



Importer Verification Report

Verification & Case Details

Initiation Date	13/07/2020	ADN:	2020/071
Case Number	557		
The goods under consideration	Copper tube		
Case type	Dumping and Subsidy Investigation		
Importer	Hailiang Copper Australia 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 in relation to investigation No. 557.

As outlined in Anti-Dumping Notice (ADN) No. 2020/071, Investigation No. 557 is in relation to export of certain copper tube (the goods) from the People's Republic of China (China) and the Republic of Korea (Korea) and a countervailing duty notice in respect of certain copper tube exported to Australia from China. Hailiang Copper Australia Pty Ltd (Hailiang Australia) was identified as an importer of the goods from China during the inquiry period.

This report 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

Hailiang Australia is a private company registered in Australia on 23 October 2019. Hailiang Australia is 100% owned by Zhejiang Hailiang Co., Ltd (Zhejiang Hailiang). Zhejiang Hailiang is a manufacturer of copper tube in China, Hailiang Australia's ultimate parent entity.

Hailiang Australia is an importer of certain copper tube (the goods) and sells to distributors and wholesalers. Hailiang Australia only operates in Australia, and sells products including copper straight tube, coil tube, insulated tube and copper fittings.

Hailiang Australia does not currently have a physical office location in Australia and its employees currently reside in China due to international travel restriction in both China and Australia. However, Hailiang Australia maintain independent warehouses in Australia.

The importer sells the goods in the condition in which they were imported.

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 Hailiang Australia had related party suppliers of the goods during the investigation period.

The verification team found that Hailiang Australia did not have any related party customers of the goods during the investigation period.

1.2.1 Related suppliers

Hailiang Australia imports the goods manufactured by related companies Zhejiang Hailiang and Shanghai Hailiang Copper Co., Ltd. (Shanghai Hailiang), and these goods are sold in the Australia market.

The goods manufactured by Zhejiang Hailiang in China are imported through a related trader Hong Kong Hailiang Metal Trading Limited (Hailiang HK) based in Hong Kong. Hailiang Australia also has sales agents in Australia who help to contact customers and receive orders and are paid a commission.

2 THE GOODS

2.1 The goods

Hailiang Australia confirmed that it imported the goods from China during the investigation period matching the description of the goods that are the subject of this investigation.

2.2 Model control codes (MCCs)

Hailiang Australia provided sales data in accordance with the MCC structure detailed in the ADN No. 2020/071. Hailiang Australia 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	Determination 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 Hailiang Australia imported and sold goods with the following MCCs during the investigation period:

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

2.5 Like goods

Hailiang Australia agreed that the Australian industry produced like goods to the goods that it imported during the investigation period.

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 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 income statement.

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

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

- the verification team reconciled Hailiang Australia’s income statement for 2019 and 2020, for the purposes of verifying the completeness and relevance of the sales data submitted for the investigation period;
- the verification team analysed Hailiang Australia’s sales using product codes in the sales listing to the published price list, commercial invoices and information obtained from Hailiang Australia’s suppliers of the goods.
- the verification team reconciled the value of all sales reported by Hailiang Australia to the trial balance and is satisfied as to the reliability and integrity of the reporting.

The verification team noted the following issues outlined below in section 3.1.1 during this 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 sales listing did not include rebates for certain transactions.	Australian sales listing was revised to include rebate amounts.
2	The verification team identified discrepancies between the values and quantities recorded in the sales listing and a small sample of invoices.	Australian sales listing was revised to reflect the correct invoice values and quantities.
3	The verification team identified certain transactions in the sales listing that are not Hailiang Australia’s sales of the goods during the investigation period.	Australian sales listing was revised to exclude those transactions.

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 Hailiang Australia 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 the 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 the accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to 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**.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Hailiang Australia, 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

Hailiang Australia 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 the subject of 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 Hailiang Australia 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 Hailiang Australia to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

Hailiang Australia provided the following source documents for each of the selected shipments:

- commercial invoice from its supplier;
- customs entry
- packing list
- bill of lading
- purchaser order
- sales confirmation sheet
- ocean freight invoice and evidence of payment
- ocean insurance details sheet and evidence of payment
- logistics company's invoice and evidence of payment
- transaction details of payment to purchases.

5.3 CTIS allocation method

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Based on the actual ocean freight cost, on the commercial invoice allocated to goods based on weight.
Marine insurance	Using actual marine insurance policy charge for each shipment based on ocean freight voucher.

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Customs fees	Actual cost based on invoice from the customs broker.
Quarantine charges	Based on the actual charges by the logistic service provider.
Carrier Local Charges	Based on the actual charges. Invoice of freight forwarder was allocated to the goods.
Destination Handling Fee	Based on the actual invoice of freight forwarder.
Sea Cargo Automation	Based on the actual invoice of freight forwarder.
Sideloader Delivery Fee	Based on the actual invoice of freight forwarder.
Fuel Surcharge	Based on the actual invoice of freight forwarder.
Terminal Access Fee	Based on the actual invoice of freight forwarder.
Heavy Container Surcharge	Based on the actual invoice of freight forwarder.
SG&A	Based on Hailiang Australia's actual indirect expenditure as a proportion of sales revenue.

Table 3 Verification of 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	The verification team identified certain importation charges were not included for some shipments,	Hailiang Australia updated information for the shipments with supporting invoices.
2	The verification team identified the quantity for the goods of one of the selected shipments was incorrect.	Hailiang Australia corrected the quantity amount.
3	The verification team identified inconsistencies of the insurance amount for two shipment under FOB terms.	Hailiang Australia adjusted insurance amounts for those two shipments.
4	Hailiang Australia's included direct selling expenditure items in the SG&A calculation.	The verification team used Hailiang Australia's actual indirect selling expenses as a proportion of sales revenue.

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. This verifies the accuracy of the data.

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The verification team verified the accuracy of the CTIS provided in the importer 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

A forward order list provided by Hailiang Australia is contained at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Hailiang Australia, 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 Hailiang Australia to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Hailiang Australia 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 goods were imported to Australia by Hailiang Australia through Zhejiang Hailiang’s trading arm, Hailiang Hong Kong. The verification team considers Zhejiang Hailiang to be the exporter of the goods², as Zhejiang Hailiang is:

- the manufacturer of the goods located in the country of export; and
- is aware the goods are destined for 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 weighted average sales revenue of each MCC following the importation to assess the sales profitability.

The outcome of this assessment is in Table below.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	N
5	Y
6	Y
7	Y
8	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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9	N
10	N
Weighted average all shipments	Y

Table 5 Profitability of selected imports

The verification team found that Hailiang Australia was profitable on the majority of the sample shipments and on a weighted average basis, Hailiang Australia was profitable by over 9 per cent.

Details of this verification process in respect of the profitability assessment are contained in the verification work program and its attachments, at **Confidential Appendix 3**.

6.4 Related party suppliers

The importer purchased all of the goods from its related party, Zhejiang Hailiang via a related trader Hailiang HK, during the investigation period.

6.5 Arms length

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is 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;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team did not identify any evidence that Hailiang Australia received any reimbursements, rebates or other support from Zhejiang Hailiang in respect of the goods. The verification team was able to verify that the prices listed on the invoices were the prices paid to Zhejiang Hailiang or Hailiang HK by Hailiang Australia.

Hailiang Australia advised that Zhejiang Hailiang set its prices to Hailiang Australia (via Hailiang HK) in reference to market copper prices from the London Metal Exchange (LME) plus fabrication cost. Fabrication costs have been incorporated into the sales expenses and profits of Zhejiang Hailiang.

In respect of imports of copper tube to Australia by Zhejiang Hailiang 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

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- 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 Hailiang Australia and its supplier are arm's length transactions.

6.6 Export price assessment

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

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter;
- 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 Hailiang Australia be established under section 269TAB(1)(c), having regard to all the circumstances of the exportation.

7 Injury and Causation Claims

Hailiang Australia stated that copper tube is regarded as a commodity product and that the price of the goods offered for sale is mainly determined by the raw material price trend. The raw material price is driven by the LME copper trading price. Hailiang Australia stated that copper price is market oriented and it does not deliberately lower the price of the product in order to compete with Australian local industry.

Hailiang Australia stated that during the investigation period, the Australian industry could not produce the goods of larger sizes and the Australian industry could not meet the local demand because of production line capacity.

8 ATTACHMENTS

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