

Subject: Public Record 517 (Continuation – Dumping and Subsidisation – Deep drawn stainless steel sinks from China)

The Director – Investigations 3

Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

16 December 2019

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To the Director,

I am writing to confirm Reece's position regarding the Statement of Essential Facts published on November 27, 2019. The results of the Continuation Inquiry have come as a surprise to Reece and we fundamentally do not agree with the revised duties that have been proposed.

As was raised in the initial investigation in 2014, Oliveri has been a long-standing supplier of stainless-steel sinks to Reece and were previously a strategic partner in this product category. The crucial element to be considered in relation to the Commission's findings is that a lack of innovation at Oliveri in recent years can be directly attributed to the deep-drawn sinks category. As the market has evolved, Reece has continued to seek the latest designs but unfortunately, those designs have not come from Oliveri and have not been in the form of deep-drawn sinks. The market has evolved to want a look that is very different from that of 10 years ago.

If we look further into Oliveri's broader range, it paints a clear picture of a new strategic direction, one that shows a lack of investment in deep-drawn sinks and a diversification into new product categories. Oliveri's most recent launches show us that their model and focus is shifting to that of an importer and the company has now diversified into tapware, bathroom accessories, showers, toilets, basins and baths. The core activities within the business are no longer focused on local manufacturing but on moving towards becoming a bathroom and kitchen importer. If Oliveri is not willing to invest in new deep-drawn sink designs, then it must be considered that their market disadvantage is not a result Chinese imports but rather a lack of desire from the consumer.

Given its own desire to remain competitive in the local market, Oliveri's importation strategies are now completely in-line with its competitors, making the justification for drastically increased duties from China hard to fathom.

One of the key considerations in assessing the Australian market is a change in the designs that the market is calling for. Oliveri's local deep-drawn manufacturing is focused on rounded-edge sinks with large radius corners as this is the only shape that can be achieved with the deep-drawing method. However, market trends are shifting to bowl shapes with tighter radius corners and this market shift alone has impacted Oliveri's ability to compete with the innovation and shapes being presented to the market by competitors. When analysing the reasons for Oliveri's loss of volume, Reece's own sales data shows a shift to tighter-radius deep-drawn sinks and minimalistic drainer patterns. Looking further into the market shift towards tighter radius corners and squarer bowl shapes, these types of bowls can be also be created by cutting, folding and welding sheets of stainless steel, eliminating the need to deep-draw and completely avoiding any exposure to the anti-dumping tariffs in place. This goes some way to show how the market is innovating and addressing the demands of the customer, putting competitive pressure on Oliveri to do the same.

Even if we consider that Oliveri remains focused on protecting the local manufacture of deep-drawn sinks by seeking a continuation of duties from China, it must be acknowledged that manufacturing throughout Asia has become flexible and all importers, including Oliveri, have the ability to source from alternative Asian countries as a means of avoiding the duty. This is not to say that importers are simply seeking to avoid duties, but they are seeking new designs, technology and innovation from those that are investing more energy and capital than Oliveri into addressing the needs of the Australian consumer.

Another factor that Reece considers to be paramount in this investigation is the lack of opportunity for some key stakeholders to be investigated during the verification process. **Supplier X** is one of Reece's manufacturing partners and for them to have previously been assessed at **X.X% + X.X%**, then not be given an opportunity to participate in the continuation and have to bear the brunt of a Residual Exporter duty of 21.6% + 20.2%, is a gross injustice of the process.

In summary, there are multiple factors in play that have led to Oliveri's desire to apply pressure to the market via an anti-dumping duty, none of which relate to Chinese imports making Oliveri's local manufacturing uncompetitive. The situation at hand is not simply a matter of a cost disparity between Chinese and Australian manufacturing. It's about new product development, investment in new designs, addressing the design needs of the consumer and innovating the sink category overall.

Please consider this a formal request for review of the drastic and disproportionate increase to the previously established anti-dumping duties. I hope that the insights provided have been of value to you in your assessment and I am available to discuss any of these or other matters in further detail.

Regards



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