



Australian Industry Verification Report

Verification & Case Details

Initiation Date	3 July 2019	ADN:	2019/086
Case:	Deep Drawn Stainless Steel Sinks – Continuation Inquiry – Oliveri Solutions Pty Ltd – China		
Case Number	517		
Company	Oliveri Solutions Pty Ltd (Oliveri)		
Location	Adelaide		
Verification from	16 July 2019	to	18 July 2019
Inquiry Period	1 July 2018	to	30 June 2019
Injury Period	From 1 July 2015		

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

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1 BACKGROUND

On 12 April 2019 the Commissioner of the Anti-Dumping Commission (the Commissioner) published Anti-Dumping Notice (ADN) 2019/049 on the website of the Anti-Dumping Commission (the Commission). That notice, in accordance with subsection 269ZHB(1) of the *Customs Act 1909* (the Act)¹, invited certain persons to apply to the Commissioner for a continuation of anti-dumping measures applying to deep drawn stainless steel sinks (the goods) exported to Australia from China.

On 11 June 2019, Oliveri Solutions Pty Ltd (Oliveri or the applicant), an Australian manufacturer of the goods, lodged an application for the continuation of measures, which was within the applicable legislative timeframes.²

Following consideration of the application, a continuation inquiry was initiated and a public notice³ was published on 3 July 2019 in respect of the goods exported to Australia from China.

The inquiry period is 1 July 2018 to 30 June 2019 (inquiry period).

¹ References to any section of subsection in this report related to provisions of the Act, unless specifically stated otherwise.

² In accordance with subsection 269ZHB(1)(b).

³ ADN No. 2019/86

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Company background

Oliveri is a private company based at Regency Park, South Australia. Oliveri was formerly trading as Tasman Sinkware Pty Ltd prior to December 2018.

The company is 100% owned by Fletcher Building Limited, a publicly listed company on the Australian and New Zealand stock exchanges and forms part of the Australia Division of the Fletcher Building Group.

Through the Australian Division of the Fletcher Building Group Oliveri supplies deep drawn stainless steel sinks related companies, including Tradelink.

2.2 Manufacturing in Australia

Having regard to the information available, the Commission is not aware of any other manufacturers of stainless steel sinks produced via the deep drawing process.

2.2.1 Production process

Stainless steel deep drawn sinks are produced from flat stainless steel, which are subject to a deep drawing and stamping press process to form the bowl and drainer board components. Following this the components are trimmed to the correct shape. After the drawing and trimming operations are complete the sink bowl and drainer board components are joined using a welding process. After assembly the sinks pass through a polishing stage which is followed by a washing and drying stage. At this point the sink is essentially complete. Production staff take the completed sinks, add the relevant accessories and installation items and package the completed sink assembly ready for dispatch. Sinks at various stages of completion are handled between each stage either manually or via robotic aid.

The main raw material used to make sinks is 304 grade stainless steel. These are flat square or rectangular metal sheets which are produced from stainless steel coil. The coil is slit to produce several smaller coils of the necessary width. The newly slit coils are then unspooled and cut at prescribed intervals to produce flat blanks to the desired width and length. Oliveri demonstrated how its blanks have a protective plastic sheeting applied to each blank which helps reduce damage to the steel in the form of scratches and abrasions and also aids in the deep drawing process.

Stainless steel is not produced in Australia. As a result, users of this product are required to import their stock from overseas suppliers located in a range of countries. Slitting however is undertaken by domestic service providers such as the one used by Oliveri.

2.3 Model Control Codes (MCCs)

As detailed in the initiation notice⁴, the Anti-Dumping Commission (the Commission) has elected not to propose an MCC structure at the outset of this inquiry.

Information gathered in responses received from importers and exporters, and the Australian industry will be used to assess if an appropriate MCC structure can be developed.

To aid in assessing the suitability of an MCC structure, the Commission has requested the following information be provided for all product models that the importers, exporters, and Australian industry sell.

Category	Characteristics of category
Product Identifier	Company's product ID or product code which will link to the sales listing
Stainless Steel Grade	Grade of stainless steel used to manufacture sink, e.g. 304
Material Gauge (Thickness "mm")	Thickness of steel sheet used to manufacture sink
Finish	Final finish of sink, e.g. polished/brushed/etc
Total Capacity All Bowls ("Litres" or "L")	Combined capacity of all bowls
Total Number of Bowls	As named
Capacity of Largest Bowl ("Litre" or "L")	As named
Capacity of Additional Bowl 2 ("Litre" or "L")	As named
Capacity of Additional Bowl 3 ("Litre" or "L")	As named
Capacity of Additional Bowl 4 ("Litre" or "L")	As named
Number of Drainer Boards	As named
Bowl Corner Radius ("millimetres" or "mm")	Radius of inside corners of bowls
Included Accessories (Yes/No?)	As named
Accessory 1	As named
Accessory 2	As named
Accessory 3	As named
Accessory 4	As named
Accessory 5	As named
Packaging type	As named

Table 1: Categories requested for all goods imported and sold

On request by the verification team the applicant provided the information outlined the table above in relation to all of its products.

⁴ ADN No. 2019/86

2.4 Like goods

Like goods are defined under section 269T(1) of the *Customs Act 1901* (the Act)⁵ as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

The verification team considers that the deep drawn stainless steel sinks manufactured by Oliveri are identical to, or have characteristics closely resembling, the goods exported to Australia, as:

- the primary physical characteristics of the goods and locally produced goods are similar;
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market;
- the goods and locally produced goods are functionally alike as they have a similar range of end uses; and
- the goods and locally produced goods are manufactured in a similar manner.

2.5 Preliminary like goods assessment

The verification team is satisfied that:

- Deep drawn stainless steel sinks manufactured by Oliveri are like to the goods;⁶
- at least one substantial process of manufacture of the deep drawn stainless steel sinks is carried out in Australia;⁷
- the like goods were, therefore, wholly or partly manufactured in Australia by Oliveri;⁸ and
- there is an Australian industry, consisting of Oliveri, which produce like goods in Australia.⁹

⁵ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

⁶ Section 269T(1).

⁷ Section 269T(3).

⁸ Section 269T(2).

⁹ Section 269T(4).

3 AUSTRALIAN MARKET

3.1 Background

The applicant is the only manufacturer of the goods in Australia. Australian manufactured goods make up a small proportion of the total Australian market for the goods. Chinese imported sinks (both the goods and other stainless steel sinks) imported by companies based in Australia make up the majority of the remainder of the Australian market. Small amounts of stainless steel sink imports originate from Thailand, Vietnam, Italy, Germany and New Zealand. China is the only country subject to measures in respect of the goods.

3.2 Market structure

3.2.1 Marketing and distribution

Australian industry

The applicant submits it is the only manufacturer of the goods in Australia.¹⁰ The verification team is satisfied the applicant represents the whole of the Australian industry for the goods and has been unable to identify any other Australian producers. This is unchanged from the previous findings of the Commission in *Investigation No.238* (INV 238).

Distribution

The applicant explained during verification that it manufactures the goods at its factory in Regency Park, South Australia. After manufacture, the goods are packaged and sent by truck to distribution centres located across Australia.

Customer orders are fulfilled from stock held at the relevant distribution centre and delivered by courier. In some cases, goods will be sent directly from the Regency Park factory to the customer's own distribution centre. The applicant also has a small volume of goods which it exports overseas.

The applicant is a wholesale manufacturer that does not sell directly to the public. It has three channels through which it sells the goods:

- retail – where customers on-sell the goods to the public or to end users that use sinks in their specific applications (i.e. individual home construction or renovations);
- commercial – where customers place specific orders for the goods in relation to a particular project (i.e. high-rise buildings or residential developments); and
- retail exclusive – where customers purchase goods made exclusively for that customer and which are marketed as the customer's own brand (i.e. original

¹⁰ Application – 517 Public Record Item No. 1, p.4

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equipment manufacturer (OEM) products). This includes sales to Oliveri's related party customer Tradelink.

Customers may purchase the goods from the applicant through multiple channels.¹¹

The applicant advised that goods sold by retail customers are displayed side-by-side with its competitors' products.

Following sale of the goods, customers are responsible for installation. The applicant provides a lifetime warranty for its manufactured goods.

3.2.2 Supply

The applicant submitted during verification that its competitors have remained relatively stable. To test this, the verification team reviewed import volumes of the top ten importers of the goods from FY15 to FY19. The volume of goods sourced by these importers represented approximately 70 per cent of imports. The verification team found that while there is some movement between the relative rankings of each importer, overall competitor make-up has remained consistent.¹²

In INV 238, the Commission found that the applicant imported deep drawn stainless steel sinks from China. Since the implementation of measures, imports by the applicant of the goods has dropped to almost zero.

3.2.3 Demand

Market segmentation and end use

The applicant confirmed during the verification visit that the end use of the goods has remained consistent with INV 238, being as fixtures in residential and non-residential installations such as kitchens, utility rooms and laundry rooms.

The applicant explained that market segmentation is also consistent with INV 238, with key market segments divided into:

- residential renovation;
- residential new builds; and
- commercial (non-residential).

Demand variability

The applicant explained during the verification visit that demand for the goods is driven primarily by residential and non-residential building construction and home renovation in Australia.

Figure 1 shows a comparison of the total volume of all stainless steel sinks imported and manufactured in Australia with the total number of building construction starts (both

¹¹ Confidential Attachment 1 Verification work program – Australian market analysis [*Distribution channels*]

¹² Confidential Attachment 1 Verification work program – Australian market analysis [*Sources of supply*]

residential and non-residential) in Australia. The verification team considers that Figure 1 demonstrates a reasonable correlation between demand in the Australian stainless steel sink market and Australian building construction over the period FY15 to FY19, with sink imports lagging slightly behind construction starts.

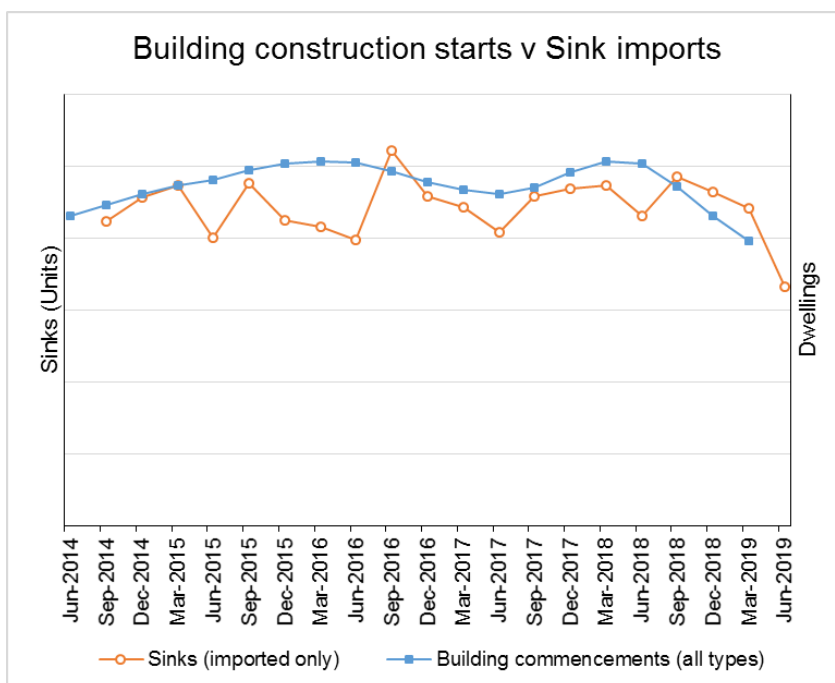


Figure 1 – Australian building construction and stainless steel sink market FY15 to FY19¹³
14

The applicant submitted during verification that demand for sinks is inelastic and that a change in price will not change demand for the product. The verification team considers this submission reasonable, given the limited uses for sinks and that the primary drivers of demand (building construction and renovation) are based on construction costs rather than sink prices.

3.3 Pricing

Retail customers

The applicant explained during verification that it performs negotiations with customers regarding trading terms each year. The applicant arrives at a final price with each customer through discounts and rebates to its internally developed Recommended Retail Price (RRP). The RRP is developed by the applicant through consideration of various factors, such as; sales volume, competitor’s prices, market intelligence, product tier categorisation, and configurations/ranges compared against each other. The RRP list is

¹³ Australian building construction starts sourced from ABS Report 8752.0 Building Activity, Australia, Mar 2019 - Dwelling units commenced; Total Sectors; Total (Type of Building); Total (Type of Work) - TABLE 33. Number of Dwelling Unit Commencements by Sector, Australia.

¹⁴ Confidential Attachment 1 - Verification work program – Australian Market

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distributed to customers around once a year. The same list is given to all retail customer channels (commercial customers receive different pricing).

Commercial customers

The applicant also offers reduced prices to its customers when they tender for commercial projects which require high volumes, for example a multi-residence build. The actual price for commercial customers is reached through the application of discounts and rebates, similar to retail customers.

3.4 Market size

The applicant has provided to the verification team data relating to sales by the Australian industry for FY15 to FY19. The applicant has used its own sales data and import data for stainless steel sinks sourced from the Australian Bureau of Statistics (ABS) to estimate the Australian market for the goods.¹⁵

The verification team notes that the ABS data contained not only imports of the goods, but also imports of all other stainless steel sinks into Australia. The verification team has therefore used the sales data provided by the applicant and import data from the ABF import database instead to determine the size of the Australian market for the goods and like goods. The verification team notes that the ABF data does not differentiate between the goods and other stainless steel sinks imported into Australia, except for goods coming from China (which are subject to measures). Therefore, the verification team has examined the market share of goods produced in Australia and goods imported from China with all other imported stainless steel sinks, regardless of the country of export.

Noting the above, Figure 2 shows the relative size of the Australian market year-on-year from FY15 to FY19, as well as the share of sales of like goods manufactured in Australia compared with imported goods (i.e. dumped goods from China), other imported stainless steel sinks (which are not the goods) and stainless steel sinks imported by Australian industry.

¹⁵ Confidential Attachment 1 - Verification work program – Market Share

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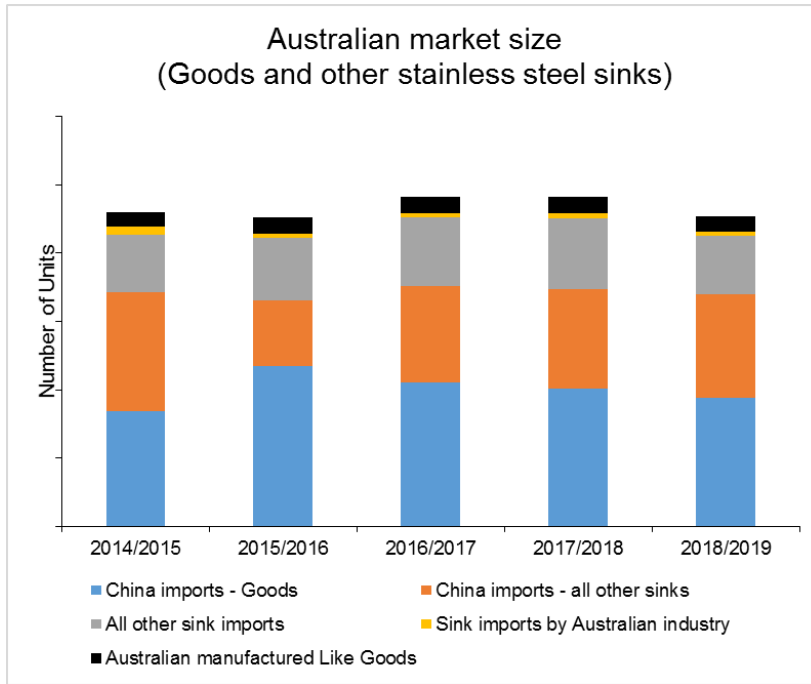


Figure 2 – Australian market size FY15 to FY19¹⁶

The market size depicted in Figure 2 shows that the overall size of the Australian market for stainless steel sinks remained relatively stable following the imposition of the measures in 2015.

Consistent with the applicant’s claims, Figure 3 below shows that the market share of like goods manufactured by Australian industry has been maintained relative to imported stainless steel sinks sales.

¹⁶ Confidential Attachment 1 - Verification work program – Australian Market

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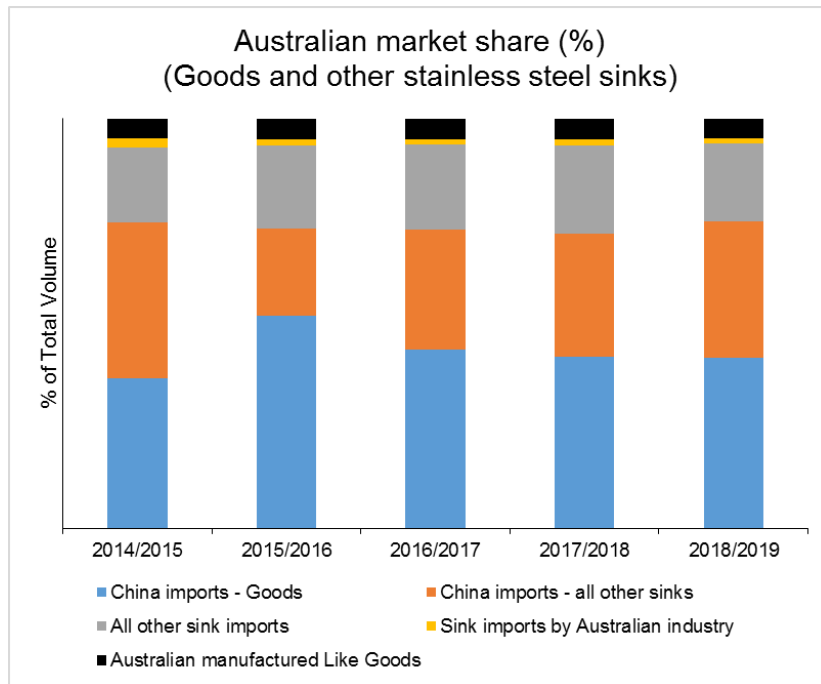


Figure 3 – Australian Sinks Market Share

Chinese imports of the goods initially dipped in FY15 following the imposition of the measures, with total market volumes replaced by other Chinese stainless steel sinks which were not the goods, before rebounding and steadying from FY16 onwards.

The verification team notes that from FY16 onwards, the share of the goods and like goods (both imported and domestically produced) compared to other stainless steel sinks has been relatively steady

3.5 Volume trends

INV 238 found that the applicant's overall domestic sales volume of like goods, on a per unit basis, steadily decreased year-on-year from FY09 to FY13.¹⁷

Anti-dumping measures were then imposed on 26 March 2015.

Table 2 below depicts an index of Australian industry's sales volume and market share for FY15 to FY19, compared to FY13, which is the last full period where data is available to the Commission prior to the imposition of the measures.

¹⁷ Australian industry Verification Report – 238 Public Record Item No. 34, p. 42

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Factor	FY13	FY15	FY16	FY17	FY18	FY19
Volume	100	103	108	112	116	103
Market Share	100	109	117	114	118	112

Table 2 - Index of the applicant’s domestic sales of the goods, compared to FY13¹⁸

Table 2 indicates that following the imposition of measures, the volume of sales of Australian manufactured like goods increased, as did its market share. However, both volume and share dropped in FY19, with volume now marginally higher than pre-measures levels.

Table 3 below depicts an index of Chinese import volume and market share for FY15 to FY19, compared to FY13, for all stainless steel sinks, as prior to the imposition of measures, import data did not differentiate between sinks which are the goods and sinks which are not the goods.

Factor	FY13	FY15	FY16	FY17	FY18	FY19
Volume	100	116	110	117	115	113
Market Share	100	103	100	100	98	102

Table 3 - Index of the Chinese imports of all stainless steel sinks, compared to FY13¹⁹

Table 3 indicates that following the imposition of measures, the market share of the whole stainless steel sinks market in Australia held by imports from China remained steady, although import volumes continued to grow.

The verification team has then examined the comparative change in the volume of imports of the goods from China and Australian manufactured like goods following the imposition of measures.

Category	FY15	FY16	FY17	FY18	FY19
Chinese Imported Goods	100	139	125	120	112
Australian manufactured like goods	100	105	109	113	100

Table 4 - Index of the Chinese imports and Australian manufacturer of the goods²⁰

¹⁸ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Continuation or Recurrence [Volume Trends]

¹⁹ Ibid

²⁰ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Continuation or Recurrence [Volume Trends]

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Upon examination of the trends illustrated by the data in Table 4, the verification team has observed that in the period following the imposition of measures, Chinese import volumes of the goods have increased at a much higher rate than Australian produced like goods sales volumes. In addition, Australian like goods sales volumes have fallen to levels only slightly higher than before the measures were introduced (in line with the fall in Australian building construction) whilst Chinese import volumes remain at a higher level, e.g. 12 percentage points above the FY15 base in FY19.

4 UPWARDS VERIFICATION OF SALES

4.1 Verification of sales completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts and up to audited financial accounts. The verification team verified the completeness and relevance of the Australian sales listing provided in the application by reconciling this to audited financial statements in accordance with ADN. No 2016/30.

Oliveri does not produce stand alone financial statements as the data that would normally be used to populate such statements is consolidated at the parent company level of Fletcher. However, Oliveri does produce a profit and loss statement relating to its business unit within the broader company structure.

In order to verify the relevance and completeness of Oliveri's sales data to its financial statements, and in recognition of Oliveri's internal accounting procedures, the verification team set about reconciling the net invoice value to the relevant general ledger accounts in Oliveri's financial system.

The verification team did not identify any exceptions during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Exceptions during verification of sales completeness and relevance

No exceptions were identified.

4.2 Import sales by applicant

Oliveri reported sales of imported goods for both its domestic and export sales. This information was verified as part of the upwards verification. Oliveri does not import the sinks which are the subject of anti-dumping measures.

4.3 Export sales by applicant

Oliveri provided a separate sales listing for all of its export sales. These sales were separately recorded in the company's financial records, and the verification team was able to reconcile the sales listing to the financial records.

4.4 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided in the application by Oliveri, is complete and relevant.

5 DOWNWARDS VERIFICATION OF SALES

5.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the Australian sales listing submitted in the application by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

The verification team established the following information as outlined in the table below:

Item	Methodology Applied
Quantity	Quantity listed on invoice. Quantity is measured per unit (sink).
Pricing mechanisms	Based on invoice and remittance advice
Net invoice value	Based on remittance advice and payment evidence
Date of sale	Taken as invoice date, as appears on invoice

5.2 Related party customers

The verification team observed that Oliveri sold deep drawn stainless steel sinks to related customers, both Oliveri branded products, and its OEM products. Oliveri demonstrated the process for how prices were set for related and unrelated customers to the verification team. The verification team observed from the information referenced in section 5.1 that for Oliveri branded products, the sales terms were similar between the related customer and non-related customers.

Oliveri explained that the supply of the OEM products to its related customer Tradelink was dependent upon the prices being set in regards to matching the price of imported sinks from China.

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The verification team analysed the prices for unrelated and related customers and did not find evidence of price discrimination between related and unrelated customers in terms of the level of rebates and discounts. On this basis the verification team considered Oliveri's sales to related customers to be arms length.

The verification team is satisfied that Oliveri's selling prices for deep drawn stainless steel sinks to related customers can be relied upon in the assessment of the economic condition of the Australian industry.

5.3 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by Oliveri, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the verification team considers Oliveri's sales data suitable for analysing the economic performance of its deep drawn stainless steel sinks operations from 1 July 2018 to 30 June 2019.

6 VERIFICATION OF COST TO MAKE AND SELL

6.1 Verification of completeness and relevance of CTMS data

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the application by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

Oliveri does not produce stand alone financial statements as the data that would normally be used to populate such statements is consolidated at the parent company level of Fletcher. However, Oliveri does produce a profit and loss statement relating to its business unit within the broader company structure. Oliveri also provided the relevant general ledger accounts and inventory and production records that were relied on for the preparation of the data reported in its cost to make and sell figures.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

6.1.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
1	During the verification of Oliveri’s cost of production to its FY19 Profit and Loss figures the verification team could reconcile the variance between cost of production and the Cost of Goods Sold (COGS) amounts.	The verification team examined the individual accounts that were relevant to expenses which were incurred due to production activities. These accounts were then mapped to the relevant cost category in the Commission’s CTMS template used by Australian industry. The remaining amounts that were not mapped related to the value of Work in Progress (WIP) Goods Consumed. ²¹
2	It could not be established whether amounts relating to outsourced information technology management and consulting fees reported in the FY19 Profit and Loss figures were relevant to the sale of like goods.	On the basis that Oliveri was unable to satisfy the verification team that the purpose and provider of these services were relevant to the sale of the like goods, these expenses were excluded from the CTMS data. Since it is likely that such expenses would have arisen in prior periods, the verification team made adjustments to the CTMS for the periods FY15 to FY18 based on the proportion that these expenses represented in FY19 (the inquiry period). ²²

²¹ Confidential Attachment 1 - Verification work program – Upwards Cost Verification

²² Confidential Attachment 1 - Verification work program – Selling and General Administrative Expense Verification

6.2 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by applicant, including any required amendments as outlined in the exception table above, is complete and relevant.

7 VERIFICATION OF CTMS ALLOCATION METHODOLOGY

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the application to the relevant MCCs, in accordance with ADN No. 2016/30.

During the visit it was established that Oliveri uses a standard costing system which is applied to a bill of material structure for the sinks it produces. It was further established that manufacturing variances that arise due to over or under recovery of standard costs are not recognised at the product level. Amounts for over and under recovery of standard costs are only reported at the profit and loss statement level. As a result, costs from the relevant accounts which have been mapped to the cost to make section of the CTMS are applied to the production of all like goods.

Cost Area	Methodology Applied
Raw Materials	Total value of raw materials reported in the relevant materials consumption accounts allocated across total production volume.
Scrap Allocation	Standard costs, using bill of materials and production cost worksheets
Manufacturing Overheads	Total value of relevant cost accounts allocated across total production volume.
Labour	Total value of relevant cost accounts allocated across total production volume.
Depreciation	Total value of relevant cost accounts allocated across total production volume.
SG&A	Total value of relevant cost accounts allocated by net sales revenue.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

7.1.1 Exceptions during verification of CTMS allocation methodology

No exception were identified.

7.2 Verification of accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the application by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

7.3 Related party suppliers

The verification team did not identify any related party suppliers to Oliveri.

7.4 Cost to make and sell verification finding

The verification team is satisfied that the CTMS data provided in the application by Oliveri, is accurate.

Accordingly, the verification team considers that Oliveri's CTMS data is suitable for analysing the economic performance of its sales of sinks in the period 1 July 2015 to 30 June 2019.

8 ECONOMIC CONDITION

8.1 Applicant's injury claims

The applicant submits that if the measures are not continued, the lower price of exports from China would lead to an increase in export volumes to Australia, resulting in a recurrence or continuation of material injury in terms of lost production volumes, lower revenue and lower profitability for the Australian industry.²³

The applicant further submits that the Australian industry is already under pressure to reduce its prices to maintain market share, directly contributing to injury in the form of price suppression and/or price depression.²⁴ The applicant provided evidence indicating it has maintained its market share over the three financial years prior to the application, as well as evidence demonstrating a reduction in the average selling price of the goods.²⁵

In addition to the above, the applicant claims it has suffered injury in the form of:

- reduced revenue;
- reduced return on investment;
- reduced capacity utilisation; and
- reduced employment.

8.2 Approach to injury analysis

The injury analysis detailed in this chapter is based on:

- the applicant's verified sales data;
- the applicant's verified CTMS data;
- the applicant's other injury factors data; and
- data from ABF import database.

The verification team has focused its examination on the financial year periods following the implementation of measures on 26 March 2015, which is FY15 to FY19 inclusive.

8.3 OEM sinks

As is discussed further throughout this chapter, the verification team considers that Oliveri's sales of its OEM sinks ranges are materially relevant to the economic condition of the Australian industry. The verification team makes the following introductory observations regarding Oliveri's sales of production of OEM sinks:

- In FY17, the applicant commenced production of OEM sinks, which it supplies exclusively to Tradelink (a related entity);

²³ Application – 517 Public Record Item No. 1, p.15

²⁴ Application – 517 Public Record Item No. 1, p.15

²⁵ Application – 517 Public Record Item No. 1, p. 17-18

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- Prior to FY17, and despite being a related entity, Tradelink purchased its OEM sinks from a Chinese exporter. The verification team has confirmed that Tradelink’s imports of the goods from China ceased in FY17, corresponding with the production and supply of the OEM range by the applicant;²⁶
- The applicant explained that since the imposition of measures, it has successfully competed against Chinese importers to supply OEM sinks to Tradelink. The applicant submits that, should the measures expire, it will either have to reduce prices to retain its Tradelink OEM business, or cease to manufacturer these particular sinks;
- Production of Oliveri’s OEM sink range currently represents a significant proportion of the total volume of like goods manufactured by the applicant;
- The applicant comments that its OEM sinks range provides “valuable volume for the Australian industry production facility” and that if this volume was lost to imported competition, the viability of its production facility would be reviewed;²⁷
- OEM sinks are positioned at the lower end of the price point range of like goods offered by the applicant.²⁸

Noting the above, the verification team has examined certain aspects of its injury analysis with and without data relating to OEM sinks sales and production. This is discussed further in each of the relevant section of this chapter.

8.4 Volume effects

8.4.1 Injury claims relating to volume

The applicant claims it has maintained market share by reducing the prices at which it sells like goods. Further the applicant claims that should the measures not be continued, the resulting lower price of exports from China would lead to an increase in export volumes to Australia, placing further pressure on the applicant to reduce prices to maintain market share.²⁹

8.4.2 Sales Volume

Consistent with the applicant’s claims, the verification team has found that the sales volume of Australian manufactured like goods, as well as its share of the Australian stainless steel sink market, has remained relatively steady from FY15 to FY19.³⁰

²⁶ Confidential Attachment 1 - Verification work program – Injury Claims Assessment [*OEM sinks*]

²⁷ Application – 517 Public Record Item No. 1, p.15

²⁸ Confidential Attachment 1 - Verification work program – Injury Claims Assessment [*Price effects*]

²⁹ Application – 517 Public Record Item No. 1, p.15

³⁰ Section 3.4 Market size.

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Table 5 below is an index of the applicant’s sales volumes for FY15 to FY19:

Sales Volume	FY15	FY16	FY17	FY18	FY19
Australian manufactured like goods	100	105	109	113	100

Table 5 - Index of changes in the applicant’s domestic sales of the goods³¹

In Table 5 above, FY16, FY17 and FY18 show an increasing trend in sales volumes, which the verification team largely associates with the commencement of its arrangement with Tradelink to produce OEM sinks in FY17 and a corresponding increase in Australian building construction.

If related party sales of OEM sinks are excluded, as is depicted in Table 6 below, the sales volume of non-OEM sinks have declined over the FY15 to FY19 period. At the same time, sales of OEM sinks have increased each year since the commencement of production.

	FY15	FY16	FY17	FY18	FY19
Non-OEM ranges (relative to FY15)	100	105	95	90	82
OEM range (relative to FY17)	0	0	100	139	160

Table 6 - Index of changes in the applicant’s domestic sales of the goods – Non-OEM and OEM ranges FY15 to FY19³²

The chart at Figure 4 below shows the sales volume trends relevant to the top eight sinks ranges by volume sold in the period FY15 to FY19.

³¹ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Volume (*Sales Volume and Market Share*)

³² *Ibid*

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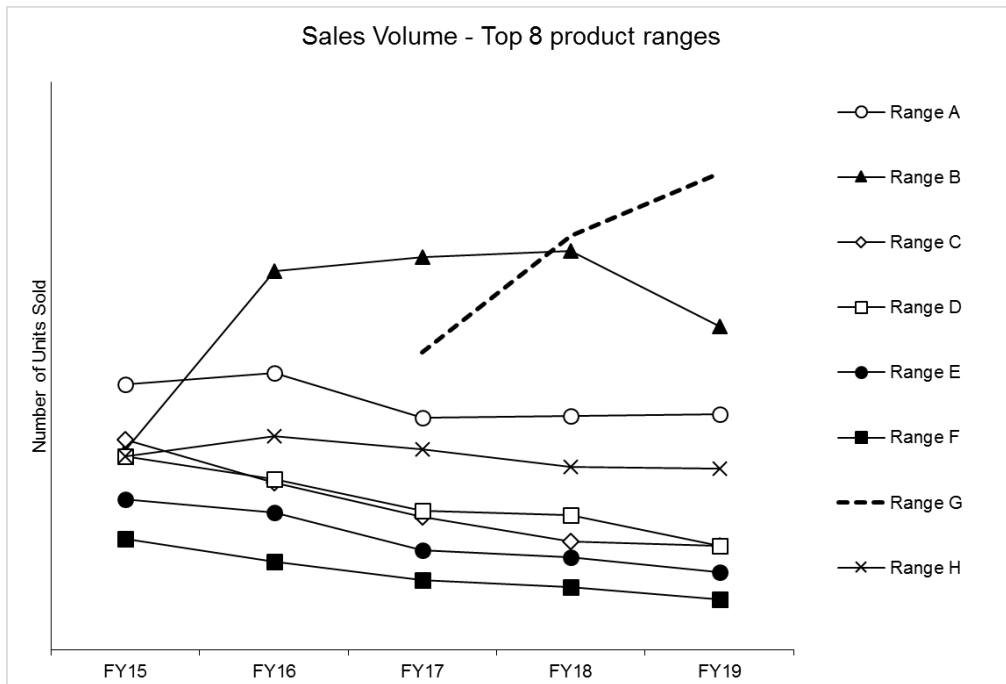


Figure 4 – Sales Volume of Australian manufactured like goods (Top 8)³³

Based on the above, the verification team is satisfied that there is evidence to support the applicant's claims that, since the imposition of measures, the Australian industry has been able to maintain its sales volumes of like goods at an aggregate level. However, at the range level the verification team observed that sales volumes have declined in a number of ranges.

8.5 Price effects

8.5.1 Injury claims relating to price

The applicant claims that the Australian industry is under pressure to reduce prices to maintain market share, and that this contributes to injury in the form of price suppression and/or price depression.³⁴ The applicant provided evidence indicating it has maintained its market share over the three financial years prior to the application, as well as evidence demonstrating a reduction in the average selling price of the goods.³⁵

8.5.2 Price Depression

Price depression occurs when a company, for some reason, lowers its prices.

In its application, the applicant provided evidence depicting a reduction in the weighted average selling price for the goods from FY15 to FY19.³⁶ The applicant notes that some

³³ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [Sales Prices]

³⁴ Application – 517 Public Record Item No. 1, p.15

³⁵ Application – 517 Public Record Item No. 1, p.17-18

³⁶ Application – 517 Public Record Item No. 1, p. 17

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product ranges have maintained their selling price, however in some instances prices have reduced.

The verification team's examination of like goods sales data reported by the applicant for FY15 to FY19 in Figure 5 below shows that the weighted average selling price across all like goods manufactured by the applicant over this period has declined year-on-year.

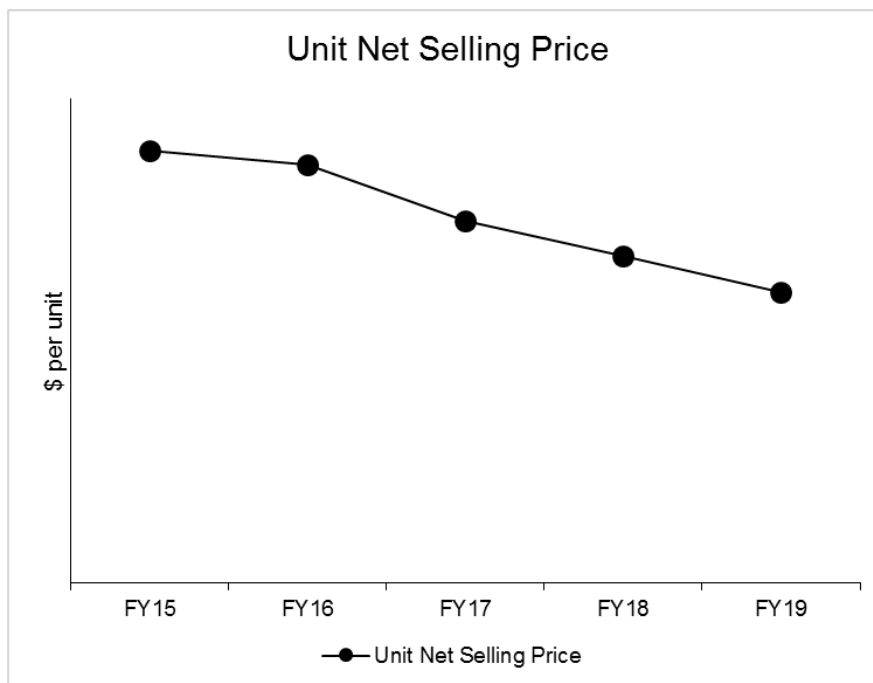


Figure 5 – Weighted Average Selling Price Australian manufactured like goods³⁷

The verification team considers that the selling price of the goods varies depending on a number of factors, including the product range, and accessories e.g. number of bowls and presence of drainer boards. Consequently, it is considered that an accurate assessment of price should take into account, as far as possible, these factors. Accordingly, the verification team has also examined sales data summarised by product code and sink range for the period FY15 to FY19.

Using data provided for FY19, a weighted average unit price was calculated for the top eight product ranges sold by the applicant between FY15 and FY19. The combined sales volume of these eight ranges represented more than 80 per cent of the like goods sold during that period.³⁸ The verification team then compared the weighted average selling price for each model within each range to the weighted average selling price of the respective range.

To determine whether the weighted average unit price for each range could be used as a suitable proxy for all models within a particular sink range, the verification team then

³⁷ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [Sales Prices]

³⁸ Ibid

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calculated what effect the sales of each model had on the weighted average unit price for the whole range.

Using this method, the verification team found that no model within a particular range had a disproportionate effect on the weighted average unit price within a particular sink range, other than for two models within the “Laundry/Trough Inset” range.³⁹

Accordingly, the verification team considers it appropriate (with the exception of the “Laundry/Trough Inset” range) to undertake a detailed prices analysis at the range level.

In examining the selling prices of like goods within each sink range, the verification team observed that pricing for most of the ranges sold by the applicant have remained largely consistent in the period since measures were imposed. However, price reductions were observed in FY19 in relation to four sinks ranges. This is depicted in Figure 6, which shows the weighted average selling price of the top eight highest selling sink ranges offered by the applicant, by volume:

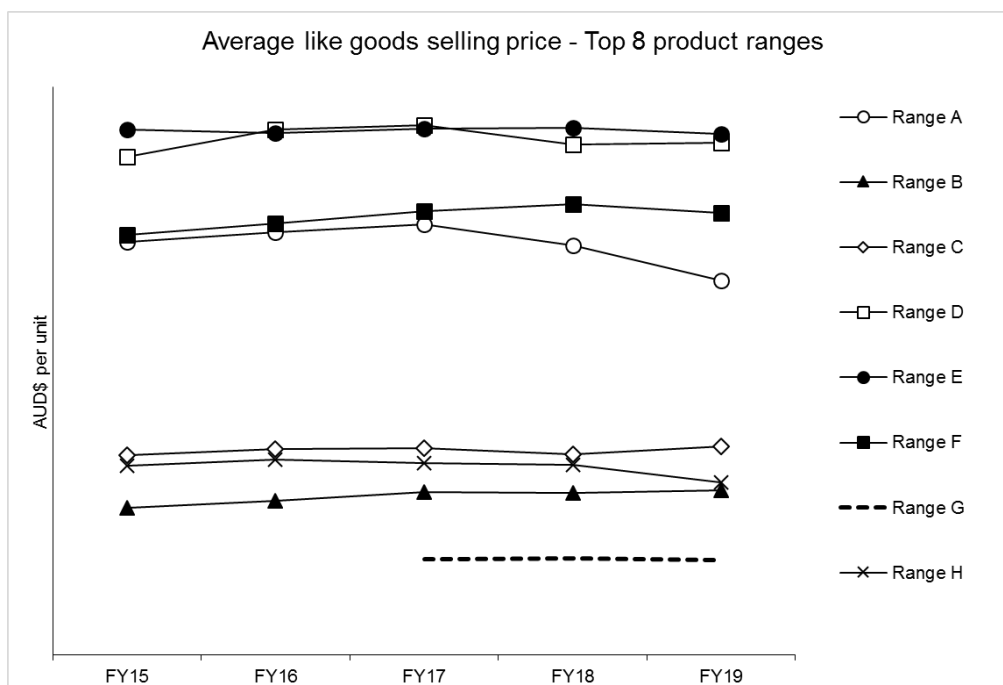


Figure 6 – Average selling price of Australian manufactured goods by product range⁴⁰**

Contrasting the price data in Figure 5 and Figure 6, the verification team observed that the five year trend in the weighted average unit price of all like goods sales did not exhibit the same trend at the individual range level.

Analysis of the sales volumes at Figure 4 reveals that the like goods sales volume of the three sinks ranges at the highest price points, “Range E” and “Range D” and “Range F”

³⁹ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [Analysis of Price]
⁴⁰ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [Analysis of Price]
 * Laundry/Trough Inset sinks have been included in the figure but have not been considered as part of the analysis, in line with the discussion above.
 ** Product ranges including taps have been excluded from this analysis as taps are not the goods.

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went from representing approximately 35 percent of total like goods sales in FY15 to approximately 14 percent in FY19. In contrast, the two sink ranges at the lowest price point, “Range B” and “Range G” went from representing approximately 15 percent of total like goods sales in FY15 to approximately 50 percent in FY19. In addition, the FY19 price of the third and fourth largest selling range by sales volume, “Range A” and “Range H”, show decreases of 13 and 10 percent respectively when compared to the peaks in FY17.

The verification team considers that the decline in the weighted average unit prices for all like goods is the combined function of the following;

- a switch away from higher priced sinks to lower priced sinks;
- sales of OEM sinks at a lower point; and
- price reductions of other large selling sink ranges.

As shown in Figure 6 above, with the exception of “Range A”, most product ranges have maintained their selling price to within a reasonable variance between FY15 and FY19. Some ranges, such as “Range B” and “Range F”, have actually increased their historical selling prices over the period. Notwithstanding the longer term trend, four out of the eight sink ranges analysed exhibited price reductions in FY19 and in the year prior. The verification team also observed that the reduction in weighted average selling occurred in the absence of OEM sinks sales.⁴¹

Excluding the effect on the price trend caused by OEM sinks sales to Oliveri’s related party customer Tradelink, and the observation that higher priced sinks appear to be less in favour, the verification team remains satisfied that the applicant’s selling prices support its claims it has suffered price depression.

8.5.3 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented.

To determine whether price suppression has occurred, the verification team has undertaken a comparison of prices having regard to the CTMS to assess whether, over time, prices have increased in line with cost increases.

Figure 7 shows a comparison of the weighted average selling price per unit on a whole-of like goods basis versus the weighted average CTMS for each unit.

⁴¹ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [*Price Depression*]

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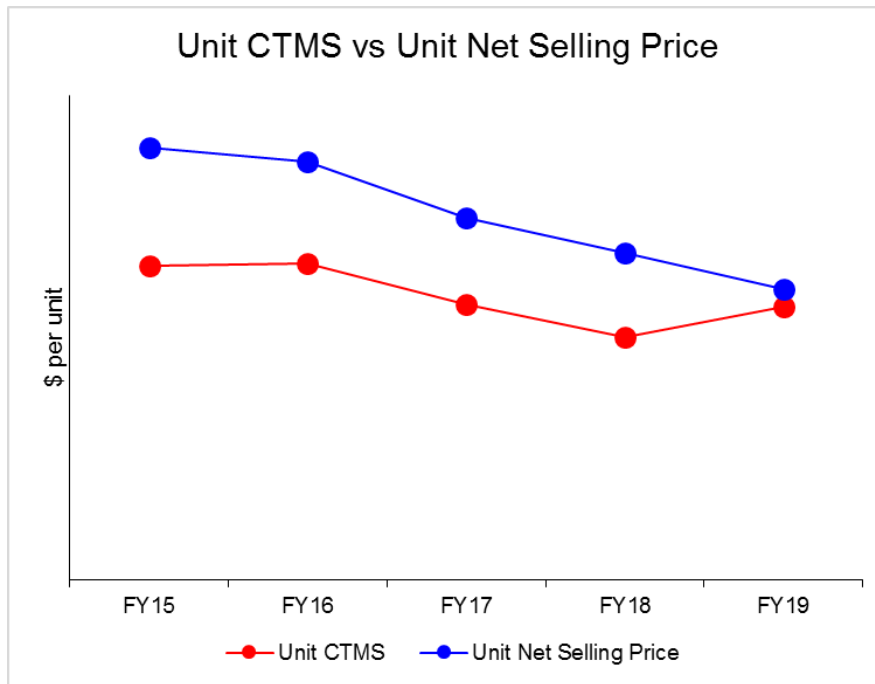


Figure 7 – Australian manufactured like goods – Unit CTMS v Unit Price⁴²

Consistent with the applicant's claims, the verification team is satisfied that Australian industry, on a whole-of-like goods basis, is suffering price suppression, particularly in FY19. The verification team's analysis of the applicant's CTMS data for FY19 found that it experienced increases in the unit cost of raw materials, direct labour and manufacturing overheads, however these increases were unable to be recovered through an increase in selling price which continued to decline in FY19 compared to FY18.

Recognising the large price variance between the sink ranges at Figure 6, the verification team also undertook a price suppression analysis at the sink range level relying on COGS data for each range adjusted for manufacturing variances reported in the applicant's profit and loss statements. The verification team notes that this approach results in an approximation of the COGS in each range however it is considered suitable to illustrate the relative changes between the price and production cost of like goods. The verification team therefore considers it can be used in a price suppression analysis in further support of the observations discussed in relation to the comparison at Figure 7.

At the specific sink range, variations in the relationship between COGS and price were observed. However, common amongst the top selling sinks and consistent with the broader trend, is the increase in COGS in FY19 with a corresponding decrease in price. The verification teams considers that the price suppression at the sink range level is consistent with the applicant's claim, where it explained it was not recovering its fully absorbed cost at the selling prices required to maintain its OEM sinks business.⁴³

Noting the observations of price suppression at the whole-of-like goods level and at specific sink ranges, the verification team considers that there is sufficient evidence to

⁴² Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Price effects [*Price Suppression*]

⁴³ Application – 517 Public Record Item No. 1, p.16

support the applicant's claim it has suffered price suppression in respect of Australian manufactured like goods.

8.6 Profit and profitability

8.6.1 Injury claims in relation to Profit and Profitability

The applicant claims that the reduction in its prices, necessary to maintain market share, has impacted its profitability.⁴⁴

8.6.2 Profit and Profitability – All Goods

Relying on Oliveri's verified sales revenue and CTMS data the verification team ascertained that Oliveri's sales of like goods saw a decline in profit and unit profitability since measures were introduced in 2015.⁴⁵

The rate of the decline in profit and unit profitability was the greatest in FY19. As discussed in the price suppression analysis at section 8.5.3 the verification team observed that the FY19 reduction in profit and profitability is the result of the simultaneous occurrence of an increase in CTMS and the continuation of the long term downward trend in selling prices experienced by the applicant.

8.6.3 Profit and Profitability – By Product Range

Depicted below in Figure 8 the verification team has calculated an indicative profit for the top eight like goods ranges by sales volume. The volume of like goods that make up the top eight represent approximately 80 per cent of sales volume in the period FY15 to FY19. The verification team worked out the profit by relying on;

- the COGS data adjusted for manufacturing variances discussed in the price suppression analysis at Section 8.5.3; and
- the annual weighted average unit SG&A costs verified at Chapter 6.

⁴⁴ Application – 517 Public Record Item No. 1, p.15

⁴⁵ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Profit and Profitability

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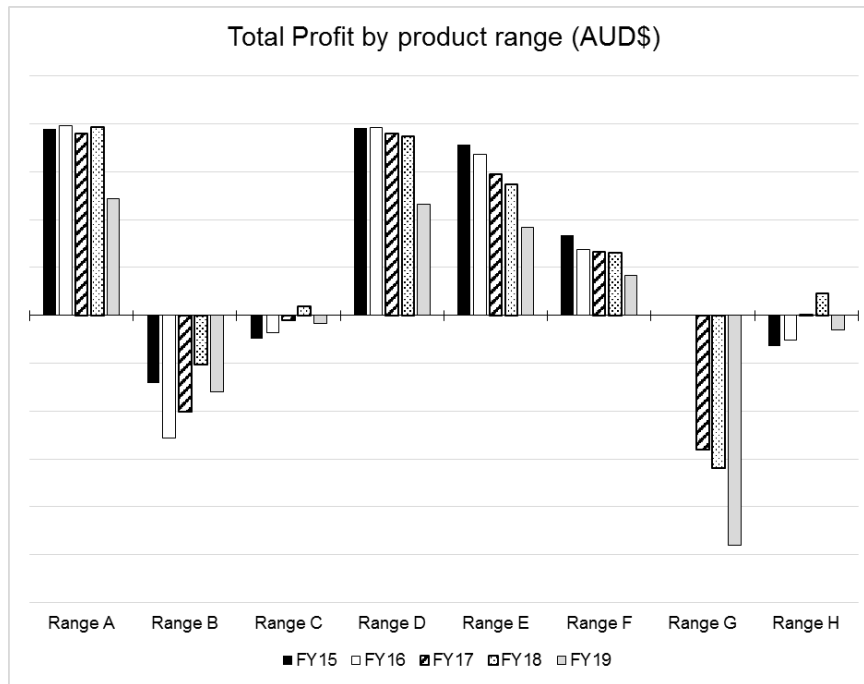


Figure 8 – Profit by product range FY15-FY19⁴⁶

Figure 8 indicates that both Range B and Range G were not profitable at any stage during the previous five financial years and Range C and H were overall unprofitable. The remaining ranges were profitable in each year however exhibited a downward trend, with the most significant decrease in profit observed in relation to FY19.

To account for the effect on profit that might be the result of OEM related party sales of the verification team has also examined the like goods profit result with and without OEM sinks. The verification team observed that profits in the absence of OEM sink sales were higher however still indicated a decline consistent with the overall trend discussed in Section 8.6.2.⁴⁷

For further context, in Figure 9 below, the verification team observed that the three sinks ranges (Range D, E and F) that achieved the highest unit profit are also the top three most expensive (Figure 6 refers). Not only have these three ranges suffered a reduction in unit profit, the sales volumes for these three ranges have decreased in FY19 to a five year low. It also appears lower priced sinks are being sold in substitution for higher priced sinks. Further, these lower priced sinks were either unprofitable, i.e. Ranges B, G and H, or in the case of the remaining profitable range, Range A, was in a state of declining profitability (Figure 4 refers).

⁴⁶ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Profit and Profitability

⁴⁷ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Profit and Profitability

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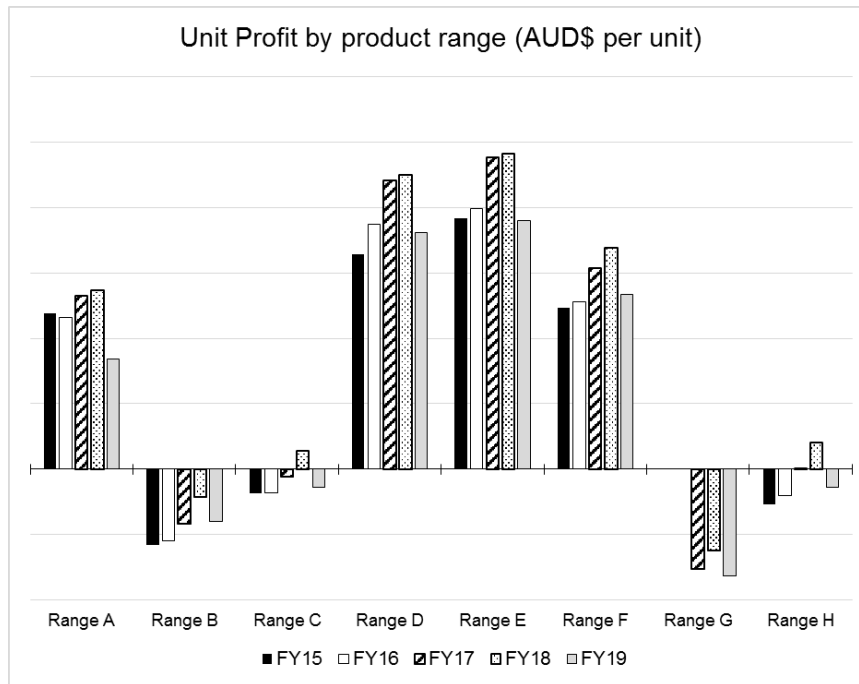


Figure 9 – Unit Profit by product range

Based on the analysis of the profit and profitability of like goods as a whole and at the range level, the verification team is satisfied that the applicant has experienced injury in the form of reduced profit and profitability.

8.7 Other economic factors

8.7.1 Injury claims relating to other economic factors

As part of its application, the applicant provided data in relation to a range of other economic factors which may also be indicative that injury has occurred. This included data, for the period of FY15 to FY19, relating to:

- Assets;
- Capital Investment;
- Research and Development expenses;
- Revenue;
- Return on Investment;
- Capacity;
- Capacity Utilisation;
- Employment;
- Productivity;
- Stocks;
- Cash flow measures; and

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- Wages.⁴⁸

The verification team notes that while data was provided in respect of each of the factors above, the applicant is not necessarily claiming injury under each factor.

Upon an examination of the data, the verification team observed the following trends over the FY15 to FY19 period:⁴⁹

- return on investment fell each year;
- revenue in respect of the goods was stable for FY15 and FY16, before declining each year thereafter;
- capacity and capacity utilisation remained relatively steady, although at no stage during the period observed was the applicant operating at full capacity;
- production volumes declined in FY19 however were six percentage point higher than the base year of FY15 when measures were imposed; and
- the number of employees engaged in the manufacture of the goods decreased each year, along with the total hours worked.

The following improvements were also observed:

- the value of production assets used in the manufacture of the goods increased each year;
- productivity, measured by actual production output divided by hours work, increased in FY17 and FY18 compared to FY15 and F16, before dropping slightly in FY19; and
- cash flow increased year-on-year from FY15 to FY18, before dropping slightly in FY19.

No discernible trend was observed in respect of the remaining factors.

8.7.2 Assets, Revenue and Return on Investment

Return on investment (ROI) has been calculated by the applicant as a ratio of its revenue on its sales of like goods to the proportion of the value of its assets used in connection with those sales.

Injury Factor	FY15	FY16	FY17	FY18	FY19
Assets	100	104	108	119	125
Revenue	100	102	95	87	73
ROI	100	98	88	73	58

Table 7 - Index of Assets, Revenue and ROI FY15-FY19⁵⁰

⁴⁸ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Other Economic Factors

⁴⁹ Ibid

⁵⁰ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Other Economic Factors [Assets, Revenue and Return on Investment].

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The table above shows that compared to FY15 when the measures were first imposed, Oliveri has experienced a decline in sales revenue and ROI.

8.7.3 Capacity and Capacity Utilization

As part of its application, the applicant submitted that the manufacture of Raymor sinks represents a critical source of production volume.⁵¹ This was reaffirmed during the verification visit, where the applicant explained that the loss of production volume associated with Raymor sinks would lead to a level of capacity utilisation which would likely result in the continued manufacturing of the goods by Australian industry becoming no longer viable.

Noting that Raymor sinks make up a growing volume of goods manufactured by the applicant, the verification team is satisfied that its capacity utilisation would be significantly impacted should the applicant cease producing Raymor sinks.

This is depicted in Table 8 below, which is an index of the applicant's capacity utilisation from FY15 to FY19, compared against capacity utilisation without Raymor production.

Factor	FY15	FY16	FY17	FY18	FY19
Capacity Utilisation (all goods)	100	97	94	115	106
Capacity Utilisation (Ex. Raymor)	100	97	79	93	81

Table 8 - Capacity utilisation FY15-FY19, with and without Raymor production⁵²

8.7.4 Employment and Productivity

During the verification visit, the applicant explained that the pressure on prices from imports has led to it investing in increased efficiency, for example through increased investment on equipment and a slight decrease in its workforce. This reflects the trends observed by the verification team from the application data.

The applicant explained that the decrease in employee numbers occurred through natural attrition, and with the increase in efficiency, it did not hire replacements for these departing employees. In this respect, the verification team notes the requirement that, for there to be injury, it must be greater than that likely to occur in the normal ebb and flow of business.⁵³

As such, from the data provided to the verification team, it cannot be satisfied that Australian industry has suffered material injury in respect of its employment numbers outside that which it would likely have experienced normally.

⁵¹ Application – 517 Public Record Item No. 1, p.16

⁵² Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Other Economic Factors [*Capacity and Capacity Utilisation*]

⁵³ ADN 2012/24 – New Ministerial Direction on Material Injury

8.8 Factors other than dumping

The following factors other than dumping were identified during verification as possibly having an impact on the economic condition of the Australian market for the goods:

- Australian building construction;
- substitutability for other products; and
- the OEM product range.

8.8.1 Australian building construction

During the verification visit, the applicant submitted that the demand for new kitchens (and thereby, new sinks) has dropped 10 per cent over FY19 and is expected to drop a further 9 per cent in the coming financial year.

In its examination of demand for the goods, the verification team has had regard to ABS building data up to March 2019.⁵⁴ The data shows a 9.3 per cent decline in the construction of new private sector houses, along with a 36.0 per cent decline in other private sector residential buildings (e.g. apartments) when compared to the same quarter last year. This equates to a 21.8 per cent drop in residential building starts overall. This drop can be seen reflected in Figure 1 above.

The verification team has also had regard to the residential renovation data over the four quarters to March 2019.⁵⁵ The data shows a 0.8 per cent increase in the value of work done when compared to the same period in FY18. However, this data is based on value rather than the number of renovations and does not specify whether such renovations are for kitchens or bathrooms (or any other room which uses a sink). It also represents 7.4 per cent of the value of the building activity. It is therefore considered to be of limited value in any analysis of demand variability for the goods.

8.8.2 Substitutability and product trends

The applicant submitted during verification that like goods are substitutable for other stainless steel sinks, primarily fabricated stainless steel sinks. There is also a recent trend towards the use of moulded granite sinks as a substitute for like goods. The verification team considers this submission reasonable, after having consideration of the end use of these products.

The applicant further submitted that there is an increasing trend towards customers preferring fabricated sinks over like goods. The verification team has examined sales data provided by the applicant and has found that there has been a slight increase in its sales of like goods since FY15 and a decreasing trend in fabricated sink sales, however, this appears to have been offset by a similar increase in moulded granite sink sales. This is demonstrated in Figure 10 below.

⁵⁴ ABS Report 8752.0 Building Activity, Australia, Mar 2019 – Summary

⁵⁵ Ibid. Reported as “Alteration and additions to residential building data” by the ABS.

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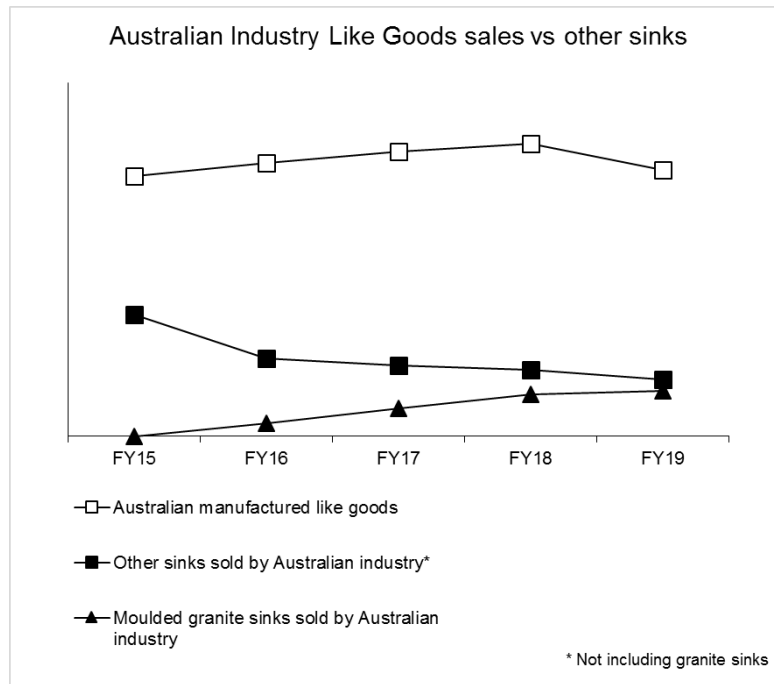


Figure 10 – Australian sales of the goods, fabricated sinks and moulded granite sinks⁵⁶

8.8.3 OEM sinks

As noted in previously in section 8.6, the verification team considers that sales of OEM sinks have been a factor which have impacted on the applicant's economic condition, profit in particular, due to the lower price point and significant sales volumes associated with OEM sinks.

These two factors appear to have combined to contribute to the decrease in the average selling price of the like goods produced by the applicant and also meant that a large proportion of its production costs have not been fully recovered. The economic performance of OEM sinks has therefore had an effect on the applicant's overall economic performance. However, it has allowed the applicant to maintain its production volumes in line with the previous five year average. Notwithstanding the performance of OEM sinks ranges sold to its related party customer Tradelink, the applicant still sells over half of its like goods to unrelated customers. Within this context the verification team considers it reasonable that applicant's commitment to its OEM products is a source of injury however not the only factor.

8.9 Conclusion

Based on an analysis of the information provided in the application and verified during and after the visit, the verification team is satisfied that the applicant has experienced injury in the form of:

- reduced sales volume

⁵⁶ Confidential Attachment 1 - Verification work program – Australian Market – Sustainability and Product Trends

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- price depression;
- price suppression;
- reduced profit and profitability;
- reduced revenue;
- reduced return on investment; and
- reduced capacity utilisation.

9 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES

Under the terms of subsection 269ZHF(2) of the Act, in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping or subsidisation; and
- the material injury that the anti-dumping measures are intended to prevent.

9.1 Continuation or recurrence of dumping and subsidisation

The applicant submits that if the measures are not continued, the lower price of exports from China would lead to an increase in export volumes to Australia, resulting in a recurrence or continuation of material injury in terms of lost production volumes, lower revenue and lower profitability for Australian industry. The applicant claims that lower priced Chinese exports are currently causing injury in the form of price depression and price suppression.⁵⁷

As part of its application the applicant provided estimates of the level of dumping it alleged was occurring in relation to the exports of the goods to Australia from China. In the original investigation, the Commission observed a large degree of product variation between the Chinese domestic like goods and the goods exported to Australia. Taking this into account it is difficult to determine the level of dumping based on export price alone. However, the verification team notes that exports price reductions have occurred in the context that importers have been required to pay anti-dumping tariffs and despite this applicant's prices have continued to decline.

During the course of the inquiry the Commission will assess the level of dumping and subsidisation relating to the goods exported to Australia during the inquiry period by relying on questionnaire response received from cooperating selected exporters and the Government of China.

9.2 Continuation or recurrence of material injury

9.2.1 Chinese manufacturing capacity

In its application, the applicant submitted that there exists excess manufacturing capacity in China to produce the goods.⁵⁸ The verification team considers that capacity of Chinese manufacturers to export further volumes of the goods to Australia is a relevant consideration in determining the likelihood of increased export volumes.

An analysis of Chinese manufacturing capacity will be undertaken in the Statement of Essential Facts following exporter verification.

⁵⁷ Application – 517 Public Record Item No. 1, p.15

⁵⁸ Application – 517 Public Record Item No. 1, p.10

9.2.2 Distribution links in Australia

As part of its consideration of the application, the Commission examined information obtained from the ABF import database and found that exporters from China have continued to export the goods to Australia since the imposition of the measures.⁵⁹ The Commission observed China continues to be a major source of the goods compared to other countries.

The Commission also observed that, based on ABF data, certain exporters of the goods from China have continued trading with the same Australian importers since measures were imposed.

To further highlight the continued trade flow of the goods from China, the Commission notes that, in addition to the exporters who were specifically named on the notice when the measures were imposed:

- two additional exporters have since applied to have the measures reviewed (one exporter applied for an accelerated review in 2015 and the other applied for a review in 2018); and
- one importer applied for two reviews (in respect of its exporter) in 2016 and 2017.

The Commission considered that the abovementioned reviews and the existing and long standing supplier relationships are indicative that Chinese exporters intend to export the goods to Australia in the future.

A further analysis of importer supply chains will be undertaken in the Statement of Essential Facts following importer verification.

9.2.3 Selling prices

In its application Oliveri claimed that in order remain competitive and maintain its sales volume and market share it has found it necessary to reduce its prices.

During the verification visit, the applicant explained that the price of the goods and like goods is the major driver of customer choice. Oliveri further outlined that in circumstances where Australian industry was able to deliver like goods in the required timeframe and an importer could not, the relevant factor in whether the customer would source the like goods from the applicant or the importer was price.⁶⁰

The Commission's analysis of the Australian market at the outset of the inquiry did observe that the prices of the goods exported to Australia had decreased despite the imposition of anti-dumping measures. At the same time the verification team observed that price reductions were a likely factor leading to injury in the form of price depression, price suppression and reduced profit and profitability experienced by the applicant.

⁵⁹ Initiation Notice - ADN 2019/86 - 517 Public Record Item No. 2

⁶⁰ Confidential Attachment 1 - Verification work program – Injury Claims Assessment – Continuation or Recurrence [*Price Trends*]

9.2.4 Trade remedy actions in other jurisdictions

The applicant claims that trade remedy actions, in the form of continuations and safeguards, undertaken by other jurisdictions are supportive of its belief that should the measures be allowed to expire in relation to Australia then dumping will continue to recur.

10 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an inquiry. The Commission generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

As part of an inquiry, the Commission will generally establish the USP using the following hierarchy:

- Market approach: industry selling price at a time when the Australian market was unaffected by dumping;
- Construction approach: the Australian industry's CTMS, plus a reasonable rate of profit; or
- Selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates the NIP by deducting costs incurred in getting the goods to the FOB point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

In REP 238 published in relation to the original investigation, the Commission recommended that the then Parliamentary Secretary to the Minister for Industry and Science should not have regard to the desirability of fixing a lesser rate of duty, and the full margin of the assessed dumping and countervailable subsidisation should be applied to the collection of interim dumping duty and interim countervailing duty.

This above recommendation was based on the Commissioner's findings at the time that;

- the goods have been in receipt of countervailable subsidies; and
- the Government of China has not complied with its requirements under Article 25 of the *Subsidies and Countervailing Measures Agreement* for the compliance period.

In light of the above approach the verification team has not made a recommendation on the approach to determining a USP or NIP. However should the circumstances in the current inquiry be found to differ from the original investigation, sufficient verified data is available in relation to Oliveri's sale and production of like goods to undertake an assessment of what would be an appropriate USP and/or NIP.

11 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Australian Industry Like Goods Sales
Confidential Appendix 2	Australian Industry CTMS