



Importer Verification Report

Verification & Case Details

Initiation Date	13/07/2020	ADN:	2020/71
Case Number	557		
The goods under consideration	Certain Copper tube		
Case type	Dumping and Subsidy Investigation		
Importer	Grahame Cook Plumbing Supplies Sales Pty Ltd		
Verification	Remote verification		
Investigation Period	1/07/2019 to 30/06/2020		

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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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act)¹.

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

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Grahame Cook Plumbing Supplies Sales Pty Ltd (GCPSS), trading as Cook's Plumbing Supplies, is a family owned private company registered in Australia.

GCPSS is an importer and distributor of certain copper tube (the goods) and operates in the Sydney NSW and Brisbane QLD regions with its head office located in North Rocks NSW. GCPSS is a plumbing merchant that supplies both imported and locally produced product to the Australian plumbing market. GCPSS is also a seller of other plumbing products such as copper fittings, kitchen taps, sinks and bathroom accessories. GCPSS is a member of Plumbing Plus, a national buying group.

During the investigation period, GCPSS imported the goods from a Korean supplier, and sold the goods in the condition in which they were imported to end users.

GCPSS also purchased and sold a small volume of the goods that were supplied indirectly by a Chinese manufacturer. However, the verification team found that GCPSS was not directly involved in the importation of those goods, and those purchases and sales are not the primary focus of this verification report.

1.2 Related parties

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

The verification team found that GCPSS imported the goods directly from an unrelated Korean manufacturer and sold the goods to unrelated Australian customers.

The verification team did not identify any related parties that were involved in the importation or sales of the goods during the investigation period.

2 THE GOODS

2.1 The goods

GCPSS confirmed that it imported certain copper tube from the Republic of Korea (Korea) during the investigation period matching the description of the goods that are subject of this investigation.

2.2 Model control codes (MCCs)

GCPSS provided sales data in accordance with the MCC structure detailed in the file note published on 7 September 2020. GCPSS did not propose changes to the MCC.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents:

Category	Verification of the sub-category
Standard	Based on the goods description on the commercial invoices and product codes
Temper	Based on the temper shown on the commercial invoices and product codes
Lagging	Based on the goods description on the commercial invoices and product codes
Capping	Based on the goods description on the commercial invoices and product codes
Form	Based on the form and length shown on the commercial invoices and product codes
Finned or internally grooved	Based on the goods description on the commercial invoices and product codes

Table 1 MCC sub-category determination

2.4 The goods imported and sold in Australia

The verification team were satisfied that GCPSS sold goods with the following MCCs during the investigation period:

- P-B-L-U-S-P
- P-B-U-U-S-P
- P-H-L-U-S-P
- P-H-U-U-S-P

2.5 Like goods

GCPSS agreed that the Australian Industry produced like goods to the goods that it imported during the investigation period.

GCPSS considers the imported goods to be homogenous with the goods produced by Australian industry, with similar physical, commercial, functional and production

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likeness. GCPSS also considered that both the Australian produced and imported goods are wholly interchangeable and sold to common users.

As a result, the verification team is satisfied that the goods imported by GCPSS during the investigation period are like to the goods produced by Australian industry.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

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

The verification team verified the relevance and completeness of the sales data as follows:

- The total sales revenue was reconciled to the company's audited financial statement for FY 2019/20 (this statement was close to sign-off at the time of verification), and to the trial balance and management reports. The verification team was satisfied as to the reliability and integrity of GCPSS management reports;
- GCPSS explained how the sales listing volumes and values were extracted from their sales system with product codes and descriptions provided; and
- The sales revenue for straight copper tube within the relevant dimensions was reconciled to the sales report based on the product codes and descriptions.

The verification team identified exceptions, as outlined in section 3.1.1. Details of this verification process are contained in the verification work program and its attachments, at **Confidential Attachment 1**.

3.1.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	The Part C sales listing did not include all sales of the goods, such as lagged tube etc.	GCPSS provided a revised sales listing to include all sales of the goods along with a list of copper tube codes and product descriptions.
2	The product description field of the Part C Sales listing indicated that certain sales listed were of copper tubes of dimensions not covered by the goods description.	The verification team matched product descriptions to product codes and commercial invoices to identify those product codes which related to copper tubes with dimensions that did not meet the goods description. The copper tubes which did not meet the goods

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		description were excluded from the sales listing.
3	From the sales verification, the verification team found that revenue reported reflected gross revenue, with no rebates recorded in the sales listing.	GCPSS provided the rebate amounts paid to each customer relevant to sales during the investigation period and also provided the rebate percentage rate applicable to each customer. The verification team revised the sales listing to include rebates.

Table 2 Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

Following the resolution of the exceptions, the verification team is satisfied that the sales data provided by GCPSS 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.

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 identified exceptions, as outlined in section 4.1.1 during the verification 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 accuracy

No.	Exception	Resolution
1	Certain product codes recorded on sales invoices that related to the goods were not listed in the Part C sales listing.	GCPSS provided a revised sales listing to include all straight copper tube sales with a list of copper tube codes and product descriptions.
2	The details under the MCC category 'temper' as recorded in the sales listing did not match the temper on the invoice.	GCPSS advised the temper as recorded on the invoice is correct and the revised temper details in the sales listing under the relevant MCC column.

Table 3 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

Following the resolution of the exceptions, the verification team is satisfied that the sales data provided by GCPSS, is accurate.

5 VERIFICATION OF IMPORTS

5.1 Import listing

GCPSS confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the investigation period.

It is noted, however, that the verification team is unable to accurately filter the ABF data for only the subject goods, as the tariff classification covers a range of products and there was insufficient information to distinguish the goods subject to this investigation. As such, the verification team has not preliminarily determined the export price having regard to the ABF data.

The import listing, which includes those imports of the goods by GCPSS during the investigation period is at **Confidential Appendix 1**.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the Commission selected 10 shipments for GCPSS to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, GCPSS provided the following source documents:

- commercial invoice from its supplier;
- bill of lading
- packing list
- customs entry declarations
- certificate of origin
- freight and port charge invoices
- delivery invoices
- proof of payment

5.3 CTIS allocation method

The CTIS allocation method can be summarised as follows:

Cost Area	Method applied
Customs fees and charges	Based on the actual cost
Port service charges	Based on the actual cost, invoice by logistics company applicable to the shipment
Delivery	Based on the actual cost, invoice by logistics company applicable to the shipment
SG&A	Based on SG&A costs incurred, as percentage of sales revenue and multiplied by the notional revenue for the shipment

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Table 4 Verification of cost calculation method

The verification team identified the exceptions, as outlined in section 5.3.1, during the verification 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	Each of the shipments contain both the goods under consideration and copper tube which are not within the dimensions of the goods.	The verification team reallocated the importation costs for each shipment by allocating the costs based on weight applicable to the shipment.
2	GCPSS estimated SG&A costs, however, these costs were not substantiated with any calculations or documentary evidence.	The verification team revised the SG&A costs and re-calculated based on SG&A costs as a percentage of sales revenue, having regard to relevant accounts, as detailed in the financial report.

Table 5 Exceptions during verification of CTIS allocation

5.4 Verification of CTIS 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 key information fields within the CTIS data down to source documents.

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 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**.

5.5 Forward orders

The importer's forward orders listing was provided in the questionnaire response to the company's records. The list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

Following resolution of the exceptions, the verification team is satisfied that the CTIS provided by GCPSS 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 GCPSS to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as GCPSS 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

The verification team considers the Korean supplier to be the exporter of the goods² imported by GCPSS, as they are:

- named as the seller on the commercial invoices and packing lists;
- named as the shipper on the bills of lading;
- the manufacturer of the goods and located in the country of export; and
- responsible for arranging and paying transportation of the goods to the port of export to Australia.

6.3 Profitability of imports

The verification team assessed the profitability for the following selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment cannot be traced to actual sales transactions, the verification team used the monthly weighted average sales revenue to assess its profitability. The assessment is at **Confidential Appendix 3**. The outcome of this assessment is in Table 6 below.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	N
6	Y
7	Y

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.

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8	Y
9	Y
10	Y
Weighted average all shipments	Y

Table 6 Profitability of selected imports

The verification team found that on a weighted average, GCPSS was profitable for the sample shipments. Additionally, the verification team did not find any evidence that GCPSS would be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price.³

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

6.4 Related party suppliers

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

6.5 Arms length

In respect of imports of certain copper tube to Australia by GCPSS 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 the evidence examined in relation to GCPSS appears to indicate that the imports between GCPSS and its supplier are arms length transactions.

6.6 Export price preliminary assessment

The verification team is of the opinion that for the goods imported by GCPSS from its Korean supplier:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter(s); and
- the purchases of the goods by the importer were arms length transactions.

³ Section 269TAA(2).

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Subject to further inquiries with this exporter, the verification team recommends that the export price for certain copper tube imported by GCPSS from its Korean supplier can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

7 ATTACHMENTS

Confidential Appendix 1	Import listing
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of imports
Confidential Attachment 1	Verification Work Program
Non-Confidential Appendix A	Australian Market Claims

APPENDIX A – AUSTRALIAN MARKET CLAIMS

At initiation, importers were asked to complete the importer questionnaire and comment on the claims made by the Australian industry in the application, regarding injury, causation, dumping and the Australian market for copper tube.

A non-confidential summary of the response from GCPSS is detailed below, to be evaluated further with other information provided from interested parties in the investigation.

Prevailing conditions of competition in the Australian market

Copper tube in the Australian plumbing market is largely homogenous – being typically sourced domestically from MM Kembla, or imported from South Korea or China. South Korea has been a provider of copper tube to the Australian market for 15-20 years and continue to provide quality tube to the Australian market. Hailing from China has begun supplying copper tube in recent years. The market believes that goods sourced by GCPSS from the Korean exporter and MM Kembla are of a higher quality than the goods it sources from other suppliers.

Prices in the Australian market are determined by Reece and Tradelink (plumbing wholesalers that purchase from MM Kembla), due to their market share – and are based on the prices they receive from MM Kembla.

The market for seamless copper tube has decreased over the last 5 years, due to an increasing use of plastic composite pipe and the slowdown in the construction industry. The decrease in the market for seamless tube is seen as the main cause of injury to the applicant.

GCPSS business specifically deals with supplying seamless copper tube to the Australian plumbing industry – directly to plumbers, gasfitters and mechanical contractors (HVAC). This industry is directly linked to the Australian construction industry and as such, any movements in construction demand will flow directly into demand on the Australian plumbing industry.

Imports and product standards

Independent plumbing suppliers can find comparable product to MM Kembla's supply at a more attainable price point through imports. The risks and costs associated with purchasing on the foreign market are:

- Exchange rate risk
- Raw material volatility
- No domestic warranty
- Insurances
- Expertise
- Volume requirements

Product standards are set by Standards Australia. Any imported tube must meet those standards. The product must undergo testing and reporting before being allowed to be imported and used in the Australian market.

Products in the Australian market

Copper tube in the Australian plumbing market is largely homogenous.

Copper was traditionally used in back of wall plumbing but the market is shifting towards using plastic composite pipe in a number of these applications. The plastic composite pipe is more malleable and therefore installation can be easier. There can be a price saving in the material and in the overall cost of works due to it being less labour intensive to install.

While plastic composite pipe is being used for some of the traditional applications that copper was used for, it is not a complete substitute due to copper's properties for fire protection and durability.

Relationship between price and cost in Australia

Selling prices are driven by the market and raw material costs. The market is reactive to prices set by MM Kembla, Reece and Tradelink, while selling prices are reviewed when there are large movements in the cost of materials. The volatility of the market which is typically driven by two factors, the price of Copper on the LME and exchange rates for USD.

GCPSS does not have the scale or market influence to set prices independent of these factors.