



J.BRACIC & ASSOCIATES
TRADE REMEDY ADVISORS

PO Box 3026
Manuka, ACT 2603
Mobile: +61 499 056 729
Email: john@jbracic.com.au
Web: www.jbracic.com.au

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The Director - Investigations 4
Anti-Dumping Commission
GPO Box 2013
Canberra ACT 2601

**Dumping investigation into concrete undelay film from Malaysia -
Exporter briefing**

Dear Director,

Please take into consideration this export briefing submission and the issues raised, for the purposes of the exporter verifications being undertaken.

Primary areas of focus for verification.

a) Confirmation of reported MCC

It is critical that the Commission confirm the exporter's MCC categorisation of their domestic and export MCCs. The impact resistance, actual and nominal thicknesses of the subject goods cannot be confirmed by details reported on commercial invoices as there is evidence of Malaysian exports being non-compliant to the Australian Standards, but marketed as compliant product.

For example, the exporter Plastik V Sdn Bhd "Plastik" states:

The product code carries the description (impact resistance, actual thickness and nominal thickness) which is then directly linked to the mcc.

The exporter Irox (M) Sdn Bhd ("Irox") states:

IROX is a trading company hence supplier's product codes are used (if any) as identifier.

The exporter Great Cosmo Industries Sdn Bhd ("GCI") confirms:

GCI identified and mapped its sales to the MCC based on product information available on the sales record.

The Commission must not accept that a system generated product code used to generate commercial invoices, as confirmation of the MCC categorisation. Instead, reasonable sample testing information must be provided to confirm that the product codes accurately capture the characteristics of the exported goods.

Each exporter must provide evidence that the product exported genuinely meets the reported MCCs. Cromford contends that exporters must undertake regular product sample testing in order to ensure compliance with the relevant standards, and the product testing information would confirm whether the correct MCC have been reported. It is noted that regular testing information would allow for average actual thicknesses to be calculated, and that average thicknesses would be reasonable for assessing the appropriate MCC category.

In the absence of product testing information covering a reasonable sample of actual production, it is unclear how exporters have been able to accurately report the exported products to a specific MCC. For this reason, in those cases where exporters have failed to substantiate MCC reporting to reliable product testing information, the Commission should consider the reported MCCs to be unreliable.

Finally, any product categorised as low impact (industrial film) and that is branded to the Australian Standard must be treated as medium impact black film.

b) Weight per roll

The weight of a roll can typically be calculated using the following formulas on the basis of the following assumptions below:

- Density of LLDPE film grade resin – LL7410A (GC Marketing) – 0.918g/cm³, LL7410D (GC Marketing) – 0.921g/cm³.
- Density of LDPE film grade resin – LD2420D (GC Marketing) – 0.922g/cm³
- Density of carbon black masterbatch on assumption 40% carbon (min 1.8g/cm³) and 60% LLDPE (0.918g/cm³) carrier = 1.27g/cm³.

Therefore, the absolute lowest possible density per roll is **0.924g/cm³**, which is calculated as:

- $(98.5 \times 0.818 = 0.905) + (1.5 \times 1.27 = 0.019) = \mathbf{0.924g/cm^3}$.

Therefore, the roll weight to make a nominal thickness product (4mx50mx0.2mm [200 micron]) is

- width x length x thickness x density
- $4 \times 50 \times 0.2 \times 0.924 = 36.9\text{kg}$

So the roll weight required to meet the nominal thickness for high impact is 36.9kg. For both high and medium impact, the bare minimum micron is 180um average which equates to 33.22kg / roll. However, film extruders aiming to ensure compliance with the standards would typically operate within a +/- 10% gauge variation, especially where recycled materials are used as inputs. So theoretically the minimum target for compliant film for thickness is 190um – which equals 34.89kg / roll.

Please note that the weights per roll outlined above relate to the film itself and **does not include the weight of the core.**

Finally, the Commission should be mindful that the addition of calcium carbonate is commonly used by exporters to achieve the weight per roll for a given nominal thickness.

c) Weight of cardboard cores

The cores used in Cromford's 4m rolls weigh approximately 0.38kg. By comparison, Cromford removed the film from a roll supplied by [REDACTED] and the core weight was approximately [REDACTED] kg for the same square meter film. So, any 'roll' weights declared should take into consideration polymer weight vs total weight.

The concern with the core weight is that exporters may present the total core + polymer weight to claim that their products are compliant with the weight formulas outlined at item b above.

d) Input of costs of recycled resins from related entities

Cromford was able to demonstrate that the cost of its self-produced recycled resins reflected the full actual cost of the input recycled film plus the cost of conversion to resin.

Cromford is aware that some of the Malaysian exporters may have integrated recycling and film extrusions business units/entities. Refer to link below.

<http://www.jlp-industries.com/public/apps/page/index.php?alias=ID26947710-465580>

In those cases where the film producer is sourcing recycled resins from related entities, which are then used in production of the subject goods, the Commission must ensure that the transfer price of the recycled resins reasonably reflects the market prices for such resin inputs. This is consistent with the Commission's practice outlined in its Dumping and Subsidy Manual:

When considering competitive market costs, the Commission will examine inputs more carefully when the input supplier is a subsidiary of the exporting company or part of the same holding company that owns the exporter. In such cases it is reasonable for that company to cooperate with dumping inquiries.

Each of the following situations concern the question whether the cost to make reflect competitive market costs for the purposes of Regulation 43.

Where a major input is produced by an associate of the exporter

The Commission will accept the costs of these inputs as being reasonable if the cost of such an input reflects the normal market prices for these inputs. However, if an associate makes its records available then regard may be had to the information from that source and not the market in order to determine whether the records in relation to a major input are reasonable.

A primary source for relevant market prices is Wespak price lists for different resins which provides indicative resin prices ex-Malaysia. See confidential examples attached.

e) Domestic sales not in the ordinary course of trade

It is noted that some of the cooperating exporters have reported sales of like goods during the investigation period. In each case, the exporters have highlighted that the domestic products are not sold to any particular standard or specification, and may not be used for concrete underlay applications.

This confirms Cromford's understanding that there is no apparent domestic market for concrete underlay film in Malaysia. Accordingly, Cromford requests that the Commission carefully examine and assess whether the domestic sales during the investigation period were made in the ordinary course of trade ("OCOT").

Beyond determining whether the domestic sales are profitable and/or recoverable, the OCOT assessment should also involve examining whether the goods are suitable for comparison to the exported goods, in those cases where it is established that the domestic products are downgraded, non-confirming products, or small production overruns.

f) GCI - cost of domestic raw material vs export raw material.

Cromford is concerned by the proposed amendment to the MCC put forward by GCI, given the apparent contradictory statements regarding the inputs used in the manufacture of the subject goods. GCI claims that all *'black underlay film is produced solely from recycled LDPE resins and a portion of calcium carbonate'*, whilst *'orange underlay requires a higher grade of resin, with a mixture of LDPE and LLDPE, without any calcium carbonate'*.

We assume that the referred black underlay film exported by GCI includes both high and medium impact black film as well as low impact which must be industrial or unbranded film. If so, then as both orange and black film are tested to the same standard in the Australian market, it would be conflicting for the exported high impact black film to not be manufactured using similar inputs to the orange film, being the higher grade of mixed LDPE and LLDPE resins without any calcium carbonate. Reasonable to assume a level of LLDPE would be required to pass the standard as well.

Cromford contends that all black film would require at least some percentage of LLDPE to ensure that the product is compliant with the Australian standard. It is precisely the higher grade of resin as well as a higher actual thickness/roll weight required (and lower use of calcium carbonate) to be used in high impact black film and the higher price point relatively to medium impact film, that warrants a separate MCC category. This is confirmed by the attached Wespak price lists which show that LDPE black resin is cheaper than LLDPE. For this reason, Cromford urges the Commission to carefully examine GCI's production inputs for both black medium and high impact film and reject GCI's proposal to alter the MCC categories in a way which would allow for average costs to be presented for products with significant expected cost differences.

PUBLIC VERSION

Ultimately, the key is that costs will differ for low (industrial), medium and high impact films and the Commission should seek to confirm that corresponding products are properly categorised to the individual MCCs identified in the exporter questionnaire.