



ADRP Conference Summary

Review 124 – Deep Drawn Stainless Steel Sinks exported from the People’s Republic of China

Panel Member	Paul O’Connor
Review type	Review of Minister’s Decision
Date	18 May 2020
Participants	Matthew Williams, Gavin Crooks and Cameron Kennedy (Anti-Dumping Commission)
Time opened	14:00 AEST
Time closed	15:30 AEST

Purpose

The purpose of this conference was to obtain further information in relation to the applications before the Anti-Dumping Review Panel (Review Panel) in relation to Deep Drawn Stainless Steel Sinks exported from the People’s Republic of China.

The conference was held pursuant to section 269ZZHA of the *Customs Act 1901* (the Act).

In the course of the conference, I asked the Anti-Dumping Commission (ADC) representatives to clarify aspects of REP 517 referred to in the applications, particularly with regard to adjustments.

I have only had regard to information provided at this conference as it relates to relevant information (within the meaning of section 269ZZK(6) of the Act). Any conclusions reached at this conference are based on that relevant information. Information that relates to some new argument not previously put in an application or submission is not something that the Review Panel has regard to, and is therefore not reflected in this conference summary.

At the time of the conference, I advised the ADC representatives:

- That the conference was being recorded and transcribed by Express Virtual Meetings Pty Ltd, and that the recording would capture everything said during the conference.
- That the conference was being recorded for the Review Panel to have regard to when preparing a conference summary. The conference summary would then be published on the Review Panel’s website.
- Any confidential information discussed during the conference would be redacted from the conference summary prior to publication.



Prior to the conference, participants were provided with a copy of the Review Panel's Privacy Statement. The Privacy Statement outlines who the conference recording and transcript may be disclosed to. The Privacy Statement is available on the Review Panel's website [here](#). The ADC representatives indicated that they understood the Privacy Statement and consented to:

- The recording of this conference; and
- The recording being dealt with as set out in the Privacy Statement.

Prior to the conference, the Panel provided the ADC with a number of points for discussion.

Discussion

1. Reference was made to Tables 17 and 19 in REP 517 which summarised the adjustments made with respect to Primy Corporation Limited (Primy) and Zhuhai Grand Kitchenware Co., Ltd (Zhuhai Grand). The ADC outlined the method which began with the identification of relevant domestic sales and then proceeded to first net out or exclude the costs of the accessories and then add back in the costs of the accessories included in the relevant export transaction.
2. At this point, the ADC was able to compare the export price of a sink with specified accessories with a notional or hypothetical domestic sale of an identical sink with identical accessories. At that point, any differentiation between the export price and domestic prices would reflect a varying profit margins between the two markets.
3. The ADC representatives confirmed that separate adjustments were made to reflect the use of a surrogate and a further adjustment to reflect the physical differences between exported and domestically sold sinks even though both may have fallen within the same MCC.
4. In making these adjustments the ADC followed the approach outlined in the Manual which uses observations of production cost differences. The value of those differences refers to the market value of the production cost difference being the market value of the specification of the particular item. Accordingly, the market



value of the sink is the production cost difference plus the addition of a gross margin.

5. The ADC representatives confirmed that when referring to “profit margin” that is a reference to the profit identified through the application of the OCOT test and not the actual profit margin Primary achieved on its domestic sales.
6. With respect to Zhuhai Grand, reference was made, by way of example, to an exported MCC having two draining boards but for which there were insufficient domestic sales, necessitating reliance upon a surrogate MCC having only one draining board. In such circumstances, the ADC sought to identify the incremental cost increase or decrease or market value of the additional draining board. To work that out, the ADC used the observed difference between the production costs (excluding accessory production costs) reported for the MCC having two draining boards exported to Australia and the production costs of the surrogate MCC having only one draining board, which also formed part of the MCCs exported to Australia. The ADC representatives confirmed the production cost differences of the MCCs that were produced on the exporter’s domestic market were not used.
7. The ADC representatives acknowledged,

we could have used domestic costs as well; that was open to us. However, since we were ultimately targeting to get a normal value that was comparable to the exported MCC ... using the export costs to make is already in a way achieving that outcome.
8. Having identified the incremental adjustment based upon sink production costs (excluding accessory production costs), the result was then uplifted by the OCOT test profit margin and applied to the normal value of the nominated surrogate MCC. As noted above the cost of the accessories had already been separately identified. The actual adjustments arising from the use of a surrogate and market specific differences within an MCC were solely based upon the production cost of the sink.
9. With respect to accessories, it was only where the ADC established that the accessory may have been produced in-house that the OCOT test profit margin was added to the adjustment.



10. The ADC representatives responded to Primy's assertion that it only became aware of the intention to rely upon a MCC structure in the analysis upon publication of the Statement of Essential Facts (SEF). The representatives disagreed with Primy's characterisation of the process followed regarding the disclosure of the MCC structure or the potential reliance upon it.
11. The ADC noted consideration of the use of the MCC structure was first mentioned in the Anti-Dumping Notice initiating the inquiry and was further communicated in the questionnaire sent to exporters at the outset of the inquiry (refer section C of that questionnaire). The ADC considers that the application of a MCC analysis was flagged with interested parties at a time that was sufficient to permit their views on the matter to be communicated.
12. The ADC representatives note the use of the MCC structure was first included in the reports published for each exporters' verification. Admittedly, only a short period of time elapsed between the publication of those reports and the publication of the SEF. Submissions were received from interested parties on the adoption of the MCC structure and although it was not possible to address each of these in the SEF they were nevertheless addressed in REP 517, including submissions from both Primy and Zhuhai Grand regarding the need for adjustments for market specific product differences.
13. Reference was made to the Work Program prepared by ADC officers as part of Primy's verification process. That document contains a confidential analysis of not only the questionnaire responses but also supporting data received from Primy in support of those responses. Primy's Work Program contained a number of clear and unambiguous references to the effect that Primy purchased most accessories domestically with the exception of faucets and a wastebasket. Faucets were produced at a separate dedicated production facility whilst the waste baskets were partially produced by Primy utilising scrap and assembled by incorporation of parts sourced externally.
14. ADC representatives were again asked to comment on the proportion of accessories internally produced by Primy, in light of *Confidential Exhibit 3* to Primy's submission. The representatives stated the data in the Exhibit "*was not before the ADC in that*" form. They noted the Exhibit summarises and aggregates production costs data which the ADC had examined during the verification visit and recorded in



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the Work Program. The representatives acknowledged documentation provided at the verification was headed “*accessory cost 1*” and “*accessory cost 2*”, with the former referring to “*home-made accessories*” and the latter referring to “*purchased accessories*”. The ADC representatives noted this information was not produced to demonstrate the relativity between internally produced and externally sourced accessories but formed part of a cost report used for the purposes of the reconciliation of the overall accuracy of Primy’s financial records. Stated differently, it was produced as part of an “upward verification” of Primy’s financial records and not for the purpose of establishing the relativities between the volume of accessories produced internally and those sourced externally.

15. The representatives noted the relevance of the information, submitted to, or reviewed as part of the verification process, to the proportion of accessories produced internally only became apparent when *Confidential Exhibit 3* was reviewed during preparation for the conference. That review revealed the data referenced by Primy represents “*the total production cost of deep drawn sinks activity for the domestic market, the Australian market and the exporters third country markets*” such that it is not possible to identify the proportion of accessories produced internally for each of the respective markets.
16. The ADC’s position is that although a range of data relating to the internal production of accessories had been produced in the course of the inquiry, such data had been produced as part of the normal accounts verification processes and its relevance to the proportion of internally produced accessories had not been specifically drawn to the attention of, or reasonably discernible by the ADC.

Paul O’Connor
Panel Member
Anti-Dumping Review Panel
2 June 2020