



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	13/07/2020	<b>ADN:</b>	2020/71
<b>Case Number</b>	557		
<b>The goods under consideration</b>	Certain Copper tube		
<b>Case type</b>	Dumping and Subsidy Investigation		
<b>Importer</b>	Airefrig Australia Pty Ltd		
<b>Verification</b>	Remote verification		
<b>Investigation Period</b>	1/07/2019	<b>to</b>	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).<sup>1</sup>

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<sup>1</sup> 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**

Airefrig Australia Pty Ltd (Airefrig) is a family owned company.

Airefrig is a national wholesaler for the refrigeration and air conditioning industry with a network of branches in all states throughout Australia.

Airefrig lists approximately 40 different copper tube products available for sale in the Australian market. Airefrig imports copper tubes which are then sold in the condition in which they were imported to its customer base.

### **1.2 Related parties**

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

The verification team found that Airefrig imported the goods from an unrelated Korean supplier (trading company) and sold the goods to unrelated Australian customers.

Based on the information verified, the verification team did not identify any related parties of Airefrig that were involved in the importation or sales of the goods during the investigation period.

## **2 THE GOODS**

### **2.1 The goods**

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

### **2.2 Model control codes (MCCs)**

Airefrig provided sales and cost data in accordance with the MCC structure detailed in the file note published on the case page of the Commission’s website on 7 September 2020. Airefrig 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.

<b>Category</b>	<b>Determination of the sub-category</b>
Standard	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures
Temper	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures
Lagging	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures
Capping	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures
Form	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures
Finned or internally grooved	Based on product codes contained on commercial invoices matched against product descriptions contained in product brochures

**Table 1 MCC sub-category determination**

### **2.4 The goods imported and sold in Australia**

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

- R-B-U-C-S-P
- R-H-U-C-S-P

## **2.5 Like goods**

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

Airefrig noted in its response that copper tube is regarded as a commodity product and that the goods offered for sale in the Australian market are generally very similar quality depending on the manufacturer of product and quality of the copper tube being used.

The verification team considers that based on the information available, the goods imported by Airefrig during the investigation period appear to have similar physical, commercial, functional and production likeness to the goods produced by Australian industry, and are therefore like goods.

### **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 visit team verified the relevance and completeness of the sales data as follows:

- As financial year 2020 audited accounts and tax return had not been completed, the verification team reconciled audited profit and loss statements for the 2018 and 2019 financial years to income tax returns which provided satisfaction that the trial balance for the 2020 financial year could be relied upon for the purposes of verifying the completeness and relevance of the sales data submitted for 2020;
- Total value of all sales reported by Airefrig agreed to the trial balance; and
- Airefrig's sales were analysed using product descriptions from product brochures, commercial invoices and information contained in the sales listing (in conjunction with information obtained from Airefrig's suppliers of the goods) to allow the verification team to tag sales of the goods made into the Australian market.

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

#### **3.1.1 Exceptions during verification of sales completeness and relevance**

No.	Exception	Resolution
1	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 the 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 that did not meet the goods description were excluded from the sales listing.

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<b>2</b>	The location description field in the Part C sales listing indicated that certain sales listed were exported.	The verification team removed the sales with overseas locations listed from the Part C sales listing.
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**Table 2 Exceptions during verification of completeness and relevance of sales data**

### **3.2 Sales completeness and relevance finding**

Following resolution of the exceptions, the verification team is satisfied that the sales data provided by Airefrig 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 did not identify any exceptions during this verification process. 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 Airefrig is accurate.

## **5 VERIFICATION OF IMPORTS**

### **5.1 Import listing**

Airefrig 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 Airefrig 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 Airefrig to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

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

- Commercial invoice from its supplier;
- Purchase order;
- Bill of lading;
- Packing list;
- Packing declaration;
- Certificate of insurance;
- Shipping advice;
- N10 customs declaration; and
- Commercial invoice from the logistics company used by Airefrig.

### **5.3 CTIS allocation method**

The CTIS allocation method can be summarised as follows:

<b>Cost Area</b>	<b>Method applied</b>
Customs fees and charges	Actual costs incurred as per logistics company invoice and allocated to the goods based on weight
Port service charges	Actual costs incurred as per logistics company invoice and allocated to the goods based on weight
Delivery	Actual costs incurred as per logistics company invoice and allocated to the goods based on weight
SG&A	Verified SG&A percentage multiplied by the notional revenue for the shipment

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**Table 3 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	Airefrig completed the CTIS spreadsheet based on the total costs incurred for each shipment, however it was apparent from commercial invoices and shipping documents that each shipment contained copper tubes that meet the goods description as well as those that do not.	The verification team used the commercial invoices and other shipping documents to segregate the goods and applied an allocation method based on the weight of goods within the shipment as a proportion of the total weight of the shipment.
2	SG&A was provided as a percentage rather than applied as a dollar value to the shipment.	The verification team determined a dollar value for SG&A for each shipment based on the verified SG&A percentage applied to the notional revenue derived from the shipment. The notional revenue was determined based on the weight of goods in the shipment (kg) multiplied by the weighted average monthly sales revenue (AUD/kg).

**Table 4 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 identified exceptions, as outlined in section 5.4.1, during the verification process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

**5.4.1 Exceptions during verification of CTIS accuracy**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
1	The invoice price listed the total invoice price for the shipment in USD rather than providing an Australian dollar price for the goods within the shipment.	Using commercial documents the verification team calculated the value of the goods within the shipment and converted the value into AUD using the relevant exchange rate for the date of the invoice.
2.	Minor differences were identified between source documents and the CTIS spreadsheet in respect of delivery and port service charges for three shipments.	The verification team updated the CTIS spreadsheet to reflect the values on the source documents.

**Table 5 Exceptions during verification of accuracy of CTIS data**

**5.5 Forward orders**

The verification team confirmed that no forward orders were evident.

**5.6 CTIS verification finding**

Following resolution of the issues, the verification team is satisfied that the CTIS provided by importer is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 2**.

## 6 EXPORT PRICE

### 6.1 The importer

The verification team considers Airefrig to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Airefrig 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 established that:

- Eulle Corporation is named as the seller on the commercial invoice;
- Eulle Corporation is named as the shipper on the bill of lading; and
- Eulle Corporation is not the manufacturer of the goods in Korea, rather they purchase the goods from Daejin Copper Pipe and Tube Manufacturing Co Ltd (Daejin Copper).

Airefrig described that Daejin Copper is the manufacturer of the goods and marks the goods according to Airefrig's branding. Daejin Copper will supply the goods based on orders made, with Eulle Corporation being responsible for dealing directly with the manufacturer and for delivery to Australia.

Having regard to other information available to the Commission, the verification team notes that Daejin Copper describes its main business as being the manufacture and sale of copper tube to domestic customers or to trading companies for export sales, including to Australia.<sup>2</sup> Daejin Copper indicate that it is aware of the export destination of goods sold to Eulle Corporation.

Subject to further inquiries, the verification team considers Daejin Copper to be a principal located in the country of export who knowingly placed the goods in the hands of a trading company, Eulle Corporation for delivery to Australia, and therefore the exporter of the goods.<sup>3</sup> Further information relevant to this assessment will be examined in the course of the investigation.

### 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

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<sup>2</sup> Investigation 557, EPR Item 13.

<sup>3</sup> 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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shipment cannot be traced to actual sales transactions, the verification team used the monthly weighted average sales revenue to assess its profitability. The profitability assessment is at **Confidential Appendix 2**.

The outcome of this assessment is in Table 6 below.

Shipment	Profitable (Y/N?)
1	N
2	N
3	N
4	N
5	Y
6	N
7	N
8	N
9	N
10	N/A – not the goods
<b>Weighted average all shipments</b>	<b>N</b>

**Table 6 Profitability of selected imports**

The verification team found that on a weighted average basis, Airefrig did not recover costs for the sample shipments. However, having regard to the information and evidence verified, the verification team does not consider that the magnitude of the losses indicates that Airefrig will directly or indirectly be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price<sup>4</sup>. For further reasoning please see section 6.4.

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 Arms length

In respect of imports of copper tube to Australia by Airefrig 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

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<sup>4</sup> Section 269TAA(2)

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- 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 Airefrig appears to indicate that the imports between Airefrig and its suppliers are arms length transactions.

### **6.5 Export price preliminary assessment**

The verification team is of the opinion that for the goods imported by Airefrig:

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

Subject to further inquiries, the verification team recommends that the export price for copper tube imported by Airefrig be established under section 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation.

**7 ATTACHMENTS**

<b>Confidential Appendix 1</b>	Import listing
<b>Confidential Appendix 2</b>	Profitability of imports
<b>Confidential Attachment 1</b>	Verification Work Program