



Importer Verification Report

Verification & Case Details

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|--------------------------------------|--|-------------|----------|
| Initiation Date | 15/07/2020 | ADN: | 2020/073 |
| Case Number | 554 | | |
| The goods under consideration | Certain Concrete Underlay Film | | |
| Case type | Dumping Investigation | | |
| Importer | Golden Steel International Pty Ltd (trading as Ariston Wire) | | |
| 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

Golden Steel International Pty Ltd (GSI), trading as Ariston Wire, is a private Australian owned company. GSI's ultimate holding company is Robertsville Holding Pty Ltd.

GSI is an importer and distributor of certain concrete underlay film (the goods).² GSI is also involved in the distribution of wire, steel and other construction products, including other types of builders film (not subject to the investigation).

During the investigation period, GSI 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 GSI.

The verification team found that GSI imported the goods directly from unrelated Malaysian manufacturers 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

GSI confirmed that it imported certain concrete underlay steel 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)

GSI provided sales and cost data in accordance with the MCC structure detailed in Anti-Dumping Notice (ADN) No. 2020/73. GSI 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 goods description listed on the commercial invoices, GSI'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 thickness reported in the commercial invoices, GSI's internal product codes and packing lists. |

Table 1 MCC sub-category determination

2.4 The goods imported and sold in Australia

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

- H-A2-N2
- M-A2-N2

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

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| MCC | Colour/resin | Impact Resistance | Width | Nominal Thickness | Length |
|---------|--------------|-------------------|-------|-------------------|--------|
| H-A2-N2 | Black | High | 4 | 200 | 50 |
| H-A2-N2 | Black | High | 2 | 200 | 50 |
| M-A2-N2 | Black | Medium | 4 | 200 | 50 |
| M-A2-N2 | Black | Medium | 4 | 200 | 25 |
| M-A2-N2 | Black | Medium | 2 | 200 | 50 |

Table 2 MCC mapping

2.5 Like goods

Black concrete underlay film (builders film)

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

Specifically, GSI described the goods as a homogenous, commoditised product, with no product differentiation based on brand or country of origin, and the imported goods being sold in direct competition to the goods produced by Australian industry. Accordingly, GSI considered that the Australian industry's production and sales of certain black concrete underlay film (builders film) were like goods to its imports of the goods from Malaysia.

The verification team's assessment

For GSI'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 direct competition to products manufactured and sold by Australian industry.
- **Functional likeness** – the imported goods may be used for concrete underlay film, and are substitutable with the goods produced by Australian industry.
- **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 the goods imported by GSI during the investigation period are like to the goods produced by Australian industry.

Other builders film in the Australian market

By contrast, GSI did not consider that coloured builders films (e.g. clear or orange builders film) produced by the Australian industry were like goods to the subject goods imported from Malaysia – with commercial differences (eg. cost/price differences) meaning that in practice, end users do not substitute coloured builders film for black builders film. GSI provided sales data for certain orange and clear builders film in the investigation period, which demonstrated material price differences between these products. Further information provided by GSI 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 assessment in relation to the likeness of GSI's imports of the goods, and Australian industry's production of coloured builders films.

| |
|---|
| 3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE |
|---|

3.1 Upwards verification of sales

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:

- As financial year 2020 audited accounts and tax return had not been completed, the verification team reconciled audited profit and loss statements for the 2018 and 2019 financial years to income tax returns which provided satisfaction that the trial balance and unaudited P&L for the 2020 financial year could be relied upon for the purposes of verifying the completeness and relevance of the sales data submitted for 2020;
- Total value of all sales reported by GSI agreed to the trial balance;
- GSI extracted a summary of their sales report for all sales by product code; and
- GSI's sales of the goods were matched to the relevant product codes and product descriptions.

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**.

3.1.1 Exceptions during verification of sales completeness and relevance

| No. | Exception | Resolution |
|-----|---|--|
| 1 | From the upward sales verification, it was identified that certain product codes relating to the goods were not included in the sales listing at Part C of the RIQ. | GSI provided an updated sales listing with relevant information for these sales, and this was reconciled upwards to the relevant sales revenue in the period and found to be complete. |

Table 2 Exceptions during verification of completeness and relevance of sales data

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by GSI, including any required amendments as outlined in the exception table above, 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 audited financial statements 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**.

4.1.1 Exceptions during verification of sales accuracy

| No. | Exception | Resolution |
|------------|---|---|
| 1 | Selling prices reported in the Australian sales listing did not include delivery costs for all sales where delivery charges were applicable (e.g. for goods sold on FIS terms). | GSI updated the sales listing with applicable delivery costs. This was reconciled to applicable delivery charges incurred in the period, with delivery costs reported based on the actual costs or allocated to those applicable sales, based on the relevant costs incurred in the period. |

Table 3 Exceptions during verification of accuracy of sales data

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by GSI, including any amendments as outlined in the exception tables above, 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

GSI 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 GSI 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, GSI 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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| | |
|--------------|---|
| Bank 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). |
| 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 | 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 5 Verification of cost calculation method

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.4 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 following issue outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.4.1 Exceptions during verification of CTIS accuracy

| No. | Exception | Resolution |
|-----|--|--|
| 1 | The SG&A amount reported in GSI's importer questionnaire response did not include finance expenses incurred in the period. | GSI provided a revised SG&A listing to include finance costs. The verification team was satisfied that the SG&A listing was accurate following the inclusion of finance costs. |

Table 6 Exceptions during verification of accuracy of CTIS data

5.5 Forward orders

The importer's forward orders was provided in the questionnaire response to the company records. The list for forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by GSI, including any required amendments as outlined in the exception table 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 GSI to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as GSI is:

- named on the commercial invoice from its suppliers;
- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port.

6.2 The exporter

The verification team considers GSI's suppliers of the goods to be the exporters of the goods³, as they are respectively:

- named as the supplier on the commercial invoices and packing lists;
- listed as the shipper on the bills of lading;
- the manufacturers of the goods and located in the country of export;
- directly involved in the sales of the goods to GSI; and
- responsible for organising transportation of the goods to the port for export to Australia.

6.3 Profitability of imports

The verification team assessed the profitability for selected shipments by comparing the revenue to the CTIS for each shipment. As each selected shipment cannot be traced to the actual sales transactions and some sales did not occur in the investigation period, 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 assessment is at **Confidential Appendix 3**.

The outcome of this assessment is in Table 7 below.

| Shipment | Profitable (Y/N?) |
|-----------------|--------------------------|
| 1 | Y |
| 2 | Y |
| 3 | Y |
| 4 | N/A – not the goods |
| 5 | Y |

³ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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| | |
|---------------------------------------|----------|
| 6 | Y |
| 7 | Y |
| 8 | Y |
| 9 | Y |
| 10 | Y |
| Weighted average all shipments | Y |

Table 7 Profitability of selected imports

The verification team found that GSI was profitable for all the sample shipments verified. Additionally, the verification team did not find any evidence that GSI would be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or part of the price.⁴

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**.

6.4 Related party suppliers

The verification team did not find any evidence that GSI is related to its suppliers of concrete underlay film exported from Malaysia during the investigation period.

6.5 Arms length

In respect of imports of concrete underlay film to Australia by GSI during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that the imports between GSI and its suppliers are arms length transactions.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by GSI from its suppliers:

- the goods have been exported to Australia otherwise than by the importer;

⁴ Section 269TAA(2).

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- the goods have been purchased by the importer from the exporter(s); and
- the purchases of the goods by the importer were arms length transactions.

Subject to further inquiries, the verification team recommends that the export price for goods imported by GSI from its suppliers can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

7 ATTACHMENTS

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

APPENDIX A – GSI – 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 GSI 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

Key players: Malaysian exporters and importers are the major market players; not the applicant. Resellers are spread throughout the hardware, building and reinforcing industries. There is no dominant supplier or customer, including the applicant. It is alleged that based on the current maximum production capacity of the applicant, the applicant cannot supply more than five percent of the total Australian market demand.

Importers and distribution channels: There are many importers of builders film who either distribute or retail product directly depending on customer size and volume. Some larger retailers import product directly themselves. Resellers are spread throughout the hardware, building and reinforcing industries. It is not a very channelised nor orderly market. There are multiple channels to market with no barriers to entry. It is a fiercely competitive industry and market sector.

Demand drivers: Building activity; Infrastructure developments; Housing market starts; Seasonal demand; Rain and adverse weather events; Home handyman market.

Products in the Australian market: Each state has their own building codes: NSW building codes stipulate high impact builders film whereas QLD, VIC and WA building codes stipulate medium impact black builders film. We are of the opinion that black builders film is not a homogenous product for a common market in Australia and that high impact black film and medium impact black film are separate products for separate markets although both product types erroneously utilise the same HS code.

Non-compliant products: Cromford (the applicant) asserts that importers offer non-compliant material with lower prices. Our customer base are not ignorant nor do they accept sub-standard material. Any alleged inference that only the applicant will maintain the correct standard material since it is made in Australia is false. We also suspect from information provided by our customers that the applicant may have allegedly both offered and sold imported product (medium impact black film 200µm x 2m x 4m) prior to and during the period of investigation.

Recent market developments: Ocean freight increased substantially during 2020 and there was a shortage of raw material supply from Malaysia due to COVID-19.

Other relevant information: 200µm builders film sold at Bunnings in the smaller packages (not in 4m x 50m) is sold to the home handyman market, who use this for general purpose applications, like gardening, home repairs, storage and wrapping. It is estimated this sector accounts for about 20% of total product sold (of the goods).

Prices in the Australian Market

Price setting: Prices are set based on normal market pricing mechanisms. Buyers usually trade one supplier off against the other, making the market extremely competitive. The market price is effected by exchange rates; ocean freight; LDPE raw material price.

Significance of Price: Since this is a homogenous, commoditised product, nearly all buyers only buy on price. There is no differentiation based on brand or country of origin. The price is the same level in every state capital city (except NT and TAS), so the market will not pay a premium for transport from a central location.

GSI and several other importers tendered for a supply contract with InfraBuild in the investigation period. Interested parties submitted multiple offers in a competitive tender process – which meant that the profit margin would have been minimal, if any.

The nature of the InfraBuild tender is that it required the same price level for same product in all state capital cities (except Hobart and Darwin). The transport component of builders film is a significant cost of the overall delivered cost. Cromford are not in a position to competitively compete with deliveries outside of NSW due to the transport component. Moreover, Cromford are comparatively disadvantaged due to high internal freight costs.

Other builders film in the Australian market

GSI also sold builders film of other resins (orange, clear) in the investigation period, outside the scope of the goods subject to this investigation as described in ADN No. 2020/73. GSI was asked provide information in relation to these products, noting that the Applicant⁵ 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.⁶

GSI described that it did not consider that coloured builders films were like to the subject goods for the following reasons:

- Physically all coloured builders film are different in appearance;
- Production is different for colours; black film is made from different materials;
- Functionally, all colours could be used for concrete underlay but orange and clear would not be used for general purpose applications as they are cost prohibitive;
- Coloured builders films are much more expensive as they have a high percentage of virgin material, whereas black builders film is 100% recycled

⁵ LCM General Products Pty Ltd (Trading as Cromford Film).

⁶ EPR 554, Item 1, Application, Australian Industry – LCM General Products Pty Ltd (T/A Cromford Film).

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material. Due to cost differences, users do not substitute coloured film for black film.

- There are different buying preferences for black and coloured builders film by location – which may be linked to different building regulations.