



Importer Verification Report

Verification & Case Details

Initiation Date	15/07/2020	ADN:	2020/073
Case Number	554		
The goods under consideration	Certain Concrete Underlay Film		
Case type	Dumping Investigation		
Importer	Davmar Industries Pty Ltd		
Investigation Period	1/07/2019 to 30/06/2020		

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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PREFACE

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Davmar Industries Pty Ltd (Davmar) is a private Australian owned company.

Davmar is an importer and distributor of certain concrete underlay film (the goods),² and has branches located in Melbourne, Sydney and Brisbane. Davmar is also involved in the distribution and sales of various other building and construction products, including other types of builders film (not subject to the investigation).

During the investigation period, Davmar imported the goods from Malaysia and sold the goods in the condition they were imported.

1.2 Related parties

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

The verification team found that Davmar imported the goods either directly from unrelated Malaysian manufacturers or from an unrelated Malaysian trading entity, and sold the goods to unrelated Australian customers.

The verification team did not identify any related parties that were involved in the importation or sales of the goods during the investigation period.

² Refer to ADN 2020/73, EPR 554, Item 3.

2 THE GOODS

2.1 The goods

Davmar confirmed that it imported certain concrete underlay film from Malaysia during the investigation period matching the description of the goods that are the subject of this investigation.

2.2 Model control codes (MCCs)

Davmar provided sales and cost data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/73. Davmar did not propose any changes to these MCC categories.

2.3 Verification of MCCs

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
Impact Resistance	Based on the goods description on the purchase orders, commercial invoices, packing lists, Davmar’s internal product codes and test batch samples.
Actual Thickness	Based on test batch samples provided in relation to the goods imported from Malaysia.
Nominal Thickness	Based on the goods description on the purchase orders, commercial invoices, packing lists and Davmar’s internal product codes.

Table 1 MCC sub-category determination

2.4 The goods imported and sold in Australia

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

- H-A2-N2
- M-A2-N2
- M-A1-N1

Table 2 below displays the relationship between the MCC categories and specifications of the goods imported and sold by Davmar in the investigation period:

MCC	Colour/resin	Impact Resistance	Width	Nominal Thickness	Length
H-A2-N2	Black	High	6	200	33
H-A2-N2	Black	High	4	200	25
H-A2-N2	Black	High	4	200	50

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H-A2-N2	Black	High	2	200	50
M-A2-N2	Black	Medium	6	200	33
M-A2-N2	Black	Medium	6	200	35
M-A2-N2	Black	Medium	4	200	50
M-A2-N2	Black	Medium	2	200	50
M-A1-N1	Black	Medium	4	150	50

Table 2 MCC mapping

2.5 Like goods

Black concrete underlay film (builders film)

Davmar considered that the Australian industry produced like goods to the goods that it imported during the investigation.

Specifically, Davmar stated that there are no differences in specifications between the imported products and certain products manufactured by Australian industry, with the expectations of quality and specifications being the same for both imported and locally manufactured concrete underlay film (builders film) if used and sold in Australia.

Sales of the goods were typically marketed as “builders film” or “polyethylene film”, with the goods imported and sold by Davmar typically of nominal thickness 200 microns, while Davmar sold a minimal volume of black builders film of nominal thickness 150 microns during the investigation period, to a single customer.

Davmar described that the thickness is highly relevant for builders film where the intention of use is concrete underlay, with imports being manufactured to the requirements of AS 2870, and all appropriate builders film (e.g. black builders film of nominal thickness 200 microns) being branded and sold with the expected use of concrete underlay, although the end use may vary from customer to customer. Davmar described that by contrast, sales of black builders film of thicknesses below 200 microns were not sold with the expected end use of concrete underlay – with builders film of 150 microns typically being used for general applications such as floor protection during renovating/painting, in gardens under soil, or as bin liners in large rubbish bins.

The verification team notes that the goods description outlined in ADN No. 2020/73 specifically includes goods that would be non-compliant with the Australian standards for use as concrete underlay film, based on the allegation by the Applicant³ that certain non-compliant products are substitutable with concrete underlay film in the Australian market.

While the verification team did not find any information that suggested that Davmar sells these products as a substitute for compliant products, these sales have been

³ LCM General Products Pty Ltd (trading as Cromford Film).

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included in the verification team's assessment of Davmar's imports of the goods, based on the scope of the goods description for the investigation.

The verification team's assessment

For Davmar's imports and sales of certain black concrete underlay film (builders film), the verification team found:

- **Physical likeness** – the imported goods are produced to the same or similar physical specifications as the goods produced by the Australian industry.
- **Commercial likeness** – the imported goods are marketed and sold in the same market sector, typically in direct competition to products manufactured and sold by Australian industry. Moreover the imported goods are directly substitutable to the goods produced by Australian industry, if produced to the same specifications.
- **Functional likeness** – the imported goods and the goods produced by Australian industry can be considered functionally alike, although the end use may vary from customer to customer and due to differences in specifications of the goods.
- **Production likeness** – the imported goods are manufactured using similar raw materials and to similar specifications to the goods produced by Australian industry, i.e. the goods are manufactured from either recycled and/or virgin resins, with a thickness ranging between 150-230 microns, and a width from 2-6 metres.

Based on these factors, the verification team is satisfied that certain goods imported by Davmar are like goods to the goods produced by Australian Industry.

Other builders film in the Australian market

Davmar also imported and sold black builders film of other specifications and builders film of other resins (orange, clear) in the investigation period, which were outside of the scope of the goods subject to this investigation.

As part of the verification, Davmar provided information in relation to sales of other builders film, noting that the Applicant⁴ stated that it considered its production and sales of both black and orange high and medium impact films of thicknesses ranging between 200-300 microns to be like goods to the goods exported to Australia.⁵

This information demonstrated commercial differences (e.g. material price differences) between certain black concrete underlay film (the subject goods) and other builders film imported and sold in the investigation period (non-subject goods). Further information provided by Davmar in relation to other builders film (non-subject goods) is outlined at **Non-Confidential Appendix A**.

This information is to be further evaluated with other information provided from interested parties in the investigation. As such, the verification team has not made an

⁴ LCM General Products Pty Ltd (Trading as Cromford Film).

⁵ EPR 554, Item 1, Application, Australian Industry – LCM General Products Pty Ltd (T/A Cromford Film).

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assessment in relation to the likeness of Davmar's imports of the goods, and Australian industry's production of coloured builders films.

3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

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

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

- The revenue for the investigation period was reconciled to Davmar's income statement, tax return and trial balance for the most recent accounting period – which aligned with the investigation period;
- The total value of all sales reported by Davmar agreed to the trial balance; and
- Davmar's sales of the goods were matched to the relevant product codes and product descriptions.

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 Davmar 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 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**.

4.2 Sales accuracy finding

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

Davmar 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 was unable to accurately filter the ABF data for only the subject goods, as the tariff classification covers a range of products (i.e. builders film of different resins and thicknesses) and there was insufficient information to accurately distinguish the goods subject to this investigation for each consignment. 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 Davmar during the investigation period is at **Confidential Appendix 1**.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the Commission selected certain shipments for importer to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

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

- Commercial invoices from its suppliers;
- Packing lists;
- Customs import declaration;
- Bill of lading;
- Invoice from logistics company; and
- Proof of payment (e.g. bank statements and payment remittance).

5.3 CTIS allocation method

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

Cost Area	Method applied
Ocean freight	Based on the actual cost incurred, apportioned to the subject goods based on the volume as a proportion of the total shipment (where applicable).
Marine insurance	Allocated to the goods within the SG&A expenses.
Customs fees	Based on the actual cost incurred, apportioned to the subject goods based on the volume as a proportion of the total shipment (where applicable).
Port service charges	Based on the actual cost incurred, apportioned to the subject goods based on the volume as a proportion of the total shipment (where applicable).

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Delivery	<u>Landed cost</u> Based on the actual cost incurred, apportioned to the subject goods based on the volume as a proportion of the total shipment (where applicable). <u>Delivery to customers</u> Allocated to the goods within the SG&A expenses.
SG&A (including delivery)	Allocated based on the indirect selling expenses as a percentage of total revenue and multiplied by the revenue of the goods for each shipment.

Table 3 Verification of cost calculation method

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

5.3.1 Exceptions during verification of CTIS allocation

No.	Exception	Resolution
1	SG&A was reported based on the indirect selling expenses as a percentage of the revenue of the subject goods, rather than the total revenue.	SG&A was re-allocated based on the indirect selling expenses as a percentage of total revenue and multiplied by the revenue of the goods for each shipment.
2	Advertising expenses were reported as direct selling expenses.	Advertising expenses were reclassified as indirect selling expenses, as they had not been directly allocated to sales in the sales listing.

Table 4 Exceptions during verification of CTIS allocation

5.4 Verification of CTIS accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

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

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5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	For shipment 6, it was found that certain product descriptions were incorrectly listed.	The product descriptions were revised to reflect the correct quantities and specification of goods for that shipment.
2	For shipment 7 and shipment 12, it was found that certain importation costs had been incorrectly reported.	The CTIS data was updated to reflect the relevant costs for these shipments.

Table 5 Exceptions during verification of accuracy of CTIS data

5.5 Forward orders

The importer's forward orders listing was provided in the questionnaire response based on the company's records. The list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Davmar, including any required amendments as outlined in the exception table 5 above, is accurate.

A table detailing the weighted average unit CTIS for the goods is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

The verification team considers Davmar to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Davmar 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

For the goods imported to Australia by Davmar in the investigation period, the goods were either imported directly from Malaysian manufacturers or sourced from a Malaysian trading entity. In total, Davmar sourced the goods from five Malaysian manufacturers in the investigation period.

In relation to Davmar's imports of the goods in the investigation period, the verification team established that:

- the goods were manufactured to Davmar's "Supacon" branding;
- the manufacturer was named as the supplier on the purchase order;
- the supplier (being the Malaysian manufacturer or the Malaysian trading entity) was named as the seller on the commercial invoice; and
- the supplier (being the Malaysia manufacturer or the Malaysian trading entity) was named as the shipper on the bill of lading.

Furthermore, based on the information available to the Commission, the verification team confirmed that the Malaysia manufacturers of the goods are responsible for arranging transportation of the goods to the port, for export to Australia.

Subject to further inquiries, the verification team considers that in relation to Davmar's imports of the goods in the investigation period, the Malaysian manufacturers are the principal located in the country of export who knowingly placed the goods in the hands of a carrier, for delivery to Australia, and therefore the exporters of the goods.⁶

Further information relevant to this assessment will be examined in the course of the investigation.

⁶ 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.

6.3 Related party customers

The verification team did not find any evidence that Davmar is related to its Australian customers of the goods imported from Malaysia during the investigation period.

6.4 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 the weighted average sales revenue for each shipment (based on the specifications of the goods imported) to assess its profitability. The profitability assessment is at **Confidential Appendix 3**.

The outcome of this assessment is in Table 6 below:

Shipment	Profitable (Y/N?)
1	Y
2	N
3	Y
4	N/A - Consignment does not include the goods
5	N/A - Consignment does not include the goods
6	Y
7	Y
8	N
9	Y
10	Y
11	Y
12	Y
Weighted average all shipments	Y

Table 6 Profitability of selected imports

The verification team found that on a weighted average, Davmar was profitable for the sample shipments. Additionally, the verification team did not find any evidence that Davmar would be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price.⁷

Details of this verification process in respect of the profitability assessment are contained in the verification work program and its attachments, at **Confidential Attachment 1**.

⁷ Section 269TAA(2).

6.5 Related party suppliers

The verification team did not find any evidence that Davmar is related to its suppliers of the goods exported from Malaysia during the investigation period.

6.6 Arms length

In respect of imports of certain concrete underlay film to Australia by Davmar 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 the evidence examined in relation to Davmar appears to indicate that the imports between Davmar and its suppliers are arms length transactions.

6.7 Export price assessment

As set out at section 6.2, for the goods imported to Australia by Davmar in the investigation period, the goods were either imported directly from Malaysian manufacturers or sourced from a Malaysian trading entity.

For the goods sourced directly from Malaysian manufacturers, the verification team is of the opinion that for the goods imported by Davmar:

- 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 with these entities, the verification team recommends that the export price for the goods imported by Davmar from these entities be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

Secondly, the verification team found that for certain imports of the goods, Davmar transacted with a trading entity. In relation to those imports of the goods, the verification team is of the opinion that:

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

Subject to further inquiries, the verification team recommends that the export price for the goods exported via a trading company be established under section 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation.

7 SUPPLY TENDERS AND CONTRACTS

7.1 Information provided by Davmar in relation to supply tenders and contracts

During the investigation period, Davmar won a contract with InfraBuild Construction Solutions Pty Limited (InfraBuild) and The Australian Reinforcing Steel Company (Operations) Pty Ltd (ARC), for the supply of certain builders film, including the goods, for NSW and QLD sites.

Davmar provided the following information in relation to the contract:

- Tender documents submitted in relation to the sale of certain concrete underlay film and other builders film;
- Tender documents for two other contracts that it won with InfraBuild/ARC at the same time (belt pack tie wire and expansion join foam); and
- A copy of the contract in relation to the supply of certain builders film, including the subject goods.

The information provided by Davmar in relation to its contract with InfraBuild/ARC is at **Confidential Attachment 2**.

7.2 Importer comments concerning the tender process

Davmar described that it was their third attempt to win this tender with InfraBuild/ARC over the past 7 years.

Davmar considers that it won this contract based on a range of factors, such as its product and service offering, volume of stock kept on hand and pricing.

8 ATTACHMENTS

Confidential Appendix 1	Import listing
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of imports
Confidential Attachment 1	Verification Work Program
Confidential Attachment 2	InfraBuild/ARC contract
Non-Confidential Appendix A	Australian Market Claims

APPENDIX A – DAVMAR – AUSTRALIAN MARKET CLAIMS

At initiation, importers were asked to complete the importer questionnaire and comment on the claims made by the Australian industry in the application, regarding injury, causation, dumping and the Australian market for certain concrete underlay film.

A non-confidential summary of the response from Davmar is detailed below, to be evaluated further with other information provided from interested parties in the investigation. The information is based on the response from the importer, and does not represent any findings of the verification team.

Prevailing conditions of competition in the Australian market

Demand for builders film is directly linked to the building and construction industry.

The builders film industry has mostly moved offshore over the past 10-20 years, due to shrinking resources, namely the recycled raw material, and increased costs in the manufacturing process, and price pressures in the market.

Over the past 10 years more competitors have entered the market which has resulted in slimmer margins as everyone chases for business.

The competition in price is too competitive to support manufacturing operations in Australia. This is evident in Cromford's operation, otherwise they would manufacture 100% of their products in Australia, but they can't afford to which is why they supplement their stock levels with imported goods.

Other builders film in the Australian market

The variables of the plastics (polyethylene film) Davmar sells are typically manufactured in black, orange or clear colours. The thickness is measured by microns and typically 150, 200, or 300 microns. Polyethylene film is commonly produced to medium or high impact resistance. High impact resistance film may be manufactured with more virgin materials.

Black and orange polyethylene film of thickness 200 microns and above is typically used for concrete underlay. Polyethylene film of thickness 150 microns can be used for general floor protection from dust, paint, light debris etc. All clear films are for packaging purposes only and are not used as a concrete underlay.

The products are manufactured the same whether made in Australia or overseas as producers follow the same specification requirements.

Claims concerning the applicant

Cromford's main marketing message and what they use as their point of difference is that they are an Australian Manufacturer, however, Davmar understands that the applicant also imports the goods from Malaysia, and it is unclear how much plastic they import versus manufacture.

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It is understood that Cromford purchase the goods from supplier Integrated Packaging Group (owned by ASX-listed company Pro-Pac Packaging Group), who import their builders film from Malaysia. Integrated Packaging Group are understood to manufacture clear film, but not the subject goods.