



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	22/03/2021	<b>ADN:</b>	2021/041
<b>Case Number</b>	580		
<b>The goods under consideration</b>	Copper tube		
<b>Case type</b>	Dumping Investigation		
<b>Importer</b>	Hailiang Copper Australia Pty Ltd		
<b>Verification</b>	Remote Verification		
<b>Investigation Period</b>	1/01/2020 to 31/12/2020		

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.580.

As outlined in Anti-Dumping Notice (ADN) No. 2021/041, Investigation No.580 is in relation to exporters of certain copper tube (the goods) from the Socialist Republic of Vietnam (Vietnam). Hailiang Copper Australia Pty Ltd was identified as an importer of the goods from Vietnam 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).<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**

Hailiang Copper Australia Pty Ltd (Hailiang Australia) is a private company registered in Australia on 23 October 2019. Hailiang Australia is 100% owned by Zhejiang Hailiang Co., Ltd in China (Zhejiang Hailiang).

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. 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 company Hailiang (Vietnam) Copper Manufacturing Co., Ltd (Hailiang Vietnam), and these goods are sold in the Australia market.

The goods are imported through a related trader Hong Kong Hailiang Metal Trading Limited (Hailiang HK) based in Hong Kong.

## **2 THE GOODS**

### **2.1 The goods**

Hailiang Australia confirmed that it imported the goods from Vietnam 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. 2021/041. 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.

<b>Category</b>	<b>Determination of the sub-category</b>
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
- R-B-U-C-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 questionnaire response by reconciling this to financial statements in accordance with ADN No. 2016/30.

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

- the verification team reconciled the total sales revenue as per Hailiang Australia's sales listing in part C of the questionnaire to management reports; and
- 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 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**.

#### 3.1 Sales completeness and relevance finding

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 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 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**.

Details of the calculation is at **Confidential Appendix 1**.

### **5.2 Verification of cost to import and sell (CTIS)**

Prior to the verification, the Commission selected nine 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;
- packing list
- bill of lading
- logistic company invoice
- marine insurance policy
- ocean freight voucher
- sales contract
- proof of payment to the supplier.

### **5.3 CTIS allocation method**

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

<b>Cost Area</b>	<b>Method applied</b>
Ocean freight	Based on the actual ocean freight cost, invoice by freight forwarder for the goods.
Marine insurance	Actual marine insurance policy charge for each shipment based on ocean freight voucher.
Bank charges	Based on actual fees incurred.
Carrier Local Charges	Actual charges invoiced by freight forwarder



**PUBLIC RECORD**

Destination Handling Fee	Actual charges invoiced by freight forwarder
Sea Cargo Automation	Actual charges invoiced by freight forwarder
Import Customs Clearance	Actual charges invoiced by logistics company
Sideloader Delivery Fee	Actual charges invoiced by logistics company
Fuel Surcharge	Actual charges invoiced by logistics company
Terminal Access Fee	Actual charges invoiced by logistics company
Heavy Container Surcharge	Actual charges invoiced by logistics company
Container unpack fee	Actual charges invoiced by logistics company
SG&A	Based on SG&A costs incurred, as percentage of sales revenue and multiplied by the estimated revenue for each shipment.

**Table 2 Verification of cost calculation method**

The verification team identified the following issue 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.	Hailiang Australian included incorrect items of indirect expenses in the SG&A costs allocation.	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 SAP financial system.

**Table 3 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.

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**

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 Hailiang Vietnam’s trading arm, Hailiang HK. The verification team considers Hailiang Vietnam to be the exporter of the goods<sup>2</sup>, as Hailiang Vietnam 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 its profitability.

The outcome of this assessment is in Table below.

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

<sup>2</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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9	Y
10	Y
<b>Weighted average all shipments</b>	<b>Y</b>

**Table 6 Profitability of selected imports**

The verification team found that Hailiang Australia was profitable for all selected shipments. 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, Hailiang Vietnam via a related trader Hailiang HK, during the investigation period.

### **6.5 Arms length**

In respect of imports of copper tube to Australia by Hailiang Australia 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 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 from Hailiang Vietnam:

- 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.

Subject to further inquiries, the verification team recommends that the export price for copper tube imported by Hailiang Australia from Hailiang Vietnam 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, which is the copper trading price of London Metal Exchange (LME). 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**

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