



**INVESTIGATION 238**

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

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

**VISIT REPORT - IMPORTER**

**GWA GROUP LIMITED**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

**August 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
Fletcher	Fletcher Building Limited, Tasman Sinkware Pty Ltd's parent company
██████████	██ [Redaction - supplier name]
FOB	Free On Board
GWA	GWA Group Limited
██████████	██ [Redaction - supplier name]
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
RMB	Remnibi, the official currency of the People's Republic of China
SEF	Statement of Essential Facts
Tasman	Tasman Sinkware Pty Ltd, the Australian industry responsible for manufacturing the goods under consideration (deep drawn stainless steel sinks from China)
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

## 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 deep drawn stainless steel sinks exported to Australia from China.

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

Following consideration of the application, the Anti-Dumping Commission (the Commission) decided not to reject the application. Public notification of initiation of the investigation was made in The Australian newspaper on 18 March 2014.

Anti-Dumping Notice (ADN) No. 2014/20 provides further details of this investigation and is available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

The investigation period is 1 January 2013 to 31 December 2013. The Commission will examine exports to Australia of the goods during that period to determine whether dumping has occurred. The Commission will examine details of the Australian market from 1 January 2009 for injury analysis purposes.

Prior to initiation of the investigation, GWA Group Ltd (GWA) was identified in the Australian Customs and Border Protection Service (ACBPS) import database as a potential large importer of deep drawn stainless steel sinks from China during the investigation period. Consequently, GWA was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

GWA 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 six selected importations (the 'Importer Transaction Form'), and details of forward orders;
- Part C – a detailed listing of sales to Australian customers during the investigation period.

### 1.2 Purpose of visit

The purpose of the visit was to:

- verify information on imports of deep drawn stainless steel sinks to assist in the determination of export prices;
- 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; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

### 1.3 Meeting details

Company	<b>GWA Group Ltd</b> Level 1, 7-9 Irvine Place Bella Vista NSW 2153
Dates of visit	12 June 2014

The following were present at various stages of the meetings.

GWA	Trevor Smith – Category Marketing Manager - GWA Bathrooms & Kitchens Chris Campbell – International Sourcing and Vendor Manager – GWA Bathrooms & Kitchens Greg Faulkner – International Sourcing & Vendor Manager, Silver – GWA Bathrooms & Kitchens Malcolm Dagg – Commercial Manager - GWA Bathrooms & Kitchens Nicky Wang – Product Manager, Starion - GWA Bathrooms & Kitchens
The Commission	Ms Andrea Stone (Case Manager, Operations 2) Ms Danielle Rudolph (Senior Investigator, Operations 2)

### 1.4 Investigation process and timeframes

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

- Andrea Stone is the Case Manager for this investigation. Danielle Rudolph would be supporting Andrea in investigating Tasman's allegations.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (19 May 2014) and provisional measures ('securities') 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.

The Commission advised that securities would only be issued for goods exported after the PAD is released publicly, and would only be collected if the Commission determines that dumping and/or subsidisation have occurred.

- 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's (Parliamentary Secretary) to a later date as

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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 Minister can terminate dumping and/or countervailing investigations at any time, if the Minister is satisfied that dumping and/or subsidisation have not occurred.

### 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.

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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.

## 2 THE GOODS

### 2.1 Description

The goods under consideration (the goods or the 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.*

#### Additional product information

The application contains the following 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%.



### 3 COMPANY DETAILS

#### 3.1 Commercial Operations

GWA is an Australian company listed on the Australian Stock Exchange.

GWA has three operating divisions:

- GWA Bathrooms & Kitchens, which designs, manufactures, imports and distributes domestic and commercial bathroom and kitchen products.

GWA Bathrooms & Kitchens' products are distributed under domestic brands including Caroma, Clark, Epure, Radiant, Irwell, Dux, EcoSmart and international brands including Hansa, Schell, Virtu, EMCO and Sanitron. This business contributed \$367.547m towards group revenue in 2012/13.

The GWA Bathrooms & Kitchens division is the only division importing the GUC. All the imported GUC are sold under the "Clark" or "Radiant" brand names.

- GWA Heating & Cooling, which designs, manufactures, imports and distributes residential and commercial heating and cooling systems. This business contributed \$58.750m towards group revenue in 2012/13.
- GWA Door & Access Systems, which designs, manufactures, imports and distributes access and security systems for use in residential and commercial premises. The product range is distributed under Australian brands including Gainsborough. This business contributed \$140.878m towards group revenue in 2012/13.

GWA submitted an overview of the leadership / organisational structure within the Bathrooms & Kitchens Group in **Confidential Attachment 1 – GWA Overview on Sinks**. Key roles and/or business areas identified by GWA included:

- The Research and Development area, responsible for managing the development of products from the modelling, design and approvals phases, through to the project management of the delivery of new products.
- National Operations Manager, responsible for managing supply chains including international product sourcing and warehouse operations. GWA operates warehouses in every state.
- Sales, which is responsible for managing both Australian and New Zealand sales. GWA has state sales managers based in all states.
- Marketing Manager, who is responsible for brand marketing and communications.
- Service Improvement Manager, who is responsible for managing customer engagement (such as with architects and builders).
- Category Marketing Manager, responsible for managing the ranges available to customers (such as introducing new ranges and removing obsolete products).

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- Commercial Manager, responsible for finance.

### 3.2 Finance structure

#### 3.2.1 Finance structure and processes

GWA advised its finance structure is split across two key areas of responsibility:

- A localised finance team within GWA Bathrooms & Kitchens division that undertakes traditional accounting functions (such as managing payments from customers and to suppliers, managing customer claims such as returns and rebates, etc.) and provides analytical support.
- A corporate accounting team, which looks after statutory accounts, payroll, accounts payable and accounts receivable.

#### 3.2.2 Accounting system and structure

GWA noted that all transactions across the GWA group occur within the same accounting framework.

GWA said that all Bathrooms & Kitchens accounts are paid and received under the “Caroma Industries” name, because Caroma had traditionally managed the purchase and sale of sinks and was the Bathroom & Kitchen division’s main trading entity. GWA advised that there were no internal financial transfers between the brands managed under the Bathroom & Kitchens division (such as from Caroma to Clarke or vice versa), and all divisions in the group share the same profit centre.

GWA stated it uses Movex accounting software, which has the functionality to identify transactions across different parts of GWA Group.

GWA stated that the group’s accounts are audited, and as the company is publicly listed it is possible to access GWA’s accounts via the ASX or the company website.

GWA advised its Bathrooms & Kitchens division has not been specifically audited, though it was possible to identify account linkages using the annual report.

GWA included a comprehensive overview of the role and organisational structure for its finance team in Confidential Attachment 1.

### 3.3 Relationship with suppliers and customers

#### 3.3.1 Relationship with suppliers

GWA reiterated the information provided in its Importer Questionnaire that it imported deep drawn stainless steel sinks from the following companies during the investigation period:

[REDACTED]

[REDACTED]

[REDACTED]

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GWA noted that [redacted] obtains its products from [redacted] and indicated that the two entities operated closely and could be related companies.

GWA stated that it had an arms' length relationship with all suppliers and was not related to any exporters of the GUC. [redacted]

[redacted – information regarding supplier relationship] (but did not provide the visit team with an example copy of any such agreement).

GWA advised that it doesn't view itself as a recipient of dumped products because it doesn't spot buy products, and maintains a relationship with suppliers that enable suppliers to be profitable and in a position to want to maintain an ongoing relationship with GWA.

GWA advised it had been working with [redacted] and that GWA provides significant support to its suppliers [redacted]

[redacted – information regarding supplier relationship].

### 3.3.2 Relationship with customers

GWA submitted in its Importer Questionnaire that it sold the goods to the following customers during the investigation period:

Customer	Level of trade
[redacted]	Retailer
[redacted]	Retailer
[redacted]	Retailer
[redacted]	Retail plumbing merchant buying group
[redacted]	Retail plumbing merchant buying group
[redacted]	Retailer
[redacted]	Retailer
[redacted]	Retailer

GWA advised during the verification visit that it shares many retail customers with Tasman, including [redacted], and that it would expect Tasman to compete with GWA across the board for sales to retailers of the GUC.

GWA noted that while it only sells the GUC directly to retailers (such as those listed above) that then on-sell the goods to the end user, [redacted]

- [redacted]
- [redacted]

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[Above redactions relate to marketing strategies market segment information]

GWA advised that it competes with Tasman [Redaction – customer and marketing information].

GWA advised that, when seeking to sell [Redaction – Information about customer relationship] and then direct the representatives to retailers for purchase.

GWA advised it [Redaction] with these customer segments, and provided a copy of its [Redaction] (Confidential Attachment 2). We reviewed the document and found that it addressed the purchase of [Redaction] [Redaction – Information about customer relationship]

GWA stated it signs trading agreements with merchant customers where appropriate, which cover [Redaction – purchasing price information] and provided a copy of its current trading agreement template (Confidential Attachment 3).

### 3.4 Like goods

GWA estimates approximately [Redaction] sinks worth about [Redaction] every year are sold on the Australian market, of which GWA estimates it a [Redaction] market share. GWA estimates approximately [Redaction] laundry sinks and cabinets are sold on the Australian market annually, and that GWA has around an [Redaction] share of that market.

During discussion with GWA, we determined that it imports two categories of products from [Redaction] in China that are considered likely to be the GUC:

1. deep drawn stainless steel sinks for incorporation into benchtops; and
2. 'lipped' laundry sinks that are assembled with imported cabinets to form free-standing laundry units.

GWA 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 imports.

GWA also advised it imports some stainless steel sinks that are not the GUC. This includes:

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- Certain Clark-branded product lines which are imported from [REDACTED] (as opposed to China), including the [REDACTED] [REDACTED] [REDACTED] [Redaction –Sink range information].
- Fabricated sink ranges from China, including the [REDACTED] [REDACTED] [REDACTED] [Redaction –Sink range information]

GWA provided the visit team with copies of its sink product brochures (**Attachment 1 – Selection of product brochures**).

### 3.4.1 Deep drawn stainless steel sinks for incorporation into benchtops (Category 1)

GWA submitted in its Importer Questionnaire and during the verification visit that it imports and sells deep-drawn stainless steel sinks for mounting in a bench top under a variety of product names, including:

- [REDACTED] – An entry-level Clarke-branded product, imported from [REDACTED].
- [REDACTED] – A mid-tier Clarke-branded 45L sink imported from [REDACTED].
- [REDACTED] – An entry-level Radiant-branded product, imported from [REDACTED].
- [REDACTED] – Mid-tier ranges that may or may not include accessories, imported from [REDACTED].
- [REDACTED] which are used to obtain exclusive sales arrangements with retailers. GWA advised that [REDACTED].

**[Above redactions relate to confidential supply arrangements, by sink range]**

In terms of competition between Tasman's goods and GWA's GUC, GWA suggested its [REDACTED] range would compete with Tasman's "Lakeland" range, whilst its mid-tier products would compete directly with the rest of Tasman's deep drawn stainless steel sinks mid-tier product range.

### 3.4.2 'Lipped' sinks for assembly with Australian cabinets (Category 2)

GWA sells fully-assembled standalone laundry units that comprise of Chinese-imported deep drawn stainless steel sinks that can be assembled with imported laundry cabinets to form free-standing laundry units. The cabinets are imported from both China and [REDACTED], and are imported and invoiced separately to the 'lipped' laundry sinks.

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GWA explained that Tasman's 'Laundry' range sinks do not meet GWA's requirements for assembly into standalone laundry units and are not like to GWA's lipped sinks. GWA 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. GWA advised that because Australian industry did not manufacture what it considered to be 'like goods' to its imported laundry sinks, it did not include any laundry sinks in its response to the Importer Questionnaire.

We advised that at this stage the lipped sinks imported for Category 2 use would meet the description of the GUC (being deep drawn stainless steel sinks in the applicable size range) and hence would be subject to any anti-dumping measures that may result.

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 sinks imported by GWA for incorporation into its laundry units.

## 4 IMPORTS

As part of the Importer Questionnaire, the Commission provided GWA a copy of a download from the ACBPS imports database, and selected six selected shipments from this listing for further examination and verification.

As its response to Part B of the Importer Questionnaire, GWA completed a 'Cost to Import and Sell' Importer Transaction Form for six selected shipments. The Importer Transaction Form included information for the import transaction itself to the sale of that shipment to GWA's Australian customer. The importer transaction form has been revised following the verification to make corrections that we consider to be reasonable (as discussed throughout this report).

Within the visit agenda, we requested that GWA prepare packages of source documents to verify the data within the importer transaction form for each of the six selected shipments identified as being the goods. As requested, GWA prepared and supplied these documents during the verification visit, discussed in this Chapter.

### 4.1 Volume of trade

ACBPS' import database shows that during the investigation period GWA (under the name "Caroma Industries") imported [REDACTED] consignments from China under the relevant tariff classification and statistical code, totalling [REDACTED] items in quantity. This includes GWA's imports of both categories of goods discussed in Section 3.4.

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 whether the sinks were of the mountable variety or 'lipped' laundry sinks. The database did also not distinguish whether the imported goods were deep drawn stainless steel sinks or fabricated sinks (not the GUC), which have the same tariff classification.

As part of the Importer Questionnaire, the Commission asked GWA to confirm whether the imported goods listed were considered the goods subject to the investigation (deep drawn stainless steel sinks) and selected six shipments for verification to source documents. In its response GWA advised that three of the six selected shipments were not the goods as they involved the importation of fabricated sinks.

Following our verification to source documents (described below), we are satisfied that the total quantity and customs value in the import database corresponds with the supplier's invoices. However, we note that the database information contains imports of both categories of goods discussed at Section 3.4, including 'lipped' laundry sinks that GWA purports are not produced by the Australian industry. We also found that ACBPS data included other items that are not the goods, including fabricated sinks. 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 import database download forms **Confidential Attachment 4**.

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### 4.2 Stock levels, ordering and supply process

GWA advised that its process for ordering stock from [REDACTED] is generally as follows:

- GWA places orders [REDACTED] [REDACTED] [Redacted - supply process] of purchase.
- All sales are made at [REDACTED] terms and invoices are issued in [REDACTED]. [Redacted - Terms of trade]
- GWA is to make payment by [REDACTED] [REDACTED] [Redacted - Terms of trade]
- GWA organises for the product to be landed, cleared and delivered (using a third party), [REDACTED] [REDACTED - Supply process]
- The goods are typically delivered by ship, though GWA does pay for air freight if it requires an urgent shipment.

### 4.3 Verification of selected shipments

As discussed above, the Commission selected six shipments from the ACBPS import database to examine in detail, and GWA 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 5**).

At the visit, GWA provided the following source documents, so as to verify the data in its 'Importer Transaction Form' for the six selected shipments (**Confidential Attachment 6**):

- Purchase orders ;
- Commercial invoices from exporters;
- Packing lists;
- Bills of lading;
- Customs broker and logistics invoices
- 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).

We sought to match 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 all of the invoice prices and volumes matched the data provided in GWA's Importer Transaction Form. We found that for other data such as invoice dates and bill of lading numbers were also correctly verified to the various documents provided by GWA.



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We confirmed that of the six selected shipments, three were supplied by [REDACTED] and three were supplied by [REDACTED]. All shipments were invoiced at [REDACTED], although the two suppliers invoiced GWA using different currencies [REDACTED]  
[REDACTED] [Redacted – supply arrangements]

We observed that all products from [REDACTED] appeared to fit the goods description but found that, as submitted by GWA, the invoices for the three selected shipments by [REDACTED] involved the purchase of fabricated sinks [REDACTED]-[Redacted - sink range names]. We conducted an online search to verify that these goods were fabricated and found that the characteristics of the product were consistent with fabricated sinks; the products had tight corner radiuses and brushed surfaces. We found that in one instance [REDACTED] included the GUC in a shipment of fabricated sinks,  
[REDACTED]

[REDACTED] [Redacted - supply arrangements]

For each selected shipment, we sought to verify that GWA paid its suppliers directly. We observed that GWA's payments to [REDACTED] and [REDACTED] involved combined payments for multiple shipments (and in some instances part shipments that were paid cumulatively across multiple transfers). Both suppliers were paid via EFT for the [REDACTED] price as reflected in the importation spreadsheet and commercial invoices.

We observed that GWA's proof of payments to [REDACTED] matched all of the invoices issued by [REDACTED] and GWA's remittance advices. We were able to match two payments GWA made for imports from [REDACTED] against [REDACTED] invoices, but for shipment 6 (ACFHFAETR) we were unable to match the supplier invoice against GWA's proof of payment (having found that the deposit alone for the shipment exceeded the shipment's invoice price).

We were unable to verify the exchange rate used in GWA's Importer Transaction Form. GWA submitted that it used a complex [REDACTED]  
[REDACTED] [Redacted - foreign exchange arrangements] and would be unable to provide the documentation needed to verify this data. GWA recommended the Commission use the official exchange rate on the date of the customs entry to determine export prices for the selected shipments.

### 4.3.1 Shipment costs

GWA provided shipping invoices issued by logistics companies, and remittance advices issued to those logistics companies, to support verification of shipment costs. These are included at Confidential Attachment 6.

Under the heading of 'Shipment Costs' in the Importer Transaction Form, GWA entered amounts for overseas freight and for insurance. We observed that GWA's freight costs [REDACTED], based on our understanding of typical shipping costs and the importation costs submitted by other importers. We sought advice from GWA on its shipping costs and were [REDACTED]  
[REDACTED] [Redacted - freight arrangements]. GWA advised this was atypical, and that it usually [REDACTED] [Redacted - freight arrangements].

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We verified the freight costs identified in the Importer Transaction Form against the invoices issued by logistics companies and GWA's remittance advices. Using the verified data in the Importer Transaction Form, a weighted average freight cost in AUD/unit for the shipments of the **GUC only** has been calculated in the below table.

Weighted average freight cost AUD/Unit	
Freight	██████████

These calculations are within **Confidential Attachment 7 – Weighted Averages Cost to Import and Sell**.

We queried why GWA did not include insurance in its Importer Transaction Form ██████████  
██████████ [Redacted - Insurance cover] GWA provided an email from an Executive Director which stated that marine insurance all Bathrooms & Kitchens excluding Dux hot water items was ██████████ (GST incl.) for FY2013/14.

GWA used this premium as a basis to calculate total insurance costs for the selected import shipments by:

- Dividing that premium by the number of 20 foot equivalent shipping containers shipped and invoiced to GWA Kitchens & Bathrooms for FY2014 (██████████).
- Dividing that result (██████████) by the number of sinks in a container (based on their historical understanding).
- Multiplying that result by the quantity of sinks per selected shipment.

Using GWA's calculated premium costs as a basis, a weighted average ocean freight cost in AUD/unit for the shipments of the **GUC only** has been calculated in the below table (included at Confidential Attachment 7).

Weighted average cost AUD/unit	
Insurance	██████████

### 4.3.2 Importation costs

Under the heading of 'Australian Importation Costs' in the Importer Transaction Form, GWA entered amounts, where applicable, for:

- Customs broker and entry fees (though we identified some missing data, detailed below);
- Delivery fees;
- International terminal fees (though we identified some missing data, detailed below);
- CMR and ICS Compliance fees;
- Airline Handling fees; and
- Import documentation fees.

We observed that GWA did not enter any information related to customs duty in its Importer Transaction Form, and had, in some instances, not entered into the spreadsheet customs entry, brokerage or international terminal fees included in its shipping invoices.

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We sought clarification from GWA as to why some importation costs were not incorporated into the Importer Transaction Form, and GWA submitted it had made some oversights in its entries into the spreadsheet.

Upon incorporation of all the missing data, we were able to match all customs and shipping costs in the shipping invoices against the information provided in GWA's Importer Transaction Form. We were also able to match the remittance advices provided by GWA to logistics companies against all associated shipping invoices.

Using the verified data in the Importer Transaction Form, weighted average importation costs in AUD/units have been calculated in the below table for the **GUC only**. These calculations are located in Confidential Attachment 7.

ITEM	COST
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[Above redactions relate to importation cost by type and value]

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

GWA did not include in its Importer Transaction Form SG&A costs per shipment. GWA submitted that its accounting systems can identify SG&A costs across the whole Bathrooms & Kitchens division, but is unable to locate SG&A costs per product or shipment.

GWA submitted that its Importer Transaction Form thus included an estimate of SG&A costs for all six shipments ([REDACTED]% of revenue), by aggregating SG&A costs across the Bathrooms & Kitchens divisional revenue for the period July 2013 through to March 2014 (the most recent data GWA could provide for FY2013-14).

GWA provided us with a copy of its sales and profit summary to date for FY2013-14 (**Confidential Attachment 8 – Sales and Profit Summary**) and we verified GWA's SG&A calculation by dividing the division's total expenses (which specifically covered selling and administrative expenses) by the division's gross sales.

We were able to use additional data provided in Confidential Attachment 8 to reconcile the reported expenses in the above calculations with the division's net profit to date for FY2013-14. We were also able to verify the sales data included in the sales and profit summary with the sales of all sinks for the period of July through to December 2013, and more specifically the sale of all sinks from China for the period July through to December 2013.

## PUBLIC RECORD

Following this verification we were satisfied with GWA's SG&A calculation and its application to shipments across the investigation period (even when those shipments fell outside the period for which SG&A costs were calculated – between July 2013 and March 2014).

GWA agreed to our proposal to develop weighted average costs per shipment by:

- Using GWA's Part C sales spreadsheet to identify average selling prices for the product codes identified for the selected shipments across the investigation period.
- Dividing the estimate of SG&A costs as % of sales revenue ([Redaction - %]) by the average selling prices for the products in each shipment.

Using this approach we were able to estimate weighted average SG&A costs for the three shipments of deep drawn stainless steel sinks (that is, the shipments supplied by [Redaction]). We were unable to estimate SG&A costs for the [Redaction - sink type] shipments (that is, the shipments provided by [Redaction - supplier name]) as these sinks are not the goods and sales [Redaction - sales arrangements] – Sales spreadsheet (and would not, in any case, be useful for the purposes of this investigation).

We found that for the shipments of the goods, weighted average SG&A costs were [Redaction]. These calculations are within Confidential Attachment 7.

### 4.5 Export prices for selected shipments

Based on verification of the selected shipments, we calculated a weighted average FOB export price (in AUD) for the like goods over the investigation period ([Redaction]). This calculation takes into account the costs of the product and shipping.

These calculations are summarised in the below tables.

Export price by model and bowl number	
1 bowl	[Redaction]
1.5 bowls	[Redaction]

These calculations are in **Confidential Attachment 9 – Weighted Average Export Price**.

## 5 AUSTRALIAN MARKET

### 5.1 The Australian sinks market

#### 5.1.1 Historical overview of the sinks market

GWA provided a detailed presentation of the history of the Australian sinks market in Confidential Attachment 1. Key points highlighted in GWA's presentation include:

- Since the 1970s GWA has sought to maintain competitiveness in the sector including through restructuring and eventually ceasing sink manufacturing. GWA's last remaining Australian manufacturing [Redaction - supply information]
- In 2011 Tasman was sold to a Fletcher Building Group ('Fletcher'), which also owns the retail chains Tradelink and Hudson Building Supplies. [Redaction - market information]

#### 5.1.2 Recent trends of the Australian sinks market

GWA discussed that over the last five years the market had ebbed and flowed with the economy but there had been a lift in the market following the global financial crisis. GWA submitted that its annual sink sales averaged around [Redaction] sinks since FY2009-10 and that its market share had remained somewhat static over the same period (between [Redaction] [Redaction] GWA noted that its pro rata sink sales for FY2013-14 had [Redaction] by about [Redaction] on the sales in FY2012-13.

GWA noted that the former Government's investment in new housing estates had buoyed the market somewhat. [Redaction - information about market]

The renovations sector – a major component of the sinks market – had been relatively stable over the period, though GWA noticed its share of the entry-level renovations segment [Redaction - market information]

GWA noted that the recent popularity of cooking television shows had led consumers to increasingly become focussed on their kitchens and the quality of kitchen sinks. [Redaction - market information]

## PUBLIC RECORD

Other market trends identified by GWA include a growth in the sales of [Redaction] and an [Redaction]

[Redaction - market information]

GWA asserted [Redaction] consumer behaviour [Redaction]

[Redaction - market information]

GWA discussed the impact of Australia's exchange rates. GWA noted that the [Redaction], but suggested the [Redaction]

[Redaction - sales information] within the

domestic market.

GWA did not view that seasonality had a major impact on sinks sales, though its own sales were typically [Redaction] [Redaction - sales information]

GWA did not view that there was any major difference in sales trends by state or territory.

GWA included information on recent trends in the Australian sinks market in Confidential Attachment 1 and **Confidential Attachment 10 – Market Activity Forecasts.**

### 5.1.3 Model tiers

GWA views that there are four product tiers within the Australian sinks market:

- Entry tier, which incorporates low-priced deep drawn stainless steel products imported [Redaction] and China. These products are often [Redaction]. GWA noted that [Redaction] [Redaction - retailer names] have appeared to be successful in selling [Redaction] [Redaction - marketing information].
- Mid-tier, which are often deep drawn stainless steel sinks but tend to be made of [Redaction] than those of entry-level sinks (that is, the [Redaction] [Redaction - market information])
- High tier, which typically comprise of [Redaction] and are often [Redaction]. GWA suggested this is the tier in which Clarke and Tasman compete most. [Redaction - market information]
- Premium tier, which typically comprise of European-made fabricated sinks with sharp corner radiuses and are typically sold with accessories (such as drainer boards and trays).

GWA stated that Radiant-branded [Redaction], while Clarke products [Redaction] [Redaction - market information].

## PUBLIC RECORD

GWA viewed that Tasman's "Lakeland" range [Redacted] but Tasman's product ranges [Redacted] [Redaction - marketing information]

GWA purported that [Redacted]  
[Redacted]  
[Redacted] [Redaction - market information]

GWA included a [Redacted] and the target markets [Redacted] [Redaction - market information] in Confidential Attachment 1.

### 5.1.4 Product quality considerations

GWA identified that Australian Standard (AS) 1756-1999 applied to stainless steel sinks and that AS 1229:2002 applied to stainless steel laundry troughs and sinks. The standards addressed issues including material thickness, bowl sizes, and drainer board inclusion and type. GWA provided copies of AS 1756 and AS 1228, included at **Non-confidential Attachment 2 – Relevant Australian Standards.**

GWA noted that while there is no legal requirement to sell sinks that meet the Australian standards, [Redacted]  
[Redacted] [Redaction - Product quality and supply information]

GWA advised it has undertaken quality assurance and safety assurance activities at [Redacted] [Chinese manufacturer] and views that the [Redacted]  
[Redacted] [Redaction - Product quality and supply information]

GWA noted that the stainless steel is generally consistent across the industry, in that most companies use an "18/8" 304 grade stainless steel in sinks. [Redacted]  
[Redacted] [Redaction - Product quality and supply information]

### 5.2 Sales

As Part C of its response to the Importer Questionnaire, GWA provided a complete transaction by transaction list of its sales of the GUC for the investigation period excluding sales of laundry units that incorporate lipped laundry tubs (that GWA did not consider to be the GUC, as discussed above). The listing includes the customer order number, producer, quantity, invoice value, rebate amount, net unit price and customer details for each transaction.

## PUBLIC RECORD

### 5.2.1 Ordering and sales process

GWA submitted that it distributes to customers a product list with set prices. [Redacted]

[Redacted] [information about pricing structure]

GWA advised the majority of its sales occur via an electronic ordering system (referred to as an 'electronic data interchange' or 'EDI'), though some customers submit orders via telephone or fax.

GWA advised that it typically completes an order [Redacted]

[Redacted] GWA will pick the product off its warehouse shelves, and will [Redacted] [Redaction – customer supply arrangements]

GWA advised that it uses contracted parties to deliver the goods to customers and that in most states it operates a local delivery fleet that exclusively services GWA.

### 5.2.2 Pricing

As outlined above, GWA maintains a price list and issues a [Redacted]

[Redacted] [Redaction – pricing information]

GWA submitted that typically, [Redacted]

[Redacted] [Redaction – Pricing information]

GWA submitted that [Redacted] [Redaction – Pricing information] across Bathrooms & Kitchens Group sales revenue for the period July 2013 – March 2014.

### 5.2.3 Warranties

All Clark-branded kitchen sinks are covered by a lifetime warranty, and all Radiant-branded sinks are covered by a 10-year warranty. [Redacted]

[Redacted] [Redaction – product quality and supply information]

### 5.2.4 Sales verification

Verification to source documents

During the verification, GWA provided source documents relevant to eight Australian sales selected from GWA's Part C sales listing for verification. These source documents included:

- Invoices;
- Proof of payment; and
- Remittance advices.

These form **Confidential Attachment 11 – Sales Source Documents**.



## PUBLIC RECORD

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

We observed from an invoice 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(s) pertinent to deep drawn stainless steel sinks were included in GWA's Part C sales listing.

We also observed that for the selected sales, the remittance advices displayed the gross amount payable that was listed in the invoice from GWA.

We asked GWA how it calculated its rebate amounts listed in the Part C sales listing. [Redacted]

[Redacted]

[Redacted] [Redaction – pricing information] and that this amount was representative of the amount rebated for stainless steel sink purchases. GWA provided a copy of its profit statement for three of its stainless steel sink ranges to support this claim. We observed that for FY2013-14 (to date), [Redacted] ranges were between [Redacted] and [Redacted] [Redaction – pricing information by product range]

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

### Verification to company accounts

GWA provided documents to assist in our upwards reconciliation of GWA's Part C sales listing of the GUC.

GWA included a monthly sales summary for its Bathroom & Kitchen group, which included breakdowns of revenue for sinks, and more specifically deep drawn stainless steel sinks manufactured in China (excluding lipped laundry tubs), for the investigation period (calendar year 2013). This forms part of Confidential Attachment 8.

We cross-referenced the total revenue for the GUC listed in the sales summary (including in total and by month) against GWA's Part C – Sales spreadsheet and found that these figures matched.

We observed how these figures fed into the sales summary total for all sinks sales (including fabricated and from sources other than China) by month for the investigation period.

The sales summary document also provided FY14 monthly sales revenue figures by product category by month for July – March 2014, as well as a Movex system 'Sales and Profit' summary (profit and loss statement) for the same period (part of Confidential Attachment 8).

## PUBLIC RECORD

GWA demonstrated how the total revenue for all sinks for the months of July – December 2013 reconciled to the monthly ‘sinks’ sales category in the total revenue summary for all products. GWA then demonstrated how the sum of all sales categories for the period July 13 – March 2014 reconciled to the Movex profit and loss statement.

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

### 5.2.5 Profitability of sales

In its Importer Transaction Form, GWA did not include estimates for shipment revenue or profit. GWA submitted that it was unable to do so because it was unable to calculate revenue by point of origin (i.e. by shipment), or product line.

GWA agreed to our proposal to calculate profits per shipment by multiplying average selling prices for the products in the three shipments of the goods (calculated using GWA’s Part C Sales data) by the volumes in each shipment, and then subtracting off the total revenue the estimated total cost to import and sell the products.

We found, using the calculation described above, that all three shipments of the GUC were profitable with an average profit of [REDACTED]. The range of profit for the selected transactions was calculated as between [REDACTED].

Further, GWA provided documents demonstrating the percentage of profit for three of the top-selling ranges of the goods (included in Confidential Attachment 8), for the period from July 2013 – March 2014. These documents showed that all three sinks generated profits for that period, with profit margins ranging from [REDACTED] to [REDACTED].

The Commission’s calculations for profitability and selling price form **Confidential Attachment 12 – Profit Calculations**.

## 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 with its dealings with [REDACTED] GWA:

- [REDACTED] [Redaction - pricing information]
- 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;
- [REDACTED] [Redaction - supply arrangements]; and
- [REDACTED] [Redaction - supply arrangements]

We note that, in the case of the three selected shipments from [REDACTED], all products imported in these shipments were **not** the GUC. However, we understand that the ordering, shipment and payment process from this supplier is the same for the GUC as for these non-GUC shipments.

Therefore, in the case of shipments of the GUC from both of GWA's Chinese suppliers, we consider GWA 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.

It is common for traders and other intermediaries to play a role in the exportation of the goods. These parties will typically provide services such as arranging transportation, conducting price negotiations, arrange contacts with the producer, etc.

In such cases, the trader typically acts as an intermediary who, although one of the principals, is essentially a facilitator in the sale and shipment of the goods on behalf of the manufacturer. Typically the manufacturer as a principal who knowingly sent the goods for export to any destination will be the exporter.

## **PUBLIC RECORD**

Therefore, depending on the facts, the Commission considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will occur where the manufacturer has no knowledge that the goods are destined for export to any country and the essential role of the intermediary is that of a distributor rather than a trader.

Subject to further inquiries, we are satisfied that [REDACTED] can be considered the exporters of certain deep drawn stainless steel sinks imported by GWA. To our knowledge, these entities are the principles in the country of export, which manufactures the goods and gave up the goods for shipment to GWA via a trading company.

## 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.

GWA stated that it is not related to [REDACTED] or any of its suppliers and it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. GWA 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 GWA and its suppliers; and
- subsequent to the purchase, GWA received or will receive a benefit in respect of any part of the price.

Further, we found that all of the [REDACTED] **[Redaction - sales information]**.

We are satisfied that import transactions between GWA and its suppliers are at arms length in terms of s. 269TAA.

**8 GENERAL COMMENTS**

During our verification visit GWA made a number of statements asserting [Redacted – opinion on sources of injury]

GWA considers that Tasman sinks [Redacted] GWA also suggested that Tasman's products [Redacted] [Redacted – opinion on sources of injury]

GWA noted that Tasman [Redacted] another factor impacting on the company's profitability [redacted – opinion on Tasman's position in market segments]. GWA emphasised [Redacted – opinion on Tasman's position in market segments]

GWA also submitted that Tasman could also be [Redacted – opinion on sources of injury] GWA noted that Tasman [Redacted]

## 9 RECOMMENDATIONS

From our investigations with GWA, we are of the opinion that, for the goods imported by GWA 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 GWA [REDACTED] can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.


We are of the opinion that, for the goods imported by GWA from [REDACTED]:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have **not** 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 in relation to these shipments, we recommend that the export price for the GUC imported by GWA from [REDACTED] can be established under s.269TAB(1)(c) or s.269 TAB(3) of the Act.

## PUBLIC RECORD

### 10 APPENDICES AND ATTACHMENTS

<b>Attachment 1</b>	Selection of GWA Brochures
<b>Attachment 2</b>	Relevant Australian Standards
<b>Confidential Attachment 1</b>	GWA Overview on Sinks
<b>Confidential Attachment 2</b>	 [Redaction – Customer supply information]
<b>Confidential Attachment 3</b>	Trading Agreement Template
<b>Confidential Attachment 4</b>	CRE Database Download
<b>Confidential Attachment 5</b>	Importer Transaction Form
<b>Confidential Attachment 6</b>	Importation Source Documents
<b>Confidential Attachment 7</b>	Weighted Average Cost to Import and Sell
<b>Confidential Attachment 8</b>	Sales and Profit Summary
<b>Confidential Attachment 9</b>	Weighted Average Export Price
<b>Confidential Attachment 10</b>	Market Activity Forecasts
<b>Confidential Attachment 11</b>	Sales Source Documents
<b>Confidential Attachment 12</b>	Profit Calculations