buyer (by retailers such as Bunnings) erode their business, as they do not compete in this segment but cater largely to the mid to top tiers of the market. IRMC did, however, believe that the presence of cheaper products in the market was reducing the starting point from which prices were set, and limiting the pricing for which medium to high quality sinks could be sold. As a price leader, Bunnings sets a base price above which the premium for higher quality sinks can be priced. The effect has been to put downwards pressure on sink pricing across all ranges.

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IRMC explained that the purchasing decisions of their customers were influenced predominantly by quality and service.

The company has observed changing trends and fashions in the deep drawn sinks market. IRMC has updated their products over time in response to changes in market preferences. This has involved the creation of new sink designs and investment in new moulds to press them, which are owned by IRMC.

### 4.2 Distribution and Selling

IRMC does not operate any warehouses but instead uses an importing agent to arrange delivery of the goods directly to the customer. Shipments for [REDACTED] are delivered to distributors in Victoria ([REDACTED] Victoria) and Queensland ([REDACTED] Regional). Goods for [REDACTED] are delivered to their premises in Victoria and Queensland to undergo further assembly.

### 4.3 Sales

#### 4.3.1 Ordering and sales process

IRMC outlined the ordering and subsequent sales process to their customers as follows:

- IRMC maintains a price list and product design sheets which customers order from;
- when a customer places an order, quantities and models are relayed to the factory in China;
- the factory calculates packaging and container lots required and suggests alterations if necessary;
- the factory confirms that it can meet the requirements of the order, confirmation is given and the order is prepared;
- A vessel is booked and, upon presentation of the bill of lading, the factory is paid in \$US;
- when goods are on board or in Hong Kong, IRMC is notified;
- customs agents organise delivery directly with the customer, IRMC is then invoiced for sea freight and duties;
- an invoice is raised on the arrival date and an email sent to the customer;
- all sales are made at free-into-store (FIS, delivered) terms; and
- IRMC invoices customers at the end of the month - credit terms are [REDACTED] days for [REDACTED] and [REDACTED] days for [REDACTED].

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### Pricing

The company has a set price that [REDACTED] orders from, in conjunction with a sheet detailing their sink models. IRMC does not have a contract with [REDACTED] but operates under an honour system, with the standard terms of sale including [REDACTED] days credit and all sales made FIS. IRMC advised that prices from their supplier had not changed in the past three years and consequently IRMC's prices to their customers have also not changed in the same period.

IRMC advised that its sales price is negotiated only in response to a shift in the cost of goods from China, or a radical change in the exchange rate. During the investigation period there had been no changes in the sales prices to either [REDACTED] or [REDACTED].

IRMC advised that due to the small volume of sales to [REDACTED], no formal price lists exist however the price has also remained constant for the past three years. Terms of sales to [REDACTED] included [REDACTED] days credit terms and also FIS delivery.

IRMC stated that no discounts or rebates are offered to their customers and that the invoiced price is the price paid.

### **4.3.2 Sales verification**

IRMC provided a detailed sales listing of its sales of deep drawn stainless steel sinks to their [REDACTED] Australian customers during the investigation period, which formed Part C of their importer questionnaire response.

#### Accuracy – verification to IRMC source documents

During the verification, IRMC provided source documents relevant to the twelve Australia sales selected by the Commission for verification from IRMC's Part C sales listing, including:

- invoices between IRMC and their customers;
- remittance advices; and
- extracts of IRMC's bank statements showing the payment of remittance advices.

These form **Confidential Attachment 3**.

We matched the invoice details (value, quantity, product details, and invoice date) for all transactions to IRMC'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, that only the invoice line pertinent to deep drawn stainless steel sinks were included in the IRMC 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 IRMC's account.



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We noted that one of the selected invoices had goods listed at a sale price of \$[REDACTED] each. IRMC advised that this invoice was raised to issue goods in lieu of cash to pay a credit claim from its major customer, [REDACTED]. IRMC advised that approximately once a year [REDACTED] provided IRMC with a summary of their claims for a particular period, which related to product defects or warranty claims.

IRMC provided correspondence from [REDACTED] showing the claims made over the period January to September 2012 which totalled \$[REDACTED]. [REDACTED] requested that these claims be settled with the supply of goods free of charge. As IRMC's accounting system does not allow for goods to be provided at zero cost, a nominal charge of [REDACTED] is raised for each item, which [REDACTED] pays.

Once the goods are supplied, the warranty claim for that period is considered settled. IRMC stated that due to the longstanding relationship with [REDACTED], the warranty claims are generally paid (with goods free of charge) as they consider these claims to be reasonable. We consider that this was reasonable, however for the purposes of undercutting analysis consider that this transaction be excluded.

IRMC advised that it did not operate any rebate or discount structures, and that its prices had not changed in the past three years. We found no evidence of any rebate structures or discounts paid off invoice.

We compared the unit prices for selected models across the investigation period and found that IRMC's claims were accurate, with no price changes between IRMC and its customers across the investigation period.

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

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

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

IRMC advised that they had constructed the Part C Sales listing manually as their accounting system was unable to extract a product specific report that would provide the necessary details for the questionnaire response. Thus, we were unable to complete an upwards verification from the total sales listing to the financial statements.

IRMC were however able to provide a report that listed all invoice numbers and total invoiced value (including the goods and products not subject to the investigation) for the following periods at **Confidential Attachment 4**:

- Financial Year 2012/2013 (July 2012 – June 2013)
- Six Months of Year 2012 (July 2012 – December 2012)
- Six Months of Year 2013 (July 2013 – December 2013)

We reconciled the total invoiced amounts from the selected invoices to these reports, noting that these included both the goods and accessories (not the goods).

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IRMC advised that [REDACTED] only purchased goods under consideration from IRMC during the investigation period (and did not purchase any products that are not the goods). Thus we were able to reconcile the Part C sales listing for this customer upwards to the financial statement as follows.

SALES shown in listing for Financial Year 2012/2013 of \$ [REDACTED]

LESS: Six Months of Year 2012 (July 2012 – December 2012) of \$ [REDACTED]  
 PLUS: Six Months of Year 2013 (July 2013 – December 2013) of \$ [REDACTED]

EQUALS: Sales made in the Investigation Period totalling \$ [REDACTED]

We filtered sales for [REDACTED] from the Part C sales listing and found this total reconciled with total sales for the investigation period.

As invoices to IRMC's other customer of deep drawn stainless steel sinks, [REDACTED], also included products other than the goods we were unable to reconcile [REDACTED]'s sales listing upwards. Using the same methodology as was conducted for [REDACTED] we calculated the total sales value for all sales to [REDACTED] in the investigation period as follows.

SALES shown in listing for Financial Year 2012/2013 of \$ [REDACTED]

LESS: Six Months of Year 2012 (July 2012 – December 2012) of \$ [REDACTED]  
 PLUS: Six Months of Year 2013 (July 2013 – December 2013) of \$ [REDACTED]

EQUALS: Sales made in the Investigation Period totalling \$ [REDACTED]

We compared this to the total of sales in the Part C sales listing spreadsheet [REDACTED] which, as expected, did not reconcile with a variance of approximately [REDACTED]. We then compared the sample of invoices selected to determine the ratio between the goods under investigation and other good for each invoice and a weighted average across the sample of invoices.

Invoice	Goods	Not the Goods
75216	[REDACTED]	[REDACTED]
75305	[REDACTED]	[REDACTED]
75440	[REDACTED]	[REDACTED]
75526	[REDACTED]	[REDACTED]
75527	[REDACTED]	[REDACTED]
75626	[REDACTED]	[REDACTED]
75643	[REDACTED]	[REDACTED]
75678	[REDACTED]	[REDACTED]

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<b>Weighted Average:</b>	██████	██████
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We found that across the sample, ██████% of the total value of the invoices represented the goods. This is consistent with the variance between the Part C sales listing and the total invoice amounts shown in the invoice reports. In light of this analysis, we consider that it is reasonable to conclude that the sales listing is reasonably complete.

We reconciled the total of the financial year invoice report to the financial statement, which reconciled with a ██████% variance. IRMC consider that this may be due to some invoices being raised in one period and paid in another period. We consider this variance reasonable.

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

### 4.3.3 Profitability of sales

We explained to IRMC that we needed to assess the profitability of the sales of the goods under consideration as part of our arms length assessment and to determine any amount of profit should a deductive export price be constructed. We noted that for sales to ██████ we could trace the import consignment directly to the sale of the goods and found these to be profitable with an average profitability of ██████%.

Imports sold to ██████ also included accessories and sinks that did not meet the goods definition (not deep drawn sinks) and thus it was not possible to trace the profitability of each sale from the Part B cost to make and sell spreadsheet. Including the sale of accessories, other sinks and the goods, we found sales to ██████ to be profitable with an average profitability of ██████%.

To check the profitability of the individual goods under investigation, we compared the invoices from the supplier of the goods (██████) and sales to IRMC's customer (██████). We found for each model the sale price to the customer was higher than that of the purchase price from the exporter. As the consignments were profitable overall, and each individual item was also profitable (excluding import costs), we consider that the goods under consideration were also profitable.

## 5 IMPORTS

### 5.1 Volume of trade

Following on from IRMC's response to Part A of the Importer Questionnaire, IRMC were provided an extract download from Customs Border and Protection's import database. This extract listed imports of goods under the relevant tariff subheadings, being 7324.21.00 (statistical code 52) and from the country under investigation made by IRMC during the investigation period.

The import database showed that IRMC had imported ■ consignments of sinks and wash basins made of stainless steel, totalling ■ items in quantity.

As the shipments listed in the import questionnaire did not distinguish the product type, we asked IRMC to confirm whether the imported goods listed were the goods and also in the case of mixed shipments, what percentage of these shipments it considers to be the goods and which are not. IRMC stated that they were unable to estimate the mix of the shipments without conducting further analysis. Analysis by the ADC outlined in section 4.3.2 found that that approximately ■% of each shipment were the goods.

The Commission has further verified the accuracy of the data in the import database download by selecting eight of these shipments that were selected on the basis of their spread across the investigation period.

### 5.2 Forward orders

IRMC advised that due to the way that they order from their supplier, they currently did not have any forward orders in place. Given all importations are made on the back of orders from IRMC customers we consider it reasonable that IRMC would not have forward orders.

### 5.3 Verification of imports

#### 5.3.1 Supplier invoice details

IRMC provided copies of invoices associated with the selected importations from which we observed that ■ invoiced IRMC directly for each shipment in USD at FOB terms. The invoice and bill of lading listed IRMC as the consignee and ■ as the consignor of the goods. IRMC advised that they made an electronic payment to ■ on evidence of a bill of lading, which was confirmed in the selected importation documents (**Confidential Attachment 5**). For the selected importations all invoices were paid in accordance with this procedure.

The importer questionnaire Part B – Cost to Import and Sell included both the goods and other goods such as accessories or non deep drawn sinks in each shipment. IRMC were unable to separate the goods from the accessories, thus the import transaction spreadsheet represents the entire shipment and not only the goods under consideration, with the exception of sales to ■ which only included the goods.

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### 5.3.2 Shipment costs

IRMC advised that their Customs agents arranged for the shipment of the goods to Australia. Their agents, Specific Freight Pty Ltd, arrange the shipment of the goods from the FOB point to the end customer in Australia and incur these expenses. Specific Freight then invoice IRMC for their services. We observed that all applicable charges from the FOB point to the delivered duty paid point had been incurred by Specific Freight and passed onto their client, IRMC who then paid each invoice.

### 5.3.3 Importation costs

IRMC advised that their Customs agents also facilitated the importation of the goods and paid all necessary post importation costs. Their agents, Specific Freight Pty Ltd, arrange the importation and shipment to the end customer in Australia and incur these expenses. Specific Freight then invoice IRMC for their services. We observed that all applicable charges from the FOB point to the delivered duty paid point had been incurred by Specific Freight and passed onto their client, IRMC, who then paid each invoice.

As the shipments included goods other than the goods under consideration, we apportioned the importation costs for the shipment by the average percentage of the goods within each shipment to determine a weighted average importation cost of the goods per shipment. The quantity provided by IRMC was not meaningful as it included sinks and accessories, thus we were unable to derive importation costs per unit. We instead divided the total importation costs by the invoice price (attributable to sinks) which resulted in average importation costs of █████% of export price.

### 5.3.4 Mould expenses

IRMC advised that traditionally they allocated an expense of █% of the purchase price to cover the cost of mould development with their overseas manufacturer. IRMC were unable to advise the origin of this calculation or provide evidence to support the quantum of the expense other than stating that this was a tradition with the company to ensure that over time the costs of the mould acquisition were covered, or to offset future moulds.

IRMC advised that during the previous financial year, or during the investigation period they had not incurred any mould expenses from their supplier as the range of sinks had not significantly changed. As a result, we were unable to verify the accuracy of this expense and have excluded this expense from the sales route spreadsheet.

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

In its questionnaire response, IRMC estimated SG&A expenses to be █████% of sales revenue. This was based on internal estimates from the Profit and Loss statement (P&L) from IRMC. We examined the P&L for IRMC and noted that significant income was sourced from activities that were not related to the goods, including property investments. Management fees to a parent company and losses from the sale of fixed assets relating to property investments were also included in the SG&A expenses whereas wages were excluded and appeared in the parent company P&L statement.

We considered it inaccurate to include SG&A expenses that did not relate to the sale of the goods under investigation, and thus sought to exclude expenses that related to property investments and include wages relating to the sale of the goods. We consider

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that management fees did relate to the sale of the goods and thus they were included in the SG&A calculations. We calculated an SG&A expense relating to the sale of the goods as follows:

Total expenses from IRMC P&L: \$ [REDACTED]

LESS Loss from sale of Fixed Assets: \$ [REDACTED]

PLUS Wages recorded on parent company P&L: \$ [REDACTED]

EQUALS: Total expenses related to the sale of the goods: \$ [REDACTED]

We divided this expense by the total sales revenue which resulted in a SG&A of [REDACTED] %.

### 5.5 Export prices for selected shipments

We calculated export prices across the period by product tier and number of bowls as shown below. As export prices did not change across the period and only one model for each size was offered we did not calculate a weighted average price and instead used the actual prices for each model.

#### Project Range (Entry Level Tier):

Bowls	Export Price (USD)
1	[REDACTED]
1 + 3/4	[REDACTED]

#### Mid-Level Tier:

Bowls	Export Price (USD)
1	[REDACTED]
1 + 1/3	[REDACTED]
1 + 3/4	[REDACTED]

#### Top Tier:

Bowls	Export Price (USD)
1 + 1/3	[REDACTED]
1 + 3/4	[REDACTED]

## 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:

- IRMC is listed as the consignee on the invoices and the importer on Customs declarations,
- IRMC's broker arranges the shipment to Australia and import clearances on behalf of IRMC who pay their broker,
- IRMC directs the delivery of the goods directly to their clients.

We consider IRMC to be 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] can be considered exporter of the goods imported by IRMC. To our knowledge, these entities are principals in the country of export, which manufacture the goods and gave up the goods for shipment directly to IRMC.

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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.

IRMC advised that it has no relationship with its supplier of deep drawn stainless steel sinks (██████) 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. IRMC advised that the invoice price was the price paid to its supplier, which was verified as accurate during our visit.

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 IRMC and its suppliers; or
- subsequent to the purchase, IRMC 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 IRMC and its supplier of deep drawn stainless steel sinks are at arms length in terms of s. 269TAA.



## **8 GENERAL COMMENTS**

IRMC emphasised that they could not state conclusively whether dumping was occurring or whether the Australian industry was being injured.

IRMC stated that as they were not involved in the retail end of the market, and only sold to two customers, they were not in a position to comment on the overall performance of Tasman in the Australian market.

However, IRMC believed that Tasman had not invested in their technology in the last 20 years. They also considered that Tasman could not produce the range of sinks that customers wanted, either in the project market (lower quality, cheaper sinks), or at the higher end (under-bench sinks). The pricing and quality of Tasman sinks put them between these two markets. IRMC believed that Tasman were importing sink models up to 4 years ago to fill some of the gaps in their line-up.

## 9 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the goods imported by IRMC from [REDACTED]:

- 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 these exporters, we recommend that the export price for deep drawn stainless steel sinks imported by IRMC from [REDACTED] can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

