



Importer Verification Report

Verification & Case Details

Initiation Date	3 July 2019	ADN:	2019/86
Case:	Deep Drawn Stainless Steel Sinks – Continuation Inquiry – China		
Case Number	517		
Company	Caroma Industries Limited		
Location	Sydney		
Verification date	9 August 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 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Caroma Industries Limited (Caroma Industries), established in 1941, is a designer and distributor of bathroom products. It is a subsidiary of GWA Group Limited which is a public company listed on the Australian Stock Exchange.

Caroma Industries is the main trading entity for sinks for the GWA Group. Caroma Industries sells under the Caroma, Methven, Dorf, and Clark brand names. All Australian sales transactions for the goods are made through the Caroma Industries entity.

The head office of Caroma Industries is in Bella Vista, NSW.

1.2 Related parties

The verification team examined the relationships between related parties involved in the importation and sale of the goods.

The verification team found that Caroma Industries did not have any related party customers or suppliers of the goods during the inquiry period.

2 THE GOODS

2.1 The goods

Caroma Industries confirmed that it imported deep drawn stainless steel sinks (the goods) from the People's Republic of China (China) during the inquiry period matching the description of the goods that are the subject of this continuation.

During the inquiry period Caroma Industries imported a range of deep drawn stainless steel sinks of varying capacities and configurations.

2.2 Model control codes (MCCs)

As detailed in the initiation notice¹, 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 whether 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 importer, exporter, 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

¹ ADN No. 2019/86

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Category	Characteristics of category
Accessory 5	As named
Packaging type	As named

Table 1: Categories requested for all goods imported and sold

Caroma Industries provided this information for all of its products which met the goods description as part of its Response to Importer Questionnaire (RIQ).

2.3 Like goods

The verification team examined the goods imported by Caroma Industries and observed that they were similar in terms of stainless steel grade, material gauge, capacity, number of bowls, number of drainer boards, and accessories to those produced by the Australian industry.

The verification team also observed that Caroma Industries sold the goods to a number of the same customers as the Australian industry.

The importer agreed that the Australian Industry produced like goods to the goods that it imported during the inquiry period.

3 UPWARDS VERIFICATION OF SALES

3.1 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 financial accounts. The verification team verified the completeness and relevance of the sales listing provided in Part C of the questionnaire response by reconciling this to financial statements in accordance with ADN. No 2016/30.

Caroma Industries explained that its financial accounts were externally audited as part of the GWA Group's consolidated accounts. As the 2018/19 financial year accounts had not been cleared, Caroma Industries provided a copy of its management accounts.

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**.

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Caroma Industries, is complete and relevant.

4 DOWNWARDS VERIFICATION OF SALES

4.1 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 sales listing submitted in Part C of the questionnaire response 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	Method Applied
Pricing mechanisms	Based on invoice and agreement documents
Net invoice	Based on invoice and pricing mechanisms
Date of sale	Taken as invoice date, as appears on invoice

Table 2: Sales calculation method

4.2 Sales accuracy finding

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

5 VERIFICATION OF IMPORTS

5.1 Import listing

Caroma Industries confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 1**.

Caroma Industries provided source documentation relating to selected shipments from the ABF import database.

5.2 Verification of cost to import and sell

The verification team verified the accuracy of the cost to import and sell (CTIS) listed for selected shipments in Part B of the questionnaire response by reconciling to source documents in accordance with ADN No. 2016/30.

Caroma Industries advised that all of its importations are made on a Free On Board (FOB) basis, and it organises for the transport documentation, freight, insurance, and import customs.

5.3 Verification of CTIS allocation

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response, to the relevant MCCs, in accordance with ADN No. 2016/30.

Where costs are per container, they have been allocated based on the volume of the goods. Where costs are based on value, they have been allocated based on the invoice value.

Cost Area	Method Applied
Ocean freight	The actual cost was allocated to goods based on volume
Marine insurance	The annual marine insurance premium cost was allocated to goods based on invoice value
Duties	The actual duty paid was allocated to the goods subject to measures based on invoice value
Customs fees	The actual customs fees were allocated to goods based on volume
Quarantine charges	The actual quarantine charges were allocated to goods based on volume
Port service charges	The actual port service charges were allocated to goods based on volume

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Handling charges	The actual handling charges were allocated to goods based on volume
Shipping documentation charges	The actual shipping documentation charges were allocated to goods based on volume
Management charges	The actual management charges were allocated to goods based on volume
Bank charges	The actual bank charges per payment were allocated to goods based on invoice value
Delivery	The actual delivery charges were allocated to goods based on volume
Selling General and Administrative (SG&A)	Calculated using the selling, general, and administrative costs and the net sales revenue for Caroma Industries

Table 3: Cost calculation method

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**.

5.3.1 Exceptions during verification of CTIS allocation

No.	Exception	Resolution
1	Caroma Industries' RIQ calculated SG&A using gross sales revenue. This did not take into account the off-invoice discounts and rebates offered to customers.	The verification team amended the SG&A calculation by using net sales revenue.
2	Some costs were allocated on an incorrect basis.	The verification team amended the calculations to reflect the correct allocation basis as noted in Table 3.

Table 4: Exceptions identified during verification of CTIS allocation

5.4 Verification of CTIS accuracy

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

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**.

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	Some information in the CTIS spreadsheet was missing or inaccurate. Caroma Industries explained that this was a result of a data entry error.	The verification team amended the CTIS spreadsheet to match the source documents.

Table 5: Exceptions identified during verification of CTIS accuracy

5.5 Forward orders

At the visit, Caroma Industries provided the verification team with an updated list of forward orders directly from its system. The verification team reconciled the listing provided in the questionnaire response to the company’s records. The verified list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Caroma Industries, including any required amendments as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

The verification team considers Caroma Industries to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Caroma Industries is:

- named on the commercial invoice from its supplier;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

6.2 The exporter

In Investigation 238 (INV 238), the Commission determined that the manufacturer of the goods was the exporter. During the visit and in its RIQ, Caroma Industries reported that the manufacturer of the goods was the same as during INV 238.

The verification team identified that the company that was listed on the commercial invoices provided in the importation documentation was different to that listed in the RIQ. Caroma Industries reported that the company listed on the commercial invoices was an intermediary that was related to the manufacturer of the goods. Proof of payment documents provided by the importer established that payment for the goods was made to this intermediary. Notwithstanding, the verification team identified the manufacturer of the goods reported by Caroma Industries in its RIQ was named as the shipper of the goods on the customs broker invoices provided in relation to some of the shipments selected for verification. These observations confirmed the response provided by Caroma Industries in its RIQ was accurate.

The verification team further examined the available information from INV 238 where it was found that the parties to the exportations to Caroma Industries were identical to those observed in the period relevant to this inquiry.

Based on the above and subject to further enquiries, the verification team considers that the manufacturer of the goods is the exporter referred to in Caroma Industries' RIQ, and that the goods were purchased by the importer from an intermediary who sourced the goods from this exporter.

6.3 Profitability of imports

Caroma Industries stated that it was not possible to trace the selected imports to individual sales to its Australian customers. The goods are imported in varying quantities and held as stock from which Caroma Industries supplies the goods to individual customers.

To determine the profit for each shipment, the verification team subtracted the total cost to import and sell from the weighted average sales revenue of the goods during the inquiry period.

The verification team found that all of the relevant shipments were profitable, both on a weighted average basis and overall. The assessment is at **Confidential Appendix 3**.

The selected imports contained imports of other products. Through the downwards sales process, the verification team confirmed that these products were not the goods subject to this continuation

(e.g. fabricated sinks). The profitability of these products were excluded from the profitability calculation.

6.4 Related party suppliers

The verification team did not find any evidence that Caroma Industries is related to its supplier of the goods exported from China during the investigation period.

6.5 Arms length

In respect of imports of the goods to Australia by Caroma Industries during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between Caroma Industries and its suppliers are arms length transactions.

6.6 Export price assessment

The verification team considers that, subject to further enquiries, for the goods imported by Caroma Industries:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have not been purchased by the importer from the exporter(s); and
- the purchases of the goods by the importer were arms length transactions.

The verification recommends that the export price be determined under s.269TAB(1)(c), having regard to all the circumstances of the exportation.

7 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification Work Program