



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	Everhard Industries Pty Ltd		
Location	Brisbane		
Verification date	27 August 2019		
Inquiry Period	1 July 2018	to	30 June 2019

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

Everhard Industries Pty Ltd (Everhard), a private entity, was established in 1926. Everhard provides a range of plumbing and drainage solutions. Everhard also manufactures drainage systems in precast concrete and polymer injection moulding in Brisbane. Everhard imports and sells the deep drawn stainless steel sinks (the goods) in the Australian Market. Everhard's head office is located in Geebung, Queensland.

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 Everhard does not have any related party customers or suppliers of the goods during the inquiry period.

2 THE GOODS

2.1 The goods

The verification team confirmed that Everhard imported 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 Everhard 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.

2.3 Like goods

Everhard agreed that the Australian industry produced like goods to the goods that it imported during the inquiry period.

¹ ADN No. 2019/86

3 UPWARDS VERIFICATION OF SALES

3.1 Verification of sales completeness and relevance

Verification of relevance and completeness of sales data in respect of the goods is usually conducted by reconciling selected data to management and audited financial accounts.

At the visit, Everhard stated that it does not record the goods as a separate category in its system and therefore it was unable to match the sales (Part C) to the financial reports. At the visit Everhard was able to demonstrate to the verification how it used its system to extract all invoices in relation to the sales of the goods during the inquiry period which Everhard used to manually complete part C of the importer questionnaire.

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

On the basis that it was not possible to reconcile the sales data reported by Everhard in Part C of its questionnaire to the accounts in its financial records the verification is not satisfied that its Australian sales information is a complete or relevant representation.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data to source documents. This part of verification involves the process of aligning 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).

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Everhard in relation to a sample of Australian sales transactions 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

The verification team compared the import listing extracted from the ABF import database to the sales data provided by Everhard and observed a significant discrepancy in quantity over the Inquiry period.

At the visit, Everhard stated that a significant majority of imported goods are utilised as components in laundry cabinets that are assembled by Everhard in Australia after importation. The difference in the ABF and sales data observed by the verification team can be attributed to the import quantity used in the assembly of laundry cabinet units. It should be noted that laundry units are not subject to measures.

The verification team examined a selection of importation documentation provided by Everhard and is satisfied that many of the products listed would be used in the assembly of further finished products incorporating the goods, such as laundry cabinets.

Using the ABF import data, the verification team calculated the weighted average FOB export price model at **Confidential Appendix 1**.

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.

Everhard stated that all of its importations are made on a free On board (FOB) basis. Everhard also 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, 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
Handling charges	The actual handling charges were allocated to goods based on volume

PUBLIC RECORD

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 Everhard

Table 1: Cost calculation method

The verification team identified the following issues during this process.

5.3.1 Exceptions during verification of CTIS allocation

No.	Exception	Resolution
1	<i>Overseas insurance</i> Everhard calculated insurance costs for each shipment based on its total insurance policy cost, apportioned over the number of shipments it reported as receiving during inquiry period. The verification team has examined ABF import data and is unable to reconcile this with the figure used by Everhard.	The verification team considers a more appropriate determination of insurance costs is to take the average premium over the inquiry period, and divide that by the average coverage amount provided by the insurance policy. This gives a “per dollar of imported goods” insurance cost which can then be apportioned to each consignment, based on the value of that consignment.
2	<i>Bank fees</i> Everhard calculated bank fees for each shipment using the same methodology for overseas insurance costs.	The verification team applied the same methodology used for overseas insurance, to determine a “per dollar of imported goods” bank fee which can then be apportioned to each consignment, based on the value of that consignment.
3	<i>Customs Duty</i> Customs Duty was not included as part of the importation costs in Part B of the questionnaire response.	The verification team amended Part B using information provided in the source data to include Customs Duty as part of CTIS.
4	<i>SG&A</i> Everhard provided an estimate of its SG&A.	Using the unaudited extract of Everhard’s 2018/2019 financial year profit and loss statement, the verification team calculated an alternative cost for SG&A to that calculated by Everhard.

Table 2: Exceptions identified during verification of CTIS allocation

Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

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 following issues during this process.

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	Some information in the CTIS spreadsheet was missing or inaccurate.	The verification team amended the CTIS spreadsheet to match the source documents.

Table 3: Exceptions identified during verification of CTIS accuracy

Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

5.5 Forward orders

The verification team verified the importer's forward orders by reconciling the listing provided in the questionnaire response to the company's records. The verification team noted that the forward orders were in accordance with the normal business practice of Everhard. 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 Eberhard's reliable.

6 EXPORT PRICE

6.1 The importer

The verification team considers Everhard to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods because of the following:

- Everhard is named as the recipient on invoices for the goods;
- Everhard is named as the consignee on the bill of lading;
- Everhard is named as the owner and delivery recipient for the goods on customs declaration forms;
- Everhard is named on the invoice for all importation charges (following delivery of the goods to the port of departure); and
- Everhard is responsible for payment of inland delivery fees from the port of arrival.

6.2 The exporter

The goods were imported to Australia by Everhard. Subject to further inquiries, the verification team considers Everhard's Chinese supplier to be the manufacturers, and hence the exporter of the goods², as this supplier is:

- named as the issuer of invoices for the goods;
- named as the consignor on the bill of lading; and
- named as the supplier of the goods on customs declaration forms.

6.3 Profitability of imports

Everhard advised during the visit 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 Everhard supplies the goods to individual customers.

To determine the profit, the verification team subtracted the total cost to import and sell from the weighted average sales revenue of the goods for every transaction during the inquiry period where the product code of the goods sold matched the product code of an imported good.

The verification team found that overall the sales were profitable. The assessment is at **Confidential Appendix 3**.

6.4 Related party suppliers

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

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

6.5 Arms length

In respect of imports of the goods to Australia by Everhard during the inquiry 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 Everhard and its supplier are at arms length.

6.6 Export price assessment

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

- 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.

The verification recommends that the export price be determined under s.269TAB(1)(a), being the price paid or payable for the goods by the importer, other than any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after 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