Australian Government
Australian Customs and
Border Protection Service

No. 43

R E P O R T

INVESTIGATION INTO THE ALLEGED DUMPING OF SILICONE EMULSION CONCRETE ADMIXTURES EXPORTED FROM THE UNITED STATES OF AMERICA

VISIT REPORT - AUSTRALIAN INDUSTRY

TECH-DRY BUILDING PROTECTION SYSTEMS PTY LTD

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 CUSTOMS AND BORDER PROTECTION

September 2009

PUBLIC RECORD

CONTENTS

42

Abbreviations

$	Australian dollars
The Act	*Customs Act 1901*
CTMS	Cost To Make & Sell
Customs and Border Protection	Australian Customs and Border Protection Service
FOB	Free On Board
SECA	Silicone Emulsion Concrete Admixtures
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
Tech-Dry	Tech-Dry Building Protection Systems Pty Ltd
Tariff Act	*Customs Tariff Act 1995*
the goods	the goods the subject of the application
the Minister	the Minister for Home Affairs
USA	United States of America
USP	Unsuppressed Selling Price

1 BACKGROUND

39

On 22 July 2009, Tech-Dry Building Protection Systems Pty Ltd (Tech-Dry) lodged an application under section 269TB of the Customs Act 1901 (the Act)[1]. Additional domestic sales data was received on 10 August 2009.

The application requested that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of silicone emulsion concrete admixtures (SECA) exported to Australia from the United States of America (USA).

There have been no previous investigations into SECA by Australian authorities.

The investigation was initiated on 14 August 2009.

1.1 Purpose of visit

We explained to the company that the purpose of our visit was to:

- obtain general information about the Australian market for SECA;
- gain a greater understanding of the company's manufacturing, marketing, sales and distribution processes;
- verify information provided in the application relating to the company;
- obtain additional financial data to assist in the analysis of the claimed injury to the Australian industry;
- give the company the opportunity to provide any further comments or raise any further issues it believed relevant to the investigation; and
- discuss and gather data relevant to establishing an unsuppressed selling price (USP).

1.2 Contact details

Company:	Tech-Dry Building Protection Systems Pty Ltd
ABN:	62 922 836 289
Address:	177-179 Coventry Street, SOUTH MELBOURNE VIC 3205
Telephone:	03 9699 8202

[1] references to any section or subsection shall be references to sections or subsections of the *Customs Act 1901* unless otherwise specified

Fax:	03 9696 3362
Date of visit	15, 16 and 17 September 2009

38

The following were present at various stages of the interview.

Tech-Dry	Dr Ren Kebao, Technical Director Mr Daniel Bizjak, Marketing Manager Ms Jan Attwood, Accountant
Customs and Border Protection	Joanne Reid, Operations 3 Tim Cantlon, Operations 3 Michael Kenna, Operations 3

1.3 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows:

- The investigation period is 1 July 2008 to 30 June 2009.
- The injury analysis period is from 1 July 2005 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than 13 October 2009. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts (SEF) will be placed on the public record by 2 December 2009 or such later date as the Minister allows under s. 269ZHI. The SEF will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The SEF will invite interested parties to respond, within 20 days, to the issues raised. Submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 16 January 2010, or such later date as the Minister allows under s. 269ZHI.

- Should the Minister approve an extension to the SEF, this would mean that the due date of the final report would also be extended, as provided for under s. 269ZHI. All interested parties would be notified and an ACDN would be issued should an extension be requested and approved.

3.7

1.4 Visit Report

We explained to the company that we would prepare a report of our visit. The report will be provided to the company to review its factual accuracy and to identify those parts of the report it considered confidential. Following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

2 COMPANY BACKGROUND

2.1 Corporate, organisational and ownership structure

36

Tech-Dry is a privately owned company, which acts as trustee for the Dr Douglas A Kagi Scientific Research Trust, the manufacturer of the like goods. Dr Kagi owns 100% of the issued capital of the company.

The company was established in 1982. Tech-Dry claims that since its establishment, it has been a leader in research and development of silicone water repellent building protection products in Australia.

The head office of the company is located in South Melbourne, where it manufactures, packages and distributes its range of building protection products. It also performs administrative functions including the purchase of materials for production, and sales and marketing of its products. It also operates a laboratory for research and development and to provide technical support to its clients.

The company currently employs a total of [redacted] permanent staff and an accountant that works part time (1 day per week).

Tech-Dry produces a range of building protection products, including silanes and silane creams for concrete, silicone damp course products, water repellent and stain resistant masonry sealers, water repellent admixtures, anti-graffiti products and earth building sealers and admixtures.

Tech-Dry advised that it manufactures around 20 different products, but some are produced in small volumes only. Tech-Dry stated that at present SECA makes up more than half of the company's turnover by value and volume.

The company provided us with an information folder that it uses for marketing purposes. The inside cover includes general details of its product range. The folder also contained several brochures that provides more detailed product information. The information folder is at **Non-confidential attachment 1**.

We noted that the company's web site www.techdry.com.au also has detailed information on its products, and has brochures and data sheets available for download.

2.2 Accounting structure and details of accounting systems

The accounting period of the company is based on the financial year 1 July to 30 June. The accounts of the company are not audited.

Tech-Dry uses MYOB as its financial and management accounting system.

2.3 Significance of SECA to the company

The company considers that sales of SECA are vital to the continuing viability of the company. SECA accounts for approximately [redacted] of total company turnover.

The company advised that over the past 10 years, most of its profit has been derived from sales of SECA.

The company increased its export sales of SECA during 2008 by entering into an agency agreement with [redacted]. This arrangement was made to expand sales of SECA to overseas markets, including [redacted].

We noted from the application that export sales revenue of SECA increased from [redacted] in 2007/08 to [redacted] in 2008/09. [redacted] accounted for approximately [redacted], or [redacted]%, of Tech-Dry's total export sales revenue in 2008/09. Other export sales were made by its agent Tech Link International (Tech Link) into the [redacted] markets. The company also sold small volumes of SECA to [redacted] in 2008/09.

The company explained that it relied on existing relationships with its major clients [redacted] to remain profitable as a business. It further stated that there was little scope to grow its client base, as there were only a limited number of major masonry manufacturers in Australia, namely Boral, Adbri and Austral Masonry etc.

The company stated that an increase in demand for SECA from its current client base is a significant factor that will influence the future growth of its business.

3 THE GOODS AND LIKE GOODS

3.4

3.1 Clarification of the goods and like goods

The imported goods (the goods) are silicone emulsion admixtures for concrete. The company provided the following additional details in respect of the goods in its application:

"(The imported goods) contains n-octyltriethoxysilane as the key active component. N-octyltriethoxysilane is part of the alkylalkoxysilane group or one of the organic silicone family including alkylalkoxysilanes with linear or branched alkyl carbon chain length from C1 to C20 or with a phenyl group. Such silicones also include alkylalkoxysiloxanes (siloxanes), polysiloxanes, silicone resins and functional silicones also including materials which contain silicones. The (imported goods) may also contain the above mentioned silicones as the key active or co-active ingredients. The product also contains non-silicone ingredients such as ionic or nonionic surfactants or stabilisation agents or additives including silicone additives which not only help to stabilise the emulsion but also contribute to the performance of the final product.

This silicone emulsion admixture is...used for water-repellency and efflorescence control applications for concrete or similar cementitious products including concrete block, concrete paving, retaining wall units, concrete roof tiles and pre-cast or pre-stressed concrete. (T)his product also enables increased production rates and better visual appeal of the manufactured concrete products. The product also helps to increase strength and improve colour vibrancy of concrete and provides excellent wind-driven rain resistance...

Silicone emulsion admixtures are claimed to be higher value products than those of traditional concrete admixtures such as fatty acid types of concrete admixtures..."

The company developed SECA in 1996 specifically for use in the manufacture of concrete masonry products including blocks, bricks, pavers, and stabilised or rammed earth building materials containing cement. Tech-Dry advised that it is the sole manufacturer of SECA in Australia.

The company stated that it developed the SECA product that is known by the trade name Block Emulsion. The product was introduced in Germany by Tech Dry with the intention of selling it to masonry manufacturers. The company alleges that a German chemical company instead began manufacturing the product, and that company was subsequently bought out by another company that was in turn bought out by multi-national chemical company Badische Anilin und Soda Fabrik (BASF).

BASF is now manufacturing the product in the USA and exporting it to Australia. Tech Dry claims that its Block Emulsion product and BASF's Rheopel Plus product are manufactured using very similar processes and from similar raw materials.

SECA is sold to masonry manufacturers on the domestic market using the trade name Block Emulsion. It contains [redacted] of the active ingredient N-octyltriethoxysilane (silane). Tech Dry also produces a Block Emulsion Concentrate, which contains [redacted] of the same active ingredient, for the export market.

33

The company advised that SECA's current application is for use in concrete products at the "high-end" of the market such as coloured concrete bricks and blocks for use in commercial buildings, paving and retaining walls. The company stated that the price differential is the main reason why SECA has not been able to penetrate the market for "general use" concrete products.

3.1.1 Tariff classification

The goods are classified to subheading 3824.40.00, statistical code 01, of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is 5%. However, the rate of duty for US originating goods is free, as the tariff classification is not included in Schedule 5 (US originating goods) to the *Customs Tariff Act 1995*.

3.1.2 Tariff concession orders

There are 2 Tariff Concessions Orders (TCOs) linked to tariff classification 3824.40.00. However, neither of these TCOs provides tariff concession eligibility for SECA. The table below provides a description of the two products covered by the TCOs:

TCO	Description
0613957	Oil Well cement fluid loss additive
9708763	Microsilica slurry cement bonding additive

3.2 Standards to which SECA is manufactured

The company advised that there is no Australian and New Zealand Standard Industrial Classification Code for SECA. However, it provided test reports from the Australian Building Systems Appraisal Council Ltd (ABSAC) and the Commonwealth Scientific Industrial Research Organisation (CSIRO). These test reports are at **Confidential attachment 1**.

These tests were both conducted in accordance with Australian Standard 3700-1988 'SAA Masonry Code'.

The ABSAC test was undertaken in February 1998.

The technical opinion in the test report concluded that SECA will prevent water penetration in walls by wind driven rain and rising damp provided that:

32

- the blocks using SECA are laid using Tech-Dry's Mortar Additive mixed and applied to specification;
- the wall is constructed in accordance with Australian Standard AS 3700-1988 'SAA Masonry Code';
- control and articulation joints are designed to prevent water penetration; and
- weep holes are included in the bottom course.

The CSIRO tested the Tech-Dry water repellent block system to ASTM E514-90 'Standard Test Method for Water Penetration and Leakage Through Masonry'.

This test was conducted in September 1997.

The conclusion of this test was that walls built with the Tech-Dry water repellent block wall system could be considered as waterproof against wind driven rain if they are free of cracking.

The report further stated that it would be prudent to include weep holes to drain any water which may drain down the hollow cores of the block walls.

3.3 Range of goods manufactured

The company explained that while SECA is manufactured to a single product specification, it is produced in the [redacted] and [redacted] active concentrations of the key active component silane. Essentially, the active ingredients for the [redacted] concentration are [redacted] that of the [redacted] active concentration.

Approximately [redacted]% of the company's domestic sales volumes of SECA are of Block Emulsion, the [redacted] active concentration.

The Block Emulsion Concentrate, which is of [redacted] active concentration, is also marketed using several other trade names. They are as follows:

- [redacted];
- [redacted];
- [redacted]; and
- [redacted].

3.4 Substitutability

The company explained that SECA is used in the production of blocks, bricks and pavers for water repellency and efflorescence control. The company

claims that SECA is a much more effective product than the traditional "fatty acid-based" concrete admixtures.

31

While the fatty acid-based admixtures are less costly to produce and purchase, the company claims that they exhibit less durability and fail to maintain long term performance.

The company explained that the main difference between fatty acid-based mixtures and SECA was that fatty acid-based mixtures are designed to react with cement, which is just one ingredient of concrete – the others being sand and some sort of aggregate. SECA is designed to react with the concrete. Because SECA requires some precision in relation to the dosage ratios it is difficult and expensive for builders to use it on-site for adding to mortar. The company stated that this is why SECA is used in the manufacture of concrete blocks, because they are manufactured off-site in a location where the add rates and curing can be controlled.

The company advised that it manufactures one [redacted] admixture, Mortar Additive.

4 PRODUCTION

30

4.1 Production process

The company explained that SECA is produced by an emulsification process that uses silane and several other ingredients including [redacted].

The silicone-based ingredients are sourced from local suppliers [redacted] and [redacted]. These companies import the silicone-based products from [redacted].

The company negotiates the price of the silicone-based raw materials with [redacted] and [redacted] and arrange for the containers to be delivered to a storage facility in West Footscray. The raw materials are transported from the West Footscray storage facility to the company's production facility as required.

The ingredients are placed in a [redacted] tonne capacity high pressure emulsifier where they undergo an emulsification process. This involves dispersing oily organic materials (organic silicones) in an aqueous phase (water) in the presence of surfactants and other auxiliary ingredients which help to stabilise the emulsion and aid in the performance of the final product.

The emulsification process takes approximately [redacted] hours to complete.

The SECA is quality checked following production to ensure the correct ratio of ingredients has been used and the final product specification has been matched.

The SECA is then transferred from the emulsifier to other container to be diluted (if required) or/and then to various sized containers according to customer requirements. The most popular container sizes are 1,000 litre bulky bins, 200 litre and 20 litre containers. However, 5 and 1 litre containers are also available and used for small retail sales and as samples.

Although SECA is produced in two active concentrations, the dosage rate is calculated based on the silicone active concentration per weight of cementitious material or the whole concrete mix.

The performance of the admixture depends on the active material concentration in the final concrete mix.

4.2 Capacity

The company advised that in 2008/09 it produced [redacted] tonnes of SECA at [redacted] equivalent active concentration.

The company advised that it can produce one batch [redacted] of SECA per day. It currently produces approximately [redacted] batches of SECA

weekly to satisfy the current demand of its clients. There are [redacted] staff dedicated to the production of SECA and the company's other products.

If required, the company advised that it could increase production capacity but it is currently restricted by storage space for the final product, and the volume it can produce with its current emulsification equipment.

In order to upgrade its emulsification equipment to a [redacted] or larger capacity emulsifier, it would require a larger manufacturing facility and storage space for both the finished product and raw materials. As discussed above, the company stores its raw materials off-site at a commercial storage facility in West Footscray.

The company explained that it had considered expanding its facility by leasing the premises next to its current location, which is owned by the owner of Tech-Dry. However, the potential negative impact on its business as a result of the alleged dumping, and the volatility and uncertainty associated with the current economic climate, had resulted in the company placing a hold on such plans.

4.3 Production schedule

The company explained that it produces SECA only following the placement of agent or customer orders, and it keeps only a maximum of [redacted] tonnes of stock on hand.

It explained that once an order is received through an agent or from a customer, the production of that order is scheduled. The production of SECA to fill the order can usually be completed in [redacted] days.

Production staff review the production schedule daily to allow them to effectively manage their workload, which includes the production of SECA and the other range of products that the company manufactures.

4.4 Verification of production volumes

The company advised that it maintains production records for its manufacturing area but they are not accounting records. The company also keeps details of product samples per batch per record. The production volumes provided in the company's application were sales volumes. The company explained that sales volumes were a reliable measure of production volumes because, as discussed above, the company manufactures to order and retains only minimal stock levels.

We accepted the company's explanation and are satisfied that sales volumes can be used as an indicator of production volumes.

4.5 Employees

28

As mentioned in 4.2, there are [redacted] full time staff employed for the production, packaging and despatch of SECA and other products that the company manufactures.

The company explained that other staff, such as the Marketing Manager and Technical Manager, are experienced in the production of SECA and may be called upon from time to time to fill work absences or to meet production schedules where the need arises.

5 DISTRIBUTION ARRANGEMENTS

5.1 Distribution channels

The company stated in its application that admixtures in the Australian industry are generally distributed via construction chemical supplier networks.

The main chemical supplier networks in Australia are BASF Australia, WR Grace and Parchem Construction Supplies etc.

5.2 Arrangements with agents/distributors

Through an exclusive distributor arrangement with company Tech Link, Block Emulsion is sold to [redacted] and [redacted] the company's major clients.

The company explained that Tech Link was formerly Tasco Bricks Blocks and Pavers (Tasco), a concrete block manufacturer in Tasmania. Tasco was a customer of Tech-Dry that provided positive feedback about the Block Emulsion product, and approached Tech-Dry with a proposal to further market and distribute the Block Emulsion product to masonry manufacturers. This venture proceeded and became successful for both Tech-Dry and Tasco. Eventually, Tasco sold the manufacturing part of its business and formed Tech Link for the marketing and distribution of Block Emulsion and other concrete products.

The company also sells its [redacted] and [redacted] [trade names] to several smaller clients through State offices in New South Wales, Queensland, South Australia, Western Australia and Tasmania, but there are no formal contractual arrangements in place with these agents. Tech-Dry also sells directly to customers in Victoria.

The State offices act as agents and do not form part of the company.

5.3 Warehousing and freight arrangements

The company stated that it keeps limited stock of SECA at its premises. The SECA is generally made to order and is delivered directly to the customer from its production facility.

For the majority of Tech Link's customers, Tech-Dry will arrange to freight the SECA and will pass on that cost to Tech Link. The company may decide not to charge a freight component, but this is a business decision that is made when negotiating the price with Tech Link, other agents or direct customers.

Tech Dry advised that it uses a variety of transport companies, which usually charge monthly. Payment terms are generally [redacted].

6 AUSTRALIAN MARKET

26

6.1 Market size, condition and servicing of market sectors

The company stated that it is the sole manufacturer of SECA in Australia.

The company stated that the size of the Australian market had grown slowly but steadily since Block Emulsion had entered the market approximately 10 years ago.

Tech Dry stated that future growth in the market was dependent upon the actual growth potential of its client's customers, that is, it needed to convince masonry manufacturers to further expand their use of SECA to existing products where the traditional fatty acid types of concrete admixtures are in use.

The company advised that this would be a difficult task to achieve as SECA is approximately twice or more the cost of the traditional fatty acid admixtures. This is due to the relatively high cost of the silicone raw materials.

The company stated that it services the building industry predominantly in the domestic market, but it has also expanded into the export market.

More specifically, it services Australia's major masonry manufacturers of concrete blocks, bricks and pavers. It also services manufacturers of [redacted] and [redacted].

As an important part of its marketing strategy, Tech-Dry explained that it has produced an information portfolio on the products it manufactures. The information portfolio is designed specifically to provide to architects to encourage them to specify the Tech Dry product when water repellent masonry block work is a requirement of their project design concepts. The information portfolio is at **Confidential attachment 2**.

The company stated that BASF Australia is currently its only competitor in the Australian market for SECA.

The company stated that the current condition of the Australian market for SECA remains relatively strong and has continued to grow at a steady pace.

The company stated that like any building materials, the demand for concrete admixtures in Australia grows constantly. However, the rate of growth will vary according to the variation in activity of the building industry.

The company indicated that there are no seasonal fluctuations associated with the demand for SECA apart from periods of inactivity in the building industry over the Christmas and Easter holidays.

6.2 Point of direct competition

25

The company indicated that competition with BASF Australia, the importer and distributor of Rheopel Plus, is solely based on price. Both products are made to similar specifications for the same purpose.

The company was not aware of any other known factors other than price that would affect competition between Block Emulsion (and its equivalents) and BASF's Rheopel Plus.

The company indicated that it has an advantage in the Australian market because it has been supplying that market for the past 10 years and has a strong relationship with its clients. Its clients are familiar with the Block Emulsion product and it would take quite a period of time to change its manufacturing line to substitute a new product into that process.

7 DOMESTIC SALES

24

7.1 Ordering, invoicing and delivery arrangements

In its application, the company provided detailed sales data for the period April 2008 to March 2009. Following lodgement of the application, the company provided additional sales data for the June quarter 2009.

The company explained the following ordering procedures for orders received by Tech Link from its customers:

[redacted] Similar ordering procedures and payment terms exist for sales through State office agents, the main difference being that these orders may also include Tech Dry products other than SECA.

7.2 Level of trade

The company advised that it sold SECA on the domestic market at the distributor and end user levels of trade.

As already mentioned, the majority of its sales of SECA are made through Tech Link which the company describes as an agent/distributor. The State offices that act as agents for Tech-Dry are also considered distributors.

Direct sales by the company to end users are only made in small quantities, and only occur in Victoria.

7.3 Pricing

In its application, the company provided an internal product price list that included retail, trade and wholesale pricing.

7.3.1 Sales via Tech Link

The company advised that pricing for Block Emulsion is negotiated with Tech Link and is dependent upon [redacted]. The price range for Block Emulsion up until recently was from $[redacted] to $[redacted] per litre.

The company advised that it charges Tech Link a price of $[redacted] per litre plus freight for orders placed by Tech Link for its major customers [redacted] and [redacted]. The price to [redacted] is $[redacted] [example of other customers] per litre. This price is usually inclusive of delivery.

The company advised that $[redacted] per litre is the most a client has been willing to pay for Block Emulsion.

The company also advised that from July this year, it started supplying [redacted] direct, rather than via Tech Link, due to pressure to reduce its price to retain [redacted] as a client. With this new arrangement, the company is supplying its [redacted] [trade name] for $[redacted] per litre plus freight. Effectively, this is equivalent to $[redacted] per litre for Block Emulsion due to the active concentration variance between the two products.

The company stated that these prices to [redacted] are [redacted]. [Pricing strategy]

7.3.2 Sales via Tech Dry

The company advised that sales via its State agents in Sydney, Adelaide and Queensland are mainly of [redacted] [trade name] The product is supplied to the agent for a price of around $[redacted] to $[redacted] per litre. Sales of [redacted] [trade name] are also around $[redacted] per litre.

7.4 Discounts and rebates

The company stated that it [redacted]. [information on discounts]

The company advised that it [redacted]. [information on rebates and other discounts].

7.5 Verification of domestic sales

We explained to the company that we needed to be satisfied that the data submitted in the application was complete, relevant and accurate. We also explained that the company would have to demonstrate that the data could be verified and traced to financial statements and to source documents.

7.5.1 Verification to source documents and financial accounts

7.5.1.1. All products

We first sought to verify the data in Appendix A3 of the application with the financial statements of the company.

The company advised that the volume for total company sales in Appendix A3 was irrelevant because it produces products that use different volume and active concentration measurements. The company also produces some non-chemical based products.

We agreed that the volume for total company sales was an irrelevant measure for verification. Therefore, we decided to verify total sales of the company by sales value only, but that we would verify like goods sales by both volume and value.

The company provided its Profit and Loss statement for year ended 30 June 2009. This report is at **Confidential attachment 3**.

We matched the value of all products from Appendix A3 of the application to the sum of the revenue items 'Product Sales' and 'Damp Coursing Sales' in the Profit and Loss statement. Other revenue items in the Profit and Loss statement that are not included in Appendix A3 are 'freight income', 'miscellaneous income', 'profits gain current assets', 'interest income' and 'profit (loss) foreign currency'.

We asked the company to explain the basis on which the value of all product sales was split between Australian market sales and export market sales. We also requested evidence to support the sales split. The company provided us with a copy of invoices for all product exports sales, including AUD conversion for invoices in USD. This documentation is at **Confidential attachment 4**. The value of all product exports sales for the year ended 30 June 2009 matched the export market sales value in Appendix A3.

We also sought to verify the like goods data in Appendix A3 with the financial statements of the company. For this purpose, the company provided us with a spreadsheet that included details of all domestic and export sales of like goods by product code for the year ended 30 June 2009. The spreadsheet is at **Confidential attachment 5**. The data in the spreadsheet was exported from a Sales Item Summary report from MYOB. We asked the company to print the report from MYOB to confirm the accuracy of the data in the spreadsheet. The report is at **Confidential attachment 6**.

We observed that in setting the parameters for the report, the company did not exclude any like goods from the report.

We are satisfied that the data in the spreadsheet used to present details of all sales of like goods for the year ended 30 June 2009 is an accurate representation of the data in MYOB.

We are also satisfied that all product codes used in the report relate to like goods.

7.5.1.2. Like goods - value

We matched the total sales value from **confidential attachment 5** to the total value of like goods in Appendix A3 of the application. We also matched the sales value of each trade name identified in Appendix A3 of the application.

The Sales Item Summary report did not provide a split of domestic sales from export sales. However, based on his product sales knowledge, the Technical Manager was able to identify the export sales.

To confirm that the export sales split was correct, we requested a report from MYOB of all export sales. The company provided us with a report related to GST-free exports. This report is at **Confidential attachment 7**.

The company explained that this report contained some sales that were not like goods. The accountant brought up each sales record on screen and we observed whether the sale included the like goods and marked the document accordingly.

After excluding sales that were not like goods, the total export sales value was $[redacted]. We observed that this was less than the amount in confidential attachment 5. The company explained that company sales via Tech Link would not have been allocated a GST free tax code, and therefore would not have been included in the report.

We added the total sales from confidential attachment 7 to the Tech Link sales from confidential attachment 5 and found an insignificant difference.

To confirm the export related sales via Tech Link we requested copies of the Tech Link orders and the company invoices relating to export sales. The company provided the requested documentation at **Confidential attachment 8**. The total of the invoices reconciled with the Tech Link export related sales from confidential attachment 5.

The total export sales from Appendix A3 matched the total export sales in confidential attachment 5.

The total domestic sales were calculated by subtracting total export sales from the total like goods sales. The total domestic sales from Appendix A3 of the application matched the total domestic sales in confidential attachment 5. 20

Confidential attachment 5 included a sub-total by volume and value of the 4 SECA trade names identified for the like goods in Appendix A3. We matched the values in confidential attachment 5 to the values in Appendix A3, including the split between Australian market and export market sales.

7.5.1.3. Like goods - volume

We observed that for each sale, MYOB records the number of containers sold, rather than litres. As previously discussed, containers come in a variety of sizes. In addition, the products are sold in 2 concentrations. Block Emulsion is sold in the [redacted] active concentration, and its equivalents are sold in the [redacted] active concentration.

In order to calculate the volume sold in litres, the company multiplied the total number of containers sold by the capacity of the container (in litres).

The company converted the volume of all sales of Block Emulsion to a [redacted] equivalent active concentration by multiplying the [redacted] equivalent litres by [redacted]. This is on the basis that [redacted] of [redacted] active concentration equates to [redacted] litre of [redacted] active concentration.

We matched the total volume in the spreadsheet to Appendix A3, including the split between domestic and export sales. Further, we matched the total volumes in the spreadsheet for each trade name identified in Appendix A3.

7.5.1.4. Accuracy of data

Prior to the visit, we provided the company with a list of ten domestic sales that we had selected for closer examination. We asked for copies of source documents to support the transaction details and proof of payment.

The selected domestic sales covered all quarters of the investigation period. Of the selected sales, 8 were to Tech Link (formerly Tasco Bricks Blocks and Pavers). The selected sales also covered a range of container sizes and product trade names.

In relation to each of the selected transactions, the company provided copies of the invoice, order form, and proof of payment from bank account receipts and the receipt printed from the MYOB.

We found that the data contained in the domestic sales spreadsheet agreed with the source documents provided.

Copies of the source documents for the ten selected domestic sales are at **Confidential attachment 9.**

8 EXPORT SALES

s. 19

8.1 Background on exports

The company advised that it had achieved only minimal export sales up until mid 2008, as its sales strategy was focussed predominantly on the Australian domestic market.

The company changed its sales strategy by increasing export sales of SECA during 2008 through its agent/distributor arrangement with Tech Link, which made sales into the domestic markets of [redacted].

The company explained that orders by Tech Link for export sales to [redacted] are made on the same basis as its ordering process for Australian domestic sales.

SECA sold to [redacted] is exported in [redacted] litre containers, which is the preferred size for Tech Link's customers in the [redacted] market. While SECA is also exported in [redacted] litre containers, orders are made at a minimum [redacted] litres.

SECA is exported to [redacted] in [redacted] litre drums, usually at [redacted] per order.

The company also started exporting SECA during 2008 through an agency agreement it entered into with [redacted]. The company advised that [redacted] received a start up commission for export related sales of the like goods [redacted].

Orders for direct export sales to [redacted] by [redacted] are made by fax. The company schedule production of SECA and [redacted]. [export arrangements]

Payment terms are [redacted], which is usually [redacted]. The price is given in [redacted] and payment is made by [redacted]. [payment arrangements]

8.2 Export sales performance

Export sales through Tech Link into the [redacted] and [redacted] domestic markets remains minimal. The company explained that there is no growth potential in the [redacted] market, as the market size is small and remains static.

The company stated that the main increase in export sales has been achieved by [redacted]. As already mentioned, [redacted] accounted for approximately $[redacted], or [redacted]%, of Tech-Dry's total export sales revenue in 2008/09.

8.3 Verification of export sales

Discussion of the verification of export sales is included at section 7.5 above. 18

9 COST TO MAKE AND SELL

We explained to the company that we needed to be satisfied that the data submitted in the application was complete, relevant and accurate. We also explained that the company would have to demonstrate that the data could be verified and traced to financial statements and to source documents.

9.1 Verification to source documents and financial accounts

9.1.1 Production volume

As discussed in section 4.4 above, the company advised that it does not keep production records detailing the volume of like goods produced. For the reasons mentioned in section 4.4, we consider it reasonable to use sales volumes for the purpose of calculating the cost to make and sell.

The company advised that the production volumes in Appendices A6.1 and A6.2 of the application were based on sales volumes of Block Emulsion and its equivalents. We matched the total sales volumes from Appendices A6.1 and A6.2 to Appendix A3 of the application.

9.1.2 Raw materials – completeness and accuracy

There is a [redacted] lead time from placement of an order of the imported raw materials to importation and delivery.

The company advised that it arranges the import clearance and delivery of the raw materials purchased from [redacted], whereas this is not the case with purchases from [redacted].

The company provided us with a spreadsheet it used to calculate raw material costs in Appendices A6.1 and A6.2. This spreadsheet is at **Confidential attachment 10**. It includes costs for the years 2005/06 to 2008/09.

The company considered that as Block Emulsion represents approximately [redacted]% of the company's sales of like goods, it is an appropriate basis for calculating the unit cost of all like goods.

The company provided a report from MYOB for the year 2008/09 that included the recipe for producing 1,000 litres of Block Emulsion. This report is at **Confidential attachment 11**. The report shows, separately, the unit cost of the imported and local materials.

We matched the total amount to produce 1,000 litres of Block Emulsion in confidential attachment 11 for the period 2008/09 with the raw material costs spreadsheet at confidential attachment 10.

As the company provided its sales volumes by [redacted] equivalent active concentration, and Block Emulsion is a [redacted] active concentration, the raw

material costs were [redacted] to obtain the costs for a [redacted] equivalent active concentration.

16

The company calculated the local raw material costs by multiplying the unit cost of the local material by the volume of goods sold.

We observed that the unit cost of the local raw material included packaging materials. To obtain the total local raw material cost in Appendices A6.1 and A6.2 of the application, we excluded the packaging costs from the unit cost. We then multiplied the amended unit cost of the local materials by the volume of goods sold.

The methodology for calculating the imported raw material costs is the same as that set out above for the local raw materials.

In order to test the reasonableness of the approach used to calculate the raw material cost, we compared the total imported raw material cost from Appendices A6.1 and A6.2 to the Profit and Loss Statement. We observed that the Profit and Loss Statement includes only one line item for purchases of raw material, which include silane and other production materials. Silane, which is an imported raw material, makes up approximately [redacted]% of the total cost to manufacture the products.

The company advised that it purchased all silane from two local suppliers, [redacted] and [redacted]. These suppliers both import the silane.

The company provided us with a Purchases Supplier Summary report from MYOB for purchases of silane for the period 1 July 2008 to 30 June 2009. This report is at **Confidential attachment 12**.

The company advised that not all purchases from these suppliers are for silane. The company brought up on screen the invoices relating to each purchase in confidential attachment 12, and we were able to identify those purchases that were not silane and exclude them from the total purchases.

The total silane cost from Appendices A6.1 and A6.2 of the application is $[redacted], whereas the total silane cost from confidential attachment 12 was $[redacted].

The company advised that there were small volumes of other products that are not the goods, but use silane in their manufacture. The company provided us with a Sales Item Summary report for these products for the period 1 July 2008 to 30 June 2009. This report is at **Confidential attachment 13**.

We observed that the sales value from confidential attachment 13 was $[redacted]. The difference between the cost of silane used in the goods and total silane purchases was $[redacted]. We consider it reasonable to attribute this difference to the other products that use silane in their manufacture based on their sales value.

Our overall conclusion is that the raw material costs in Appendices A6.1 and A6.2 reasonably reflect the cost of raw materials used in the manufacture of like goods.

15

The recipe at confidential attachment 11 shows that to make 1,000 litres of Block Emulsion at [redacted] active concentration requires [redacted] units of silane at a total cost of $[redacted]. This equates to a unit cost of $[redacted]. We asked the company to explain how this cost was calculated.

The company showed us that MYOB calculated the unit cost of $[redacted] based on the average cost, which is calculated as the current value of silane divided by the quantity of silane on hand.

The company showed us a screen from MYOB that provided the current value and quantity of silane on hand, and the field that provides the average cost. A copy of this screen is at **Confidential attachment 14**. The current value used to calculate the unit cost was $[redacted]. The quantity on hand was [redacted] kg. Therefore, the average unit cost was $[redacted].

To verify the current value and quantity, the company provided us with an Items Register Detail report from MYOB for silane usage for the period 1 July 2008 to 30 June 2009 that showed the movements in and out of stock. This report is at **Confidential attachment 15**.

We confirmed from confidential attachment 12 that the current value and quantity matched the data in confidential attachment 11.

We selected one silane stock movement entry for the manufacture of Block Emulsion and asked the company to produce the corresponding inventory journal. This journal is at **Confidential attachment 16**.

We compared the quantity and value of silane from the Inventory journal to the Items Register Detail report at confidential attachment 15 and found that they matched.

In order to test the accuracy of the silane purchase records, we asked the company to print a Purchases report from MYOB for the period 1 July 2008 to 30 June 2009 for the two silane suppliers. This report is at **Confidential attachment 17**.

We observed that the total purchases of silane from this report matched the total purchases from the Purchases Supplier Summary report at confidential attachment 12, after excluding the non-silane purchases from those suppliers.

We selected one purchase of silane from each supplier and asked for the invoice relating to those purchases. The invoice for supplier [redacted] is at **Confidential attachment 18** and the invoice for supplier [redacted] is at **Confidential attachment 19**.

We checked that the quantity and the purchase order number matched the quantity and purchase order number on the invoice from supplier [redacted]. Following the visit the company provided us with details of the currency conversion for this invoice. These details are at **Confidential attachment 20**.

The [redacted] invoice is in [redacted] and is dated [redacted] 2008. The invoice was paid on [redacted]. The exchange rate was [redacted] to AUD [redacted] which converted to $[redacted] exclusive of GST. The GST exclusive amount matched the amount in the Purchases Item Detail report at confidential attachment 17.

We checked that the quantity and the purchase order number matched the quantity and purchase order number on the invoice from supplier [redacted].

The [redacted] invoice is in [redacted] and is dated [redacted] 2009. The invoice was paid on [redacted]. The exchange rate was [redacted] to AUD [redacted] which converted to $[redacted] inclusive of GST. The GST exclusive amount of $[redacted] matched the amount in the Purchases Item Detail report at confidential attachment 17.

It also matched the amount recorded in the Items Register Detail report at confidential attachment 15.

9.1.3 Direct Labour – completeness and accuracy

The company does not maintain records of the amount of time spent by staff in the manufacture of the various products. The company allocated direct labour based on the proportion of turnover of like goods to all product sales. As discussed above, the company was unable to allocate labour based on production volumes due to the inability to calculate volumes on a comparable basis for all the products manufactured by the company.

The Profit and Loss statement contains account codes for wage expenses including wages production, motor vehicle allowance, bonus and superannuation.

We asked for a report from MYOB detailing the breakdown of total wages. The company produced a General Ledger Detail report. This report is at **Confidential attachment 21**. We matched the total from this report to the Profit and Loss statement.

We noticed that the direct labour was in relation to the [redacted] production staff, the Technical Manager and the Marketing Manager. It was our understanding that there was only [redacted] staff dedicated to production. The company confirmed that the Technical Manager and Marketing Manager are rarely involved in production activities.

On this basis, we amended the company's direct labour cost for like goods to exclude wages and wage related costs for the Technical Manager and

Marketing Manager, and allocated those costs to the administrative expenses. For this purpose, the company provided a Payroll Activity Detail report to identify the direct labour costs by individual. This report is at **Confidential attachment 22**.

Following the visit, we asked the company to provide a Payroll Activity detail report and General Ledger details report for 'wages – production' for the financial years 2005/06, 2006/07 and 2007/08 to allow us to adjust Appendices A6.1 and A6.2 accordingly. These reports are at **Confidential attachment 23**.

9.1.4 Direct overhead – completeness and accuracy

For the reason discussed at section 9.1.3 above in relation to direct labour, the company allocated direct overhead based on the proportion of turnover of like goods to all product sales.

Direct overheads include consumables, stock adjustments, freight, repairs and maintenance and other overheads. We observed that a large proportion of overhead costs relates to freight.

We asked the company to provide a report from MYOB of freight costs. The company produced a General Ledger Detail report for freight in/out. This report is at **Confidential attachment 24**. We compared the total freight cost from MYOB with the Profit and Loss statement and found that the amounts matched.

As discussed previously, the company usually recovers freight from its customers. We observed that the freight income was included in the income section of the Profit and Loss statement. We deducted this amount from freight in/out costs and allocated the net freight costs.

We observed that there was an expense item called Commission on Product Sales. As mentioned previously, the company explained that this account related to a commission paid to [redacted] for export related sales of like goods. It also related to a commission paid to [redacted] for export related sales that were not the like goods.

We asked the company to provide us with a report from MYOB for this account. The company produced a General Ledger Detail report. This report is at **Confidential attachment 25**. The total commission on this report matched the Profit and Loss statement. In addition, the company provided proof from MYOB for payment of these commissions. These are also at confidential attachment 25.

We allocated 100% of the commission for [redacted] only and excluded the commission paid to [redacted].

12

9.1.5 Selling, General and Administrative expenses

For the reason discussed at section 9.1.3 above in relation to direct labour, the company allocated Selling, General and Administrative (SG&A) expenses based on the proportion of turnover of like goods to all product sales.

We examined the expenses included in SG&A to determine whether there were any expenses that were not relevant to the like goods or had been excluded in the SG&A allocation.

We were satisfied that all of the expenses are relevant to the allocation of SG&A expenses.

As discussed above, we re-categorised the wages for the Technical Manager and Marketing Manager and added them to the Wages and Salaries sub-heading under Administrative Expenses.

9.1.6 Conclusion

Based on our verification we are satisfied that the costs in Appendices A6.1 and A6.2 (as amended) are a reasonable reflection of the cost to make and sell the goods.

A revised version of Appendices A6.1 and A6.2 is at **Confidential attachment 26.**

10 INJURY

The company claimed that the allegedly dumped exports of SECA from the USA have caused material injury in the form of:

- lost sales volume;
- lost market share;
- price undercutting;
- price suppression;
- reduced profits and profitability; and
- reduced return on investment
- lost confidence in business expansion and investment

10.1 Revenue effects

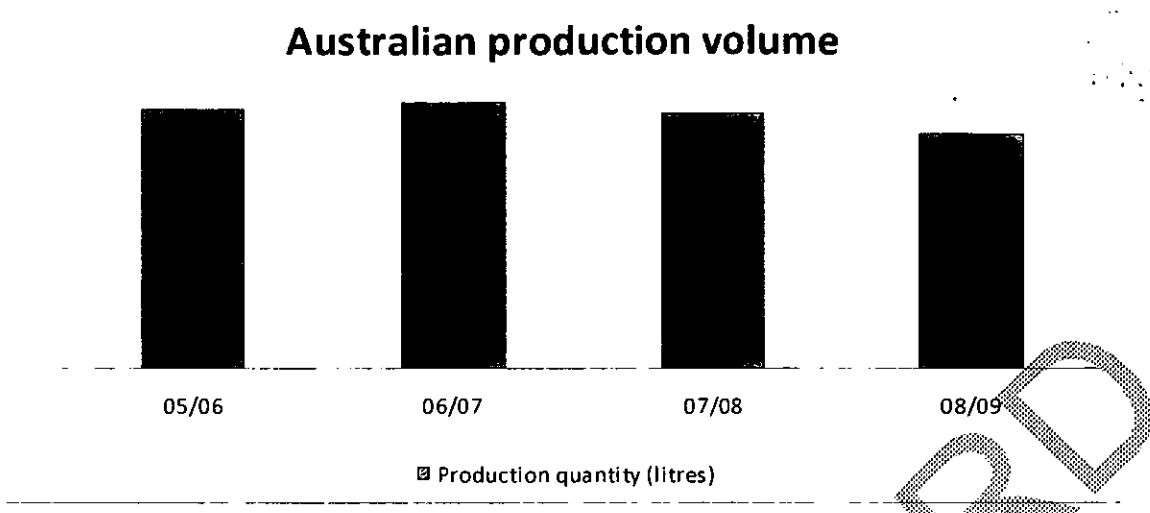
The company stated that one of its largest clients, via Tech Link, is [redacted] have offices in each state, each of which operates independently. The company claimed that [redacted] in Queensland, comprising offices in [redacted], [redacted] and [redacted], have recently commenced buying SECA from BASF. Tech Dry was unsure of the exact time that this occurred, but stated that it was some time in the 2007/2008 financial year.

Because Tech Dry's sales to [redacted] are via Tech Link, it was unable to provide us with a sales listing showing sales to [redacted] over time. We indicated to Tech Dry that we may need to speak with Tech Link to obtain further details in relation to the claim.

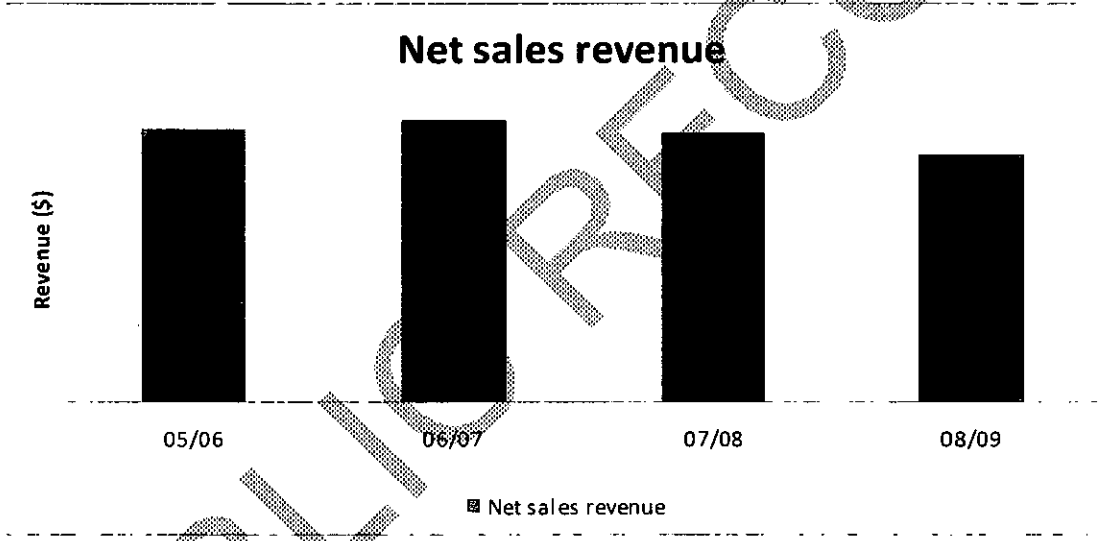
The company claimed that its agent in Queensland had informed it just prior to our visit that another customer had changed to buying BASF's SECA product rather than Tech Dry's product. The company was unable to provide the identity of this customer.

The following charts show the production volumes of SECA for the company, and net sales revenue of domestic sales of SECA by the company over the injury analysis period.

10



Our analysis of the data indicates that production volumes peaked in 06/07, then decreased in both 07/08 and 08/09 to levels below 05/06.

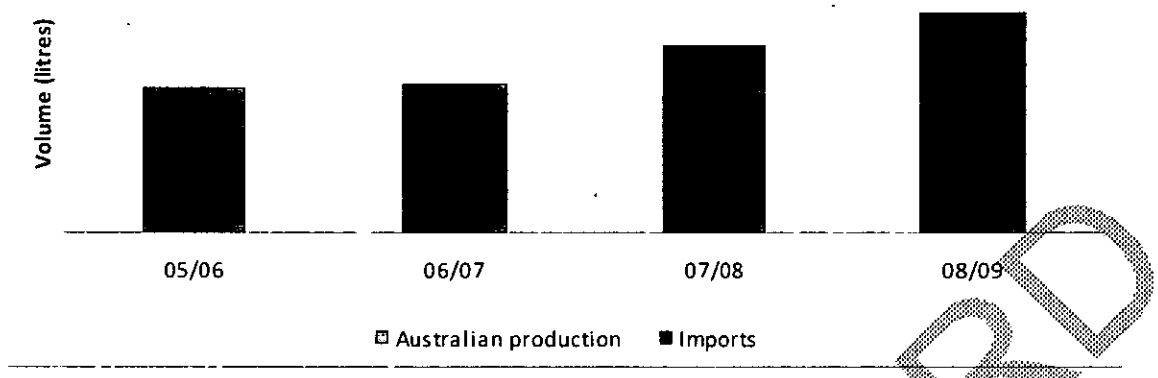


Net sales revenue follows a similar trend to production volumes in that it peaked in 06/07, then decreased in both 07/08 and 08/09 to levels below 05/06.

10.2 Market share effects

The company claimed that, due to the alleged dumped price being offered by BASF for its product, the number of customers purchasing BASF's product had increased over time, resulting in a loss of market share by Tech Dry.

The following chart shows the company's estimate of market share.



The above data is based on Appendix A2 of the application. We note that the imports data is an estimate only based on feedback received from clients of the company.

The data indicates that while the market for SECA increased throughout the injury analysis period, the company lost market share in 07/08 and 08/09 to imported SECA.

10.3 Price effects

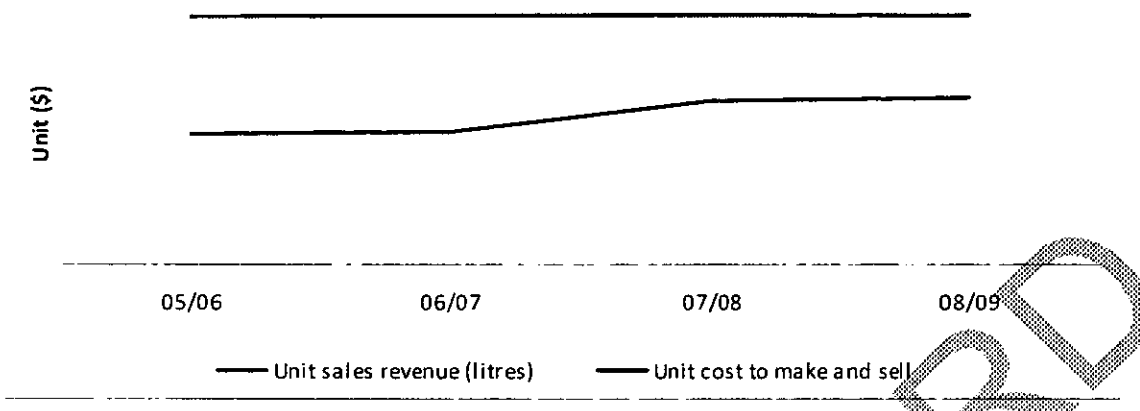
Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, have been prevented.

The company claimed that it had been forced to lower its prices to its largest customers as a result of the allegedly dumped price being offered by BASF. The company stated that the price to [redacted] was now around [redacted] of what it was prior to the introduction of the BASF product.

In addition, the company claimed that it had been forced to lower its price to [redacted]. The company provided with the application copies of correspondence with [redacted] in relation to this price reduction.

The company explained that it is now supplying [redacted] [trade name] direct to [redacted] at $[redacted] per litre in order to retain its custom. This price is below the cost to make and sell (CTMS). The company also provided copies of orders and invoices to verify that this was the case. This documentation is at **Confidential attachment 27**.

The following chart shows trends in weighted average units CTMS and weighted average unit sales revenue for SECA sold domestically by the applicant over the injury analysis period for the [redacted] equivalent active concentration.



Based on our analysis of the data, we found that the weighted average unit CTMS for SECA sold domestically by the company increased throughout the injury analysis period. At the same time, the weighted average unit selling price for SECA sold domestically remained stable.

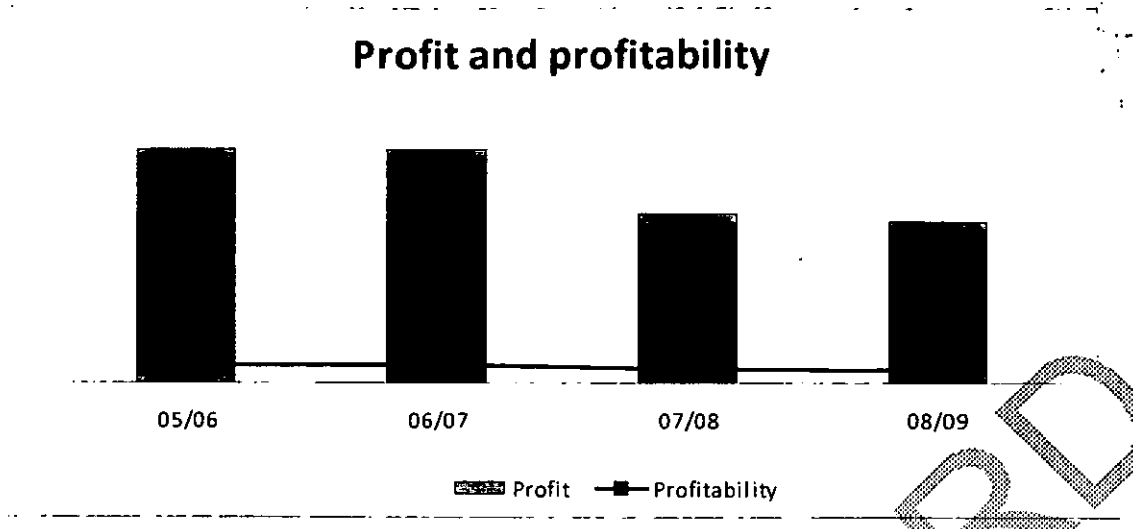
The company advised that the price effects of the price reduction to the main clients is not reflected in the investigation period as the new price offer to [redacted] did not commence until [redacted] and to [redacted] did not commence until [redacted].

The company advised that, as a result of the allegedly dumped price being offered by BASF, the company was unable to adjust its price (raise price) to compensate for the cost increase due to raw material price increase due to globe inflation during the investigation period.

10.4 Profit and profitability effects

As discussed above, the company claimed that it had been forced to lower its prices as a result of the allegedly dumped price being offered by BASF. The company claimed that these price reductions had resulted in lost profit and profitability.

The following chart shows the movements in profits and profitability over the injury analysis period.



Based on our analysis of the data, we found that profits from the company's domestic sales of SECA, and the profitability on those sales, decreased throughout the injury analysis period.

10.5 Other injury factors

The application did not include data on other economic factors in Confidential Appendix A-7. The company claimed that due to its small size it was difficult to provide precise figures for the items listed in Appendix A-7.

At the visit, we discussed each of these factors with the company.

10.5.1 Assets

The company advised that it is difficult to put a value on the assets used in the production of SECA because some equipment is used for SECA and other manufactured products. In addition, the emulsification equipment was designed by Tech Dry's Technical Manager and other staff specifically for SECA's requirements so it is difficult to value it.

However, Tech Dry advised that during the injury analysis period there had been no change to the assets used in the production of SECA.

10.5.2 Capital investment

The company advised that there had been no change to the capital invested in the company, or for the production of SECA, during the injury analysis period.

10.5.3 Research and Development (R & D)

The company advised that, whilst it regularly undertakes minor testing of the product in carrying out after sales service, there had been no expenditure on research and development associated with SECA during the injury analysis period.

10.5.4 Revenue

Appendix A3 shows that, during the injury analysis period:

- revenue from SECA increased from 05/06 to 06/07, then decreased in 07/08 then increased in 08/09 to a level above revenue in 07/08;
- the increase in SECA revenue has been achieved through an increase in export market revenue, while domestic market revenue has decreased each year since 06/07; and
- total company revenue followed the same trend as revenue from SECA.

10.5.5 Return on investment

As discussed above, it is difficult to calculate the investment in production of like goods. However, the company claimed that because its investment associated with SECA has not changed during the injury analysis period but its profit has fallen, it follows that return on investment has decreased during the injury analysis period.

10.5.6 Capacity

As discussed in section 4.2 above, the company can produce one batch of SECA per day – a batch being around [redacted] tonnes. The company stated that due to limitations in storage for the finished product it can produce [redacted] batches per week.

The company advised that its capacity for production of SECA has not changed during the injury analysis period. However, the company claims that if it had not lost sales due to the allegedly dumped imports from the USA, it would have leased the adjoining factory and developed emulsification equipment with larger capacity. The company advised that its plans for expansion were abandoned following the impact of the BASF sales.

10.5.7 Employment

As discussed in section 2.1 above, the company employs [redacted] staff overall. [redacted] employees are dedicated to production, however they are responsible for the manufacture of all the company's products.

The company advised that its employment levels directly related to the manufacture of SECA have not changed over the injury analysis period.

The company stated that it did have an additional staff member with marketing responsibilities, however when this staff member left recently the company decided not to replace her. The company claimed this was due to the reduced sales arising from the impact of the allegedly dumped goods from the USA.

10.5.8 Productivity

The company advised that it does not keep records of the amount of time its manufacturing staff spend manufacturing SECA. However, the company stated that it did not believe productivity levels would have changed significantly during the injury analysis period.

10.5.9 Stocks

The company advised that it conducts stock takes at the end of each financial year, and that the records of the volume and value of finished stock on hand are relatively accurate. However, as discussed above, the company holds no more than [redacted] tonnes of finished stock of SECA at any time.

10.5.10 Cash flow measures

The company did not believe there had been any significant change during the injury analysis period to its accounts receivable for SECA, its accounts receivable turnover or its inventory turnover.

10.5.11 Wages

As discussed above, employment numbers associated with the manufacture of SECA have not varied throughout the injury analysis period. The company advised that the only change in wages would be related to wage increases or bonuses.

10.6 Conclusion – economic condition of the industry

Based on an analysis of the information contained in the application and obtained during our visit, we consider that the company has experienced injury in the form of:

- lost sales volume;
- lost sales revenue;
- price suppression; and
- reduced profits and profitability.

A conclusion on market share will be made following analysis of data gathered at our visit to the importer.

An analysis of other injury factors neither supports nor negates our view of the injury experienced by the company.

11 CAUSAL LINK

11.1 Commencement of injury

The company claimed that injury commenced in late 2007 or early 2008, with the introduction of the BASF product to the Australian market.

11.2 Price undercutting

The company claimed that the price being offered by BASF to its Australian customers significantly undercuts Tech-Dry's prices. The company further stated that it could not understand how BASF could offer such a low price to its customers, other than by importing their SECA product at dumped prices.

The company also stated that the BASF price for its SECA product is most likely below BASF USA's cost to make and sell (CTMS).

The company also stated in its application that a BASF manager in the USA said that the price for Australia was not right according to the internal email to [redacted] from the USA.

11.3 Other causes of injury

We asked the company whether it could identify any other causes of injury, other than the allegedly dumped imports from BASF.

The company stated that the global financial crisis that occurred in the latter half of 2008 also had an impact on its business. The company stated that the economy in general, including the building sector, experienced a downturn at this time. This was also a factor in the company's decision not to expand its production capacity to the adjacent building.

The company stated that, in its view, its customers were satisfied with sourcing their admixture requirements from Tech Dry and other building products from other suppliers, so it did not see the fact that Tech Dry sells a more limited range of products than other suppliers as a reason for customers buying SECA from another supplier.

12 UNSUPPRESSED SELLING PRICE

Unsuppressed Selling Price (USP) and Non-Injurious Price (NIP) issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice under subsection 269TC(1)(c).

Customs and Border Protection generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

Customs and Border Protection's preferred approach to establishing USPs observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the USP, Customs and Border Protection then calculates a NIP by deducting the costs incurred in getting the goods from the export FOB point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

The company indicated that the preferred method for calculation of the USP and NIP is industry selling prices at a time unaffected by dumping. For this purpose, the company advised that prices in the 2006/07 year were not affected by the alleged dumping of imports from BASF. However, the company also stated that any price suppression evident in pricing in the 2007/08 financial year was not due to the impact of the BASF goods, but rather negative feedback from customers in relation to suggested price rises.

The company also advised that the profit achieved in the 2005/06 and 2006/07 reasonably reflects the normal level of profit in the absence of dumping.

13 ATTACHMENTS

Non-confidential attachment 1	Tech-Dry information folder
Confidential attachment 1	ABSAC and CSIRO test reports
Confidential attachment 2	Tech-Dry Information portfolio
Confidential attachment 3	Profit and Loss Statement – 2008/09
Confidential attachment 4	Export sales documentation
Confidential attachment 5	Sales Item summary – spreadsheet
Confidential attachment 6	Sales Item summary report
Confidential attachment 7	Sales Customer Detail report
Confidential attachment 8	Distributor export sales documentation
Confidential attachment 9	Domestic sales documentation
Confidential attachment 10	Raw materials costing – 2005/06 to 2008/09
Confidential attachment 11	Block Emulsion 'recipe'
Confidential attachment 12	Purchases Supplier Summary report
Confidential attachment 13	Sales Item Summary report
Confidential attachment 14	Silane current value/quantity screen
Confidential attachment 15	Silane Items Register Details report
Confidential attachment 16	Silane inventory journal screen
Confidential attachment 17	Purchases Item Detail report
Confidential attachment 18	Silane supplier invoice documentation
Confidential attachment 19	Silane supplier invoice documentation
Confidential attachment 20	Silane supplier invoice currency conversion
Confidential attachment 21	General Ledger Detail report – Wages-production
Confidential attachment 22	Payroll Activity Detail report
Confidential attachment 23	Payroll Activity and General Ledger - Wages

Confidential attachment 24	General Ledger Detail report – Freight In/Out
Confidential attachment 25	General Ledger Detail report – Commission
Confidential attachment 26	Revised Appendices A6.1 and A6.2
Confidential attachment 27	Additional domestic sales documentation