



Australian Industry 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		
Australian Industry	LCM General Products Pty Ltd (trading as Cromford Film)		
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 sections 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ Reference to any sections in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

LCM General Products Pty Ltd, trading as Cromford Film (Cromford), is a privately owned manufacturer of blown film extruded products (e.g. concrete underlay film/builder's film) and cast sheet extruded products (e.g. dampcourse), within the Martogg Group.

Cromford's manufacturing operations are located in Pendle Hill, New South Wales.

Cromford Film was established in 1978, while the entity was purchased by the Martogg Group from its previous owners in March 2017.

1.2 Related parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

1.2.1 Related suppliers

The verification team found that the following related parties supplied Cromford with raw materials used in the production of the goods:

- General Polymers (Aust) Pty Ltd (General Polymers)
- Kantfield Pty Ltd (Martogg)

As discussed at section 7.4 of this report, the verification team was satisfied that the purchase prices of raw materials supplied by related parties reflected arm's length transactions.

1.2.2 Related customers

Cromford did not have any related party customers of the goods during the investigation or injury examination period.

2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

2.1 Manufacturing in Australia

2.1.1 Information provided by Cromford and other interested parties

In its application, Cromford identified itself as the major Australian manufacturer of like goods, while it also had purchases and sales of like goods during the investigation period from an unrelated entity.

Cromford identified a number of local entities that were understood to have the capability to manufacture builder's film (including like goods), but that were not understood to have sales of like goods in the Australian market during the investigation period.

Cromford described that aside from its operations, the Australian market is primarily supplied by imports of the goods from Malaysia.

Cromford's manufacturing facilities are located in Pendle Hill, NSW where it manufactures plastic film products, including black concrete underlay film. The verification team conducted a site tour of Cromford's manufacturing facilities and is satisfied that the goods are wholly produced at this facility.

The verification team contacted the other entity identified by Cromford as being a 'local producer' of like goods. The entity provided a response, with relevant production and sales information.

Based on the information received, it was confirmed that this entity manufactured like goods during the investigation period, for sale to Cromford. Specifically, the entity identified Cromford as being its only customer for concrete underlay film during the investigation period, with the goods produced from scrap and not part of this entity's primary commercial operations. Additionally, the entity described that it has since ceased manufacture of like goods. Therefore, this entity is no longer considered to be an Australian manufacturer of like goods.

Upon initiation of Investigation 554, the Commission contacted a number of other local entities that were identified as potentially having the capability to produce like goods, but did not receive a response from any of these entities. In relation to these parties, Cromford described that while these entities may have the capacity to manufacture like goods, it is understood that they would manufacture builder's film only on a very irregular basis (i.e. from scrap produced from other products), and that it was not aware of any of these entities having a presence in the Australian market during the investigation period.

2.1.2 Verification team's assessment

Based on the information received to date, the verification team considers that Cromford is the primary Australian manufacturer of like goods.

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Cromford also sourced like goods from an Australian manufacturer that has since ceased manufacturing builder's film.

While the verification team understands that other local entities may have the capability to manufacture builder's film, no information has been received to confirm that these entities had sales of like goods during the investigation period.

2.1.3 Production process

Concrete underlay film is produced via a blown film extrusion process and wound onto cardboard cores for distribution.

A summary of the primary production process is as follows:

- Raw materials (e.g. black masterbatch and LDPE resin) are input through feeders into a blending unit and fed into an extruder;
- Materials are annealed through a circular die and extruded vertically to form an air bubble. The dimensions of the air bubble controls for different specifications e.g. thickness;
- The air bubble is collapsed onto a cooling tower and flattened into polyethylene film;
- Samples are tested for quality assurance. Products that are marketed for compliance with the Australian standards are branded, subject to passing testing for impact resistance and thickness; and
- The film is wound onto a cardboard core, and cut according to the desired length.

2.2 Verification of model control codes

Table 1 below provides detail on how the model control code (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, Cromford's internal product codes and verification of testing records.
Actual Thickness	Based on the verification of testing records in relation to the goods manufactured by Cromford.
Nominal Thickness	Based on the goods description on the purchase orders, commercial invoices, packing lists and Cromford's internal product codes.

Table 1 MCC sub-category determination

2.2.1 Amendments to MCCs

The verification team has added an MCC subcategory for 'Impact Resistance' for Cromford's sales that are not tested and sold according to the impact resistance, but that are considered to be like goods to the goods under consideration. Refer to section 2.3 for the discussion of 'like goods'.

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The verification team found price differences for these sales and therefore considered that it was suitable to add an additional subcategory as follows:

Category	Subcategory	Identifier
Impact Resistance	Other – Construction / Industrial grade	O
	Medium	M
	High	H

Table 2 Amendments to the sales MCCs – Impact resistance

2.3 Like goods

Like goods are defined under section 269T(1) of the Act as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

2.3.1 Cromford’s application – classification of like goods

In its application, Cromford described that it considered its production and sales of certain black concrete underlay film (of 200 microns nominal thickness) and orange concrete underlay film (of 200 microns and 300 microns nominal thickness) to be like goods to the goods under consideration, notwithstanding that imports of coloured film (e.g. orange film) were not included in the description of the goods subject to the application for a dumping investigation.

- High impact black film – with 200µm thickness
- Medium impact black film – with 200µm thickness
- High impact orange film – with 300µm thickness
- High impact orange film – with 200µm thickness
- Medium impact orange film – with 200µm thickness

2.3.2 The verification team’s assessment

Chapter 3 provides an overview of the Australian market, including market segmentation (section 3.2.1), marketing and distribution for the goods (section 3.2.2) and details pertaining to other builder’s film in the Australian market, including orange film (section 3.2.3).

For the purpose of assessing like goods produced by the Australian Industry, the verification team applied the Commission’s like goods framework by focusing on the physical, production, commercial and functional likeness of the goods produced and sold by Cromford to the goods under consideration, while noting that Cromford sells the goods to distributors, and the end use may therefore vary from customer to customer.

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Black builder's film

Firstly, the verification team considers that certain black concrete underlay film (builder's film) manufactured by Cromford are identical to, or have characteristics closely resembling, the goods exported to Australia, as:

- **Physical likeness** – the primary physical characteristics of the imported goods and locally produced goods are the same or similar, being black polyethylene film, with a thickness ranging between 150-230 microns, and a width from 2-6 metres;
- **Production likeness** – the imported goods and locally produced goods are manufactured from either recycled and/or virgin resins and produced via the same primary manufacturing process (blown film extrusion);
- **Commercial likeness** – the imported goods and locally produced goods compete directly in the same market sector, are interchangeable and use similar distribution channels. This was demonstrated by the imported and locally produced goods competing directly for existing supply agreements; and
- **Functional likeness** – the imported goods and locally produced goods can be considered functionally alike, as they have similar end uses.

Specifically, the verification team considers Cromford's production and sales of certain black builder's films manufactured from either recycled and/or virgin resins, with a thickness ranging between 150-230 microns, and a width from 2-6 metres, to be like goods to the goods under consideration.

The verification team considered Cromford's sales of black builder's films of these specifications, which were branded and marketed for compliance as concrete underlay film, or generically but with the same raw material inputs, e.g. black industrial film and handy rolls, to be like goods to the goods under consideration.

In respect of Cromford's sales of industrial builder's film and handy rolls, these accounted for a small volume of Cromford's total sales. While Cromford described that these products were not produced with the intended end use of concrete underlay and are considered to be commercially different to its sales of branded film, the verification team considered that these products may have physical, production, commercial and functional characteristics indistinguishable to imports of unbranded film within the scope of the goods under consideration, and has therefore included these products in its assessment of like goods.

Orange builder's film

Secondly, the verification team has not considered Cromford's production and sales of orange film to be like goods to the imported goods, based on the information examined.

In respect of Cromford's sales of orange underlay film, it was observed that these products may have similar physical specifications to the imported goods (e.g. 200 micron thickness), or different physical specifications (e.g. 300 micron thickness).

For Cromford's orange underlay film of 200 micron thickness, the primary physical difference to the imported goods is the colour, which required different raw material inputs in production (masterbatch and resin). These differences in raw material inputs contributed to cost differences, which is understood to be a factor that affects price differences – with orange underlay film found to have a price premium in the Australian market compared to black films of comparative specifications.

The verification team notes that while orange underlay film can be considered functionally alike and has commercial similarities, Cromford did not provide any information that indicated that its sales of orange underlay film competed directly with the imported goods in the Australian market.

By contrast, sales information and supply agreements examined during the verification, appeared to indicate that Cromford's sales of orange underlay film competed solely with imported orange underlay film (non-subject goods) in the Australian market.

Based on these factors, the verification team did not consider that Cromford's sales of orange underlay film were 'like goods' to the imported goods, for the purpose of assessing Cromford's injury claims.

2.4 Preliminary like goods assessment

Based on the information examined, the verification team is satisfied that:

- certain black concrete underlay film (builder's film) manufactured by Cromford are like to the goods;²
- the substantial process of manufacture by Cromford is carried out in Australia;³
- the like goods were, therefore, wholly manufactured in Australia by Cromford;⁴ and
- there is an Australian industry, consisting primarily of Cromford, which produces like goods in Australia.⁵

The verification team considers that Cromford sold like goods with the following MCCs during the investigation period:

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

Table 3 below displays the relationship between the MCC categories and specifications of the goods sold by Cromford in the investigation period:

² Section 269T(1).

³ Section 269T(3).

⁴ Section 269T(2).

⁵ Section 269T(4).

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MCC	Colour	Impact Resistance	Width (m) – range	Nominal Thickness (micron)	Length (m) – range
H-A2-N2	Black	High	2-6	200	25-80
M-A2-N2	Black	Medium	2-6	200	33-50
O-A2-N2	Black	N/A ⁶	2-4	200	5-74
O-A1-N1	Black	N/A	2-5	150	50-100

Table 3 MCC mapping

⁶ The goods may meet the Australian Standard for medium impact resistance, but are not tested in accordance with AS 2870.

3 AUSTRALIAN MARKET

3.1 Background

Cromford described that the Australian market for black concrete underlay film is primarily composed of its own production and imported goods from Malaysia. As detailed at section 2.1, Cromford also purchased and resold like goods produced by another Australian manufacturer during the investigation period.

Concrete underlay film is a commodity product and customers are readily able to change supplier. Importers, distributors and end users may source from multiple suppliers.

3.2 Market structure

3.2.1 Market segmentation and end use

Cromford described that the Australian market for concrete underlay film (builder's film) primarily involves the goods being used as a moisture barrier (vapour barrier/damp-proof membrane) for concrete slab underlay.

Concrete underlay film complying with the Australian Standard (AS 2870) requires a falling dart impact test (AS/NZS 4347.6) and a nominal film thickness of 0.2mm (or 200 microns), as determined in accordance with AS/NZS 4347.9. Additionally, the National Construction Code (NCC) requires vapour barriers (medium impact) and damp-proofing membranes (high impact film) to be branded continuously 'AS 2870 Concrete underlay', 0.2mm, and medium or high impact resistance (as applicable).

Cromford described that market segmentation for concrete underlay film is generally based on building standards/customer requirements by state, and product specifications. For example, markets in Western Australia, Victoria, Tasmania and Queensland are typically focused on medium impact film, whilst the NSW market has a requirement for high impact film, when used as concrete slab underlay. The South Australian market also has a requirement for high impact film, however, orange concrete underlay film is predominantly used in that market, which is not covered by the investigation.

Cromford provided details of its customers in its sales data and details of entities understood to be Australian importers of the goods, relevant to the assessment of the Australian market.

From information available for these entities, it was observed that the goods are also marketed for a range of other construction, industrial and general use applications such as for asbestos removal, plastic tarpaulin, home repairs, gardening, storage wrapping, temporary weather protection during building and general floor protection.

3.2.2 Marketing and distribution

Cromford described that customers for concrete underlay film are primarily concreting companies and builders, with imported goods and locally manufactured products having similar distribution channels:

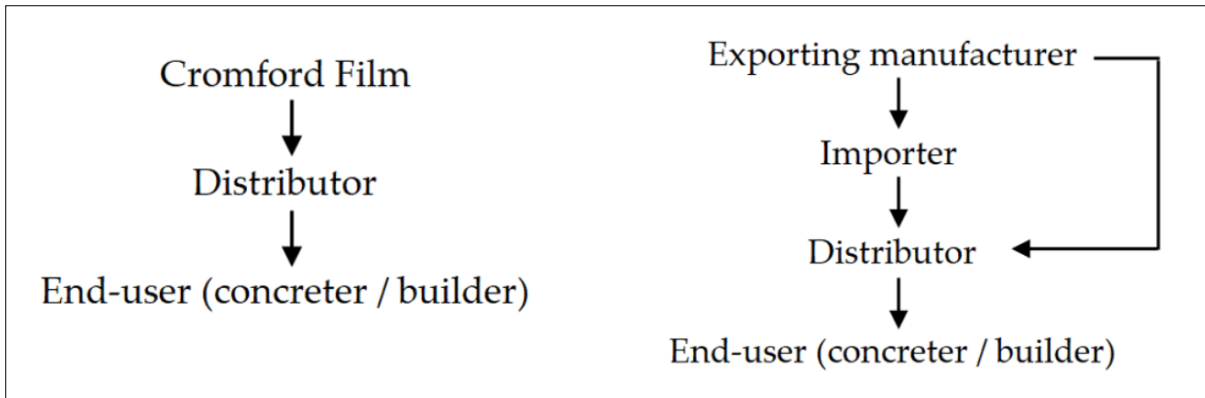


Figure 1 – Distribution channels

As Figure 1 shows, Cromford typically sells the goods in the Australian market through distributors/wholesalers. Imported goods are also distributed and sold through certain retail stores.

The goods are sold in rolls and according to the nominal thickness, with the most common dimensions being 4m x 200micron x 50m, although the goods may be produced and sold to a range of dimensions (i.e. to different widths and lengths).

As set out at section 3.2.1, Cromford described that the goods are typically marketed according to the two grades, being medium and high impact film, in accordance with the Australian Standard.

While a minimum impact resistance is required under the Australian Standard and relevant building codes for goods that are used as concrete underlay film, it is noted that the goods under consideration specifically includes builder's film that could not meet the Australian Standard. For instance, the standard requires a nominal thickness of 200 microns and an average actual thickness of at least 180 microns, whereas the goods under consideration includes builder's film with a thickness ranging between 150 to 230 microns.

In its application, Cromford described that concrete underlay film is typically branded to comply with Australian Standards, although it is not uncommon for some imported film to be unbranded. In Cromford's opinion, non-compliant underlay film may be marketed and sold as a direct substitute in the Australian market to compliant products – and therefore the scope of the subject goods was designed to capture these products. Cromford provided information obtained from a third party supplier and its own testing records in support of this claim.

Based on information publically available from distributors/resellers of the goods, the verification team observed that the goods are generally marketed under a number of generic terms such as 'builder's film', 'polyethylene film', or 'handy rolls'. These terms cover a range of products, including branded underlay films and builder's film outside the scope of the goods under consideration (i.e. non-subject goods).

However, due to the Australian Standard requiring a nominal film thickness of 200 micron, branded black concrete underlay film cannot be marketed and sold as less than 200 micron nominal thickness.

Builder's film within the scope of the investigation, but of specifications that do not comply with the Australian Standard may otherwise be marketed for construction, industrial and general use applications, similar to compliant products.

3.2.3 Other builder's film in the Australian market

Cromford also had sales of builder's film, outside the scope of the goods under consideration.

Cromford described that its polyethylene films manufactured by blown film extrusion are typically between 50 microns and 300 microns and are manufactured for various end uses such as industrial packaging, agricultural applications, as well as for use as concrete underlay film. Besides black polyethylene film, Cromford's other film products include orange and clear (natural) film.

In its application, Cromford listed its sales of orange underlay film as being 'like goods' to the goods under consideration, notwithstanding that imports of coloured film (e.g. orange film) were not included in the description of goods subject to the application for a dumping investigation.⁷ This included sales of 200 micron thickness and 300 micron thickness, the latter being of different physical characteristics to the subject goods.

For Cromford's sales of orange film with similar physical specifications to the subject goods (e.g. 200 micron thickness, of medium or high impact thickness), it was observed that these sales were almost entirely made to the South Australian market, with only a small volume to other markets. Cromford described that black concrete underlay film is prevalent in all markets (except South Australia) due to it being the most economical product, with orange underlay film attracting a price premium, compared with black underlay film of similar specifications.

By contrast, 'Super orange' (300 micron) is a premium product, which Cromford described as being used for certain high end builds, where the soil conditions require.

Cromford described that theoretically orange film could be used in the New South Wales market in place of black high impact film although typically this does not happen due to the extra cost associated with using orange over black.

However, Cromford did not provide any information that indicated that its sales of orange underlay film competed directly with imported black concrete underlay film during the investigation period.

By contrast, sales information provided appeared to indicate that Cromford's sales of orange film competed solely with imported orange builder's film for supply agreements, with Cromford's sales volumes of orange underlay film increasing year-

⁷ EPR 554, Item no. 1.

on-year during the period examined, although orange underlay film is sold at a premium to black film.

Aside from orange film, Cromford described that it is not aware of other coloured films being used for concrete underlay in the Australian market, with natural films having higher raw material costs which would make their use prohibitive.

3.2.4 Supply

Cromford typically undertakes all raw material storage, raw material processing, finished goods processing and warehousing/despatch from its factory in Pendle Hill, Sydney. Cromford has also used warehouse space in parent company (Martogg) factories at Dandenong VIC and Carole Park QLD for the purpose of supplying customers.

3.2.5 Demand

Cromford described that demand for concrete underlay film is determined by activity in the building and construction industry. Variation in demand is also caused from seasonal fluctuations for the Christmas and New Year period and reduced demand in the Easter period. Weather conditions, such as high rainfall also affect demand as it reduces the ability to pour and lay concrete slabs.

3.3 Pricing

Cromford described that it negotiates pricing based on general market factors, with prices to customers being set according to price lists, which take into account freight costs and a margin.

In relation to this, Cromford described that while prices would generally be revised due to changes in raw materials or freight costs, it reduced prices during the most recent period in an attempt to match import offers.

Cromford provided, in its application, details of a tender called and awarded in the investigation period by GFG Alliance companies for a multiple-year supply arrangement.

Cromford provided tender documentation in relation to these negotiations, to confirm that it had reduced prices in an attempt to win the tender. Cromford described that in this instance, it was unable to match import offers, as they were considerably below prices that it could offer.

3.4 Market size

In Consideration Report No. 554 (CON 554), the Australian market size for the goods was estimated using the best available information at the time of initiation, consisting of sales data provided by Cromford for their sales and Australian Border Force (ABF) import data. Furthermore, the market size was assessed for each year with regard to sales for the period of April-March.

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As part of the Industry verification, Cromford provided sales data for an additional quarter, relevant to the investigation period. The verification team has assessed the sales data submitted by Cromford and considers it to be complete and reliable to be used in ascertaining the market size for the relevant period (Chapters 4 and 5 refer).

It is noted, however, that the Commission has also received information from other interested parties since initiation which may be relevant to the assessment of the market size for certain concrete underlay film in Australia.⁸ Given this, the verification team has not estimated the market size and has referred this assessment to the case management team, to be made available to interested parties in the Statement of Essential Facts (SEF).

⁸ The Commission has received information from interested parties in the form of responses to importer questionnaires and exporter questionnaires. Certain information remains unverified at the time of this report and is subject to change.

4 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 Australian sales listings by reconciling these 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:

- Cromford provided a complete sales listing (of all products) from March 2017 to June 2020;
- The verification team reconciled the sales listings upwards to the total company revenue for the three most recent financial periods, by reconciling the revenue reported to the audited financial statements and management records;
- The verification team confirmed the categorisation of products in accordance with the sales records such as the ‘product code’, ‘product description’, and ‘production group’. The accuracy of this information was verified downwards to relevant sales records;
- The verification team confirmed the total volume of export sales, based on the ‘region’ listed in the sales records. The accuracy of this information was verified downwards to relevant sales records; and
- The verification team confirmed the total volume of traded goods (products not produced by Cromford) based on relevant details in the sales records. The accuracy of this information was verified downwards to relevant for sample transactions.

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 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	<p><u>Revised sales data based on the relevant period</u></p> <p>In its application, Cromford provided a summary of its sales of like goods for three years, from March 2017 to February 2020. The verification</p>	<p>Cromford provided a complete sales listing for this entire period, for the purpose of upwards reconciliation to its accounts.</p>

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	<p>team considered this insufficient, noting that the investigation period is July 2019 to June 2020.</p> <p>As such, the verification requested relevant sales information for the whole of the investigation period and prior periods.</p>	<p>Following this, Cromford provided updated sales listings for its sales of like goods.</p> <p>The verification team was satisfied with the completeness of this data, and has relied on the revised information to assess Cromford's economic condition in the relevant periods.</p>
2	<p><u>Revised sales data based on the preliminary assessment of like goods</u></p> <p>As described in section 2.3, the verification team considered that certain sales excluded by Cromford were like goods to the goods under consideration. This included certain sales of black concrete underlay film that were branded in accordance to AS 2870 and sales of unbranded black builder's film that were of specifications within the scope of the goods under consideration, and of the same raw material inputs.</p> <p>Additionally, based on the information examined, the verification team did not consider Cromford's sales of orange film to be like goods to the goods under consideration.</p>	<p>Cromford revised its sales listing in accordance with this assessment.</p>

Table 4 Exceptions during verification of completeness and relevance of sales data

4.2 Purchases by Cromford (traded goods)

In relation to its sales of like goods, Cromford purchased goods from an unrelated supplier. The volumes of these sales of traded goods were verified as part of the sales verification, and identifiable separately from Cromford's own production, based on the product information.

4.3 Export sales by Cromford (non-subject goods)

Cromford did not export like goods during the investigation period. Details relating to exports of other underlay films (outside of the specification of the goods) were verified as part of the sales verification, and identifiable from Cromford's sales listing based on the customer details and region of the sales.

4.4 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Cromford, including any required amendments as outlined in the exception table above, is complete and relevant.

5 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 Australian sales listings submitted in the application (and in further information provided by Cromford) by reconciling these 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**.

5.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	<p><u>Accuracy of weight used sales listings</u></p> <p>As set out in section 7.3, it was identified that the weight per roll that was used for certain product codes could not be reconciled to Cromford’s internal records.</p>	<p>The verification team revised the theoretical weight reported in accordance with the Cromford’s internal records for those product codes.</p>
2	<p><u>Exclusion of certain negative volume transactions</u></p> <p>Cromford’s sales listings included an immaterial volume of negative quantity transactions, where the data reported (e.g. unit price) was inconsistent with sales made in the period.</p>	<p>The verification team removed these sales from its assessment, as the data was not considered to be reliable.</p>

Table 5 Exceptions during verification of accuracy of sales data

5.2 Related party customers

Based on the information examined, the verification team was satisfied that Cromford did not have any related party customers of the goods.

5.3 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by Cromford, including any required amendments as outlined in the exception table above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the verification team considers Cromford’s sales data suitable for analysing the economic performance from 1 March 2017 to 30 June 2020.

6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the application (and in additional information provided by Cromford) by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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

- Cromford provided a revised cost listing from July 2017 to June 2020, financial information and cost data relevant to this period;
- Cromford's total cost of sales reported was reconciled to the company's trial balance, management accounts, and upwards to Cromford's audited financial statement for the most recent accounting period, being the same period as the investigation period;
- In reconciling the cost data upwards, the verification team found that Cromford's cost data was reported based on standard cost allocations, consistent with its recognition of costs in its profit and loss (P&L) statement;
- The verification team confirmed variances between standard and actual costs in the relevant periods, having regard to Cromford's management accounts and audited financial statements; and
- The verification team confirmed Cromford's methodology to report costs across all products, to verify that relevant costs had been allocated to the goods.

The verification team verified the relevance and completeness of the SG&A data as follows:

- Cromford's SG&A costs were reconciled upwards to its P&L statement for the investigation period and prior periods, and examined to ensure that relevant costs were allocated to the goods.

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**.

6.1 Exceptions during verification of completeness and relevance of CTMS data

No.	Exception	Resolution
1	<p><u>Revised costs data based on the relevant period</u></p> <p>In its application, Cromford's cost data was reported for the period March 2017 to February 2020, and therefore did not cover the whole of the investigation period.</p> <p>As such, the verification team requested that relevant cost information be provided with respect to the whole of the investigation period and prior periods.</p>	<p>Cromford provided updated cost data, relevant to the assessment of its costs for the period July 2017 to June 2020.</p>
2	<p><u>Variance for standard costs</u></p> <p>From the upwards cost reconciliation, it was identified that Cromford's costs had been allocated based on standard costs, and did not include adjustments for variances between recoveries reported to Cromford's P&L statement, based on the actual costs incurred in the relevant periods.</p>	<p>Cromford provided a reconciliation of variances between standard and actual costs for each financial year during the relevant period.</p> <p>In addition, Cromford revised its cost data to allocate variances for recoveries due to differences between standard and actual costs. The allocation methodology is described in Table 7 below.</p> <p>Due to an 'under-recovery' of costs in the relevant periods, this resulted in an increase to the total cost base allocated to the goods.</p> <p>The verification team examined the information provided, and considered the methodology used to allocate the recoveries to be reasonable.</p>

Table 6 Exceptions during verification of completeness and relevance of CTMS data

6.2 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by Cromford, including any required amendments as outlined in the exception table above, is complete and relevant.

7 VERIFICATION OF CTMS ACCURACY

7.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

Table 7 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs have been calculated specific to each product code, based on the average proportion of raw materials inputs and production costs of those inputs, and allocated to the goods based on the sales quantity.
Manufacturing Overheads (including depreciation)	Manufacturing overhead costs have been calculated based on the unit costs incurred for film production, and allocated to the goods based on the sales quantity.
Labour	Direct labour costs have been calculated based on the unit costs incurred for film production, and allocated to the goods based on the sales quantity.
Variance	'Unallocated variances' in relation to differences between standard and actual costs have been allocated to the goods based on the percentage of total revenue.

Table 7 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**.

7.2 Exceptions during verification of CTMS allocation method

No.	Exception	Resolution
1	<p><u>Accuracy of weight used in product costings</u></p> <p>During the verification of the production volumes, it was identified that the weight per roll that was used to allocate production costs to the goods, could not be reconciled to Cromford's production records for certain product codes.</p>	Where applicable, the verification team revised the theoretical weight reported in accordance with the Cromford's internal records verified for those product codes.

Table 8 Exceptions during verification of CTMS allocation method

7.3 Verification of accuracy of CTMS data

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 cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it 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**.

7.4 Related party suppliers

Cromford purchases raw materials from related and unrelated parties. Cromford described that prices of raw materials supplied by related parties are set according to market prices.

The verification team compared purchase prices of raw materials supplied by related parties in significant volumes against purchase prices of comparable raw materials from unrelated suppliers. Based on this assessment, the verification team found that unit prices for raw materials supplied by related parties were comparable with prices from unrelated parties.

As such, the verification team considered the related party transactions to be arm's length.

7.5 CTMS verification finding

The verification team is satisfied that the CTMS data provided by Cromford, including any required amendments as outlined in the exception table above, is complete, relevant and accurate.

Accordingly, the verification team considers Cromford's CTMS data is suitable for analysing the economic performance of its production and sales for certain concrete underlay film from 1 July 2018 to 30 June 2020.

8 ECONOMIC CONDITION

8.1 Applicant's injury claims

In its application for a dumping investigation, Cromford claimed that the Australian industry has experienced injury in the form of:

- price suppression;
- price depression;
- reduced profits;
- reduced profitability;
- lost sales volume; and
- lost market share.

In its application, Cromford described that while it was able to increase sales volumes during the 12 month period ending 29 February 2020, it claimed lost sales volumes and reduced market share stemming from a lost tender.

Cromford subsequently provided sales information in relation to the last quarter of the investigation period, which has been incorporated into the assessment of Cromford's injury claims.

8.2 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by Cromford, including verified costs and sales information, other financial data and other relevant information such as information provided in relation to price negotiations. The verification team has assessed the economic condition of the Australian industry using the information provided by Cromford in its application and updated data provided in the course of the industry verification.

The assessment pertains to Cromford's cost information assessed for the period 1 July 2017 to 30 June 2020 and sales information for the period 1 March 2017 to 30 June 2020, given that Cromford was purchased by the Martogg Group from its previous owners in March 2017. The figures presented have been compiled on an annual basis for years ending 30 June.

As detailed in section 2.1, Cromford also purchased the goods during the investigation period from a local supplier. However, that entity accounted for a small percentage of the total sales volumes and that entity has since ceased manufacture of like goods. That entity did not make any claims or provide a detailed response relevant to the injury assessment.

As such, the verification team has relied solely on the verified information from Cromford in its preliminary assessment of injury to the Australian industry.

This preliminary assessment is at **Confidential Appendix 1** and **Confidential Appendix 2**.

8.3 Volume effects

8.3.1 Sales volume

Figure 2 below shows Cromford’s sales volumes for its own production of like goods in the Australian market since March 2017, and its sales of traded goods, which were sourced from a local supplier.

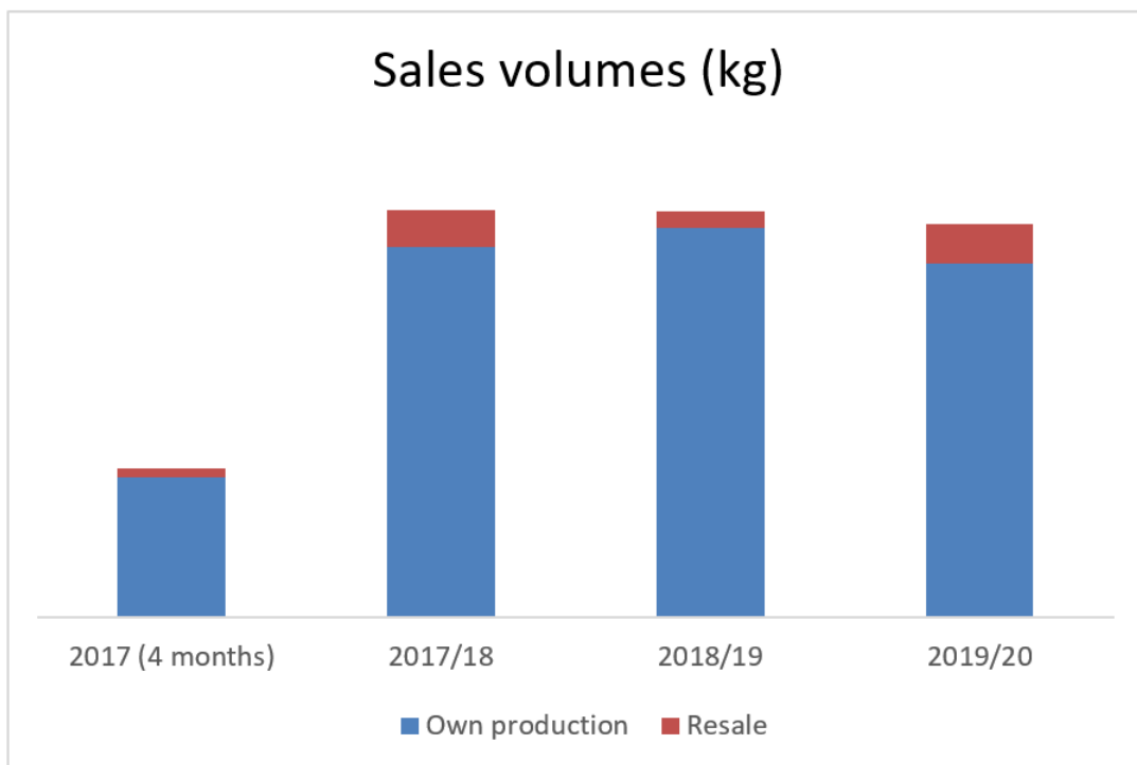


Figure 2 – Sales volume

As outlined above, Cromford’s total sales volumes of like goods were fairly consistent between 2017/18 and 2018/19, before declining in 2019/20, while the volume of traded goods fluctuated during this period.

Cromford’s sales volume of its own production of like goods increased during 2018/19, before declining during the investigation period.

The verification team also conducted more detailed analysis of changes in Cromford’s sales volumes during the investigation period, noting that Cromford’s injury claims for lost sales volumes and reduced market share relate to the period March 2020 onwards.

Figure 3 below demonstrates Cromford’s quarterly sales volumes of certain concrete underlay film in the Australian market during the investigation period.

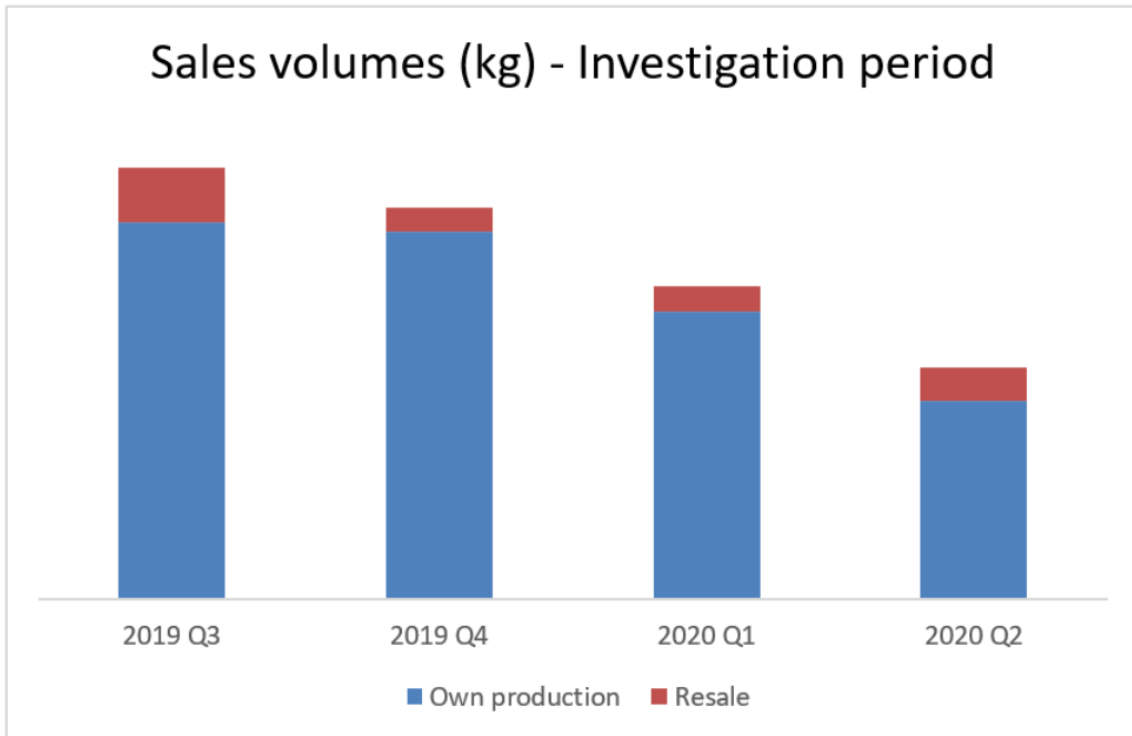


Figure 3 – Sales volume (Investigation period)

Figure 3 demonstrates that the decline in Cromford’s sales volumes occurred during the final 2 quarters of the investigation period and particularly in the June 2020 quarter.

The verification team found that Cromford’s total sales volumes of like goods peaked in Q3 2019, prior to this material decline in sales.

Based on the information assessed, the verification team considers that Cromford has experienced injury in the form of loss of sales volumes during the investigation period.

8.3.2 Market share

The market size and market share was estimated in CON 554, using the best available information at the time of initiation.

As outlined at section 3.4 of this report, the Commission has received further information from interested parties since initiation, which may be relevant to the assessment of the market size, and likewise the assessment of the market share for the goods.

Given this, the verification team has not assessed Cromford’s market share for the goods and has referred this assessment to the case management team, to be made available to interested parties in the SEF.

8.4 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

The verification team has examined Cromford’s per unit selling prices and CTMS (AUD/kg) during the injury examination period as outlined below:

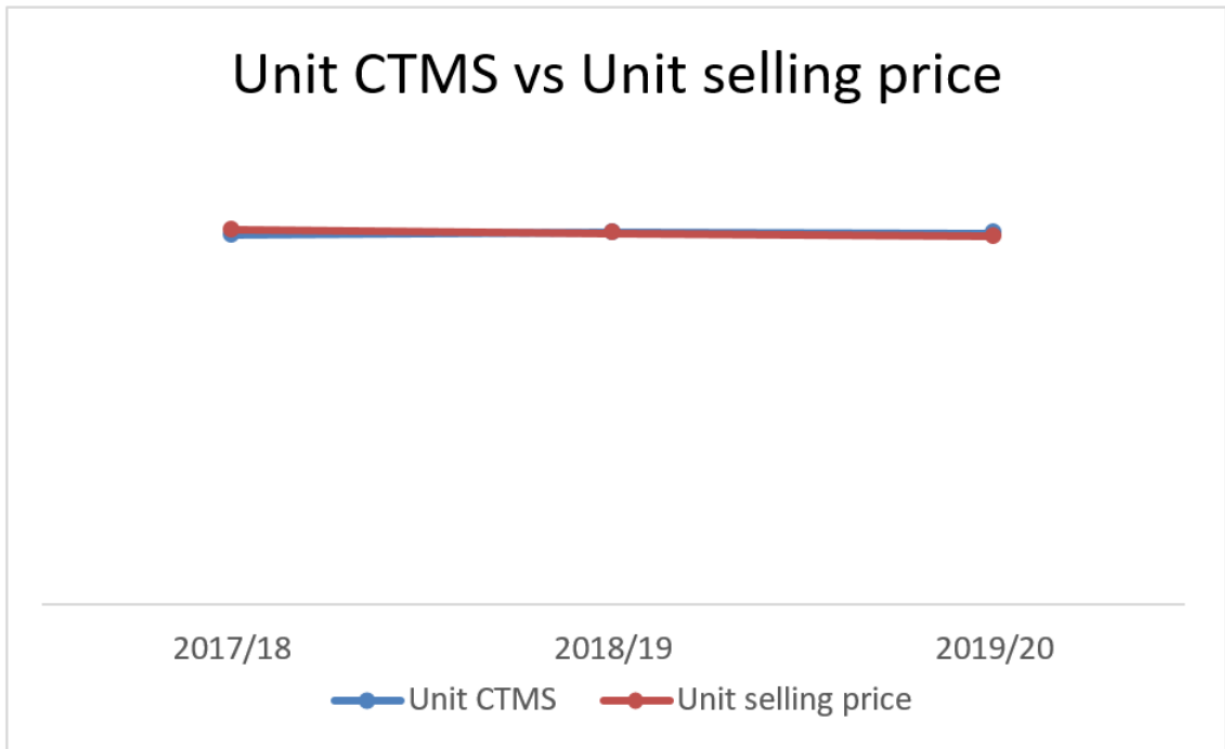


Figure 4 – Unit price and CTMS

The verification team notes that the goods are sold in rolls, with price differences due to differences in specifications and dimensions. Therefore, to assess price differences at a product level, the verification team assessed Cromford’s unit selling prices per roll (AUD/roll) for sales of like goods in the most significant volumes.

Figure 5 below shows unit selling prices for Cromford’s sales of black concrete underlay film of dimensions 4m x 200microns x 50m, of medium impact and high impact resistance. These products accounted for approximately 80% of Cromford’s sales of like goods during the period examined.

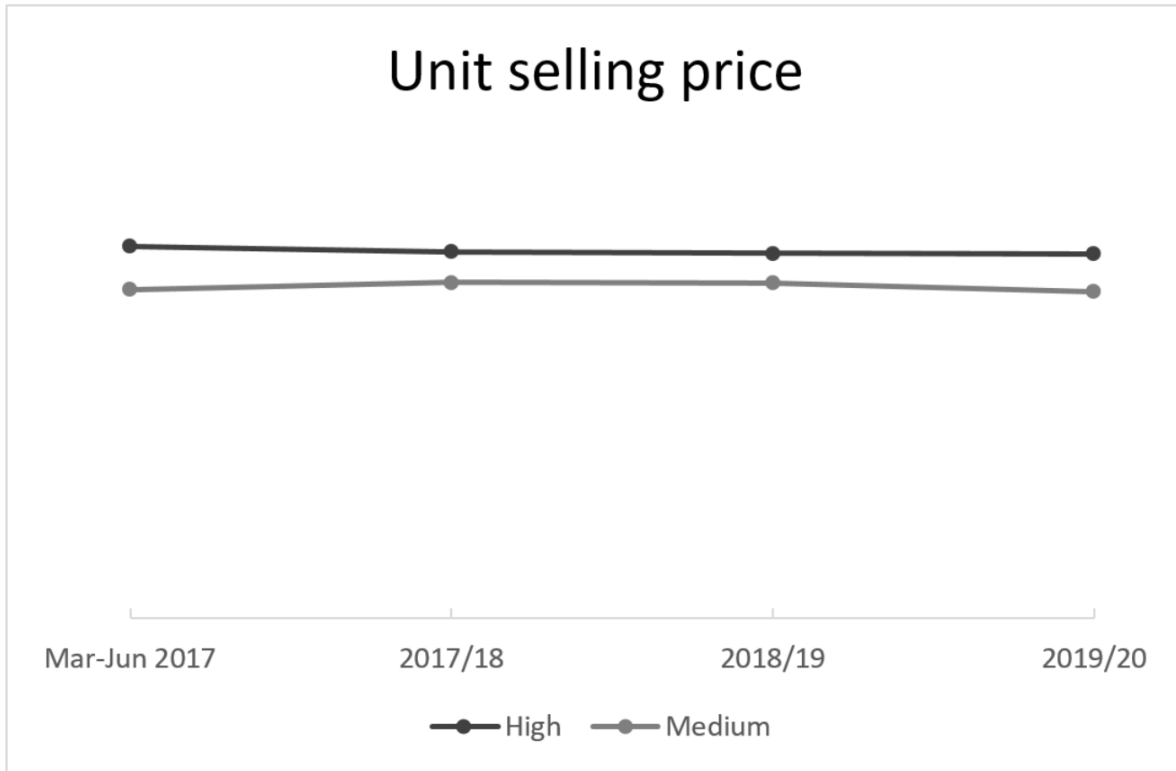


Figure 5 – Unit selling price

Figure 5 shows that a similar trend was observed in pricing changes (with Figure 4), when assessed at a product level (in AUD/rolls), while changes in prices were more prevalent for certain models.

In terms of price depression, Figure 4 and Figure 5 show that Cromford's prices decreased from 2017/18 to 2019/20.

In terms of price suppression, Figure 4 shows that:

- unit CTMS exceeded unit selling prices during the investigation period; and
- unit CTMS increased in 2018/19, however, unit selling prices did not incur, consistent with an increase in costs.

Based on this analysis, the verification team considers that Cromford has experienced injury in the form of price suppression and price depression during the period examined.

8.5 Profit and profitability

Figure 6 below shows the profit in AUD and profitability of Cromford's sales of its own production of certain concrete underlay film in the Australian market since 1 July 2017.

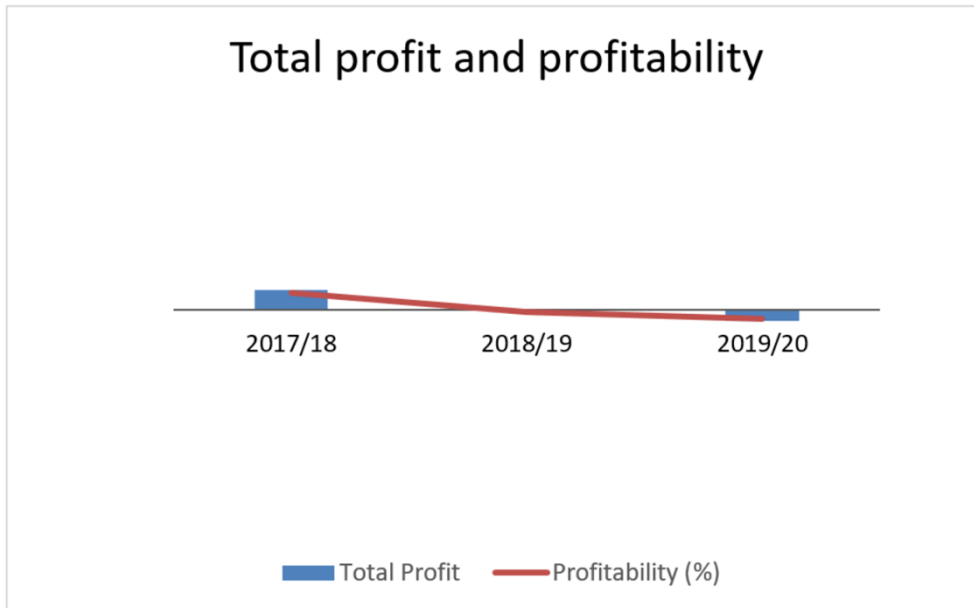


Figure 6 – Profit and profitability

Figure 6 indicates that Cromford has experienced decreasing profit and profitability across the injury examination period.

Based on this analysis, the verification team considers that Cromford has experienced injury in the form of loss of profits and reduced profitability.

8.6 Other economic factors

8.6.1 Revenue

Figure 7 below shows the revenue generated by Cromford on the sale of like goods that it manufactured and sold into the Australian market during the period examined.

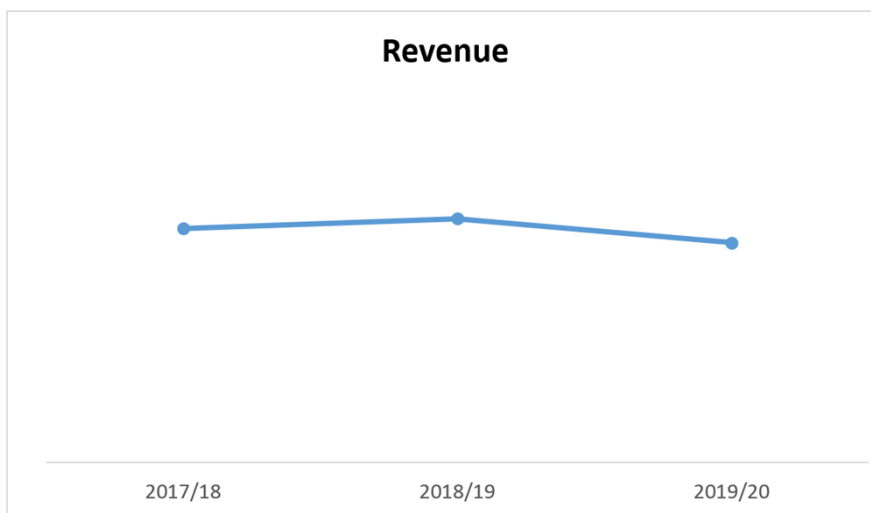


Figure 7 – Revenue

Figure 7 demonstrates that Cromford’s sales of like goods that it manufactured increased in 2018/19 before decreasing in 2019/20.

8.6.2 Return on investment

Since production assets relating to Cromford's like goods are common with other products, working out an asset value based return on investment (ROI) for the like goods was not considered to be reliable.

Instead ROI has been calculated using the Return on Sales (ROS) approach, namely by comparing 'Operating Profit' (EBIT) and 'Net Sales' revenue.

Figure 8 below shows return on investment (ROI), based on the return on sales method, for all sales of like goods manufactured by Cromford during the period examined.

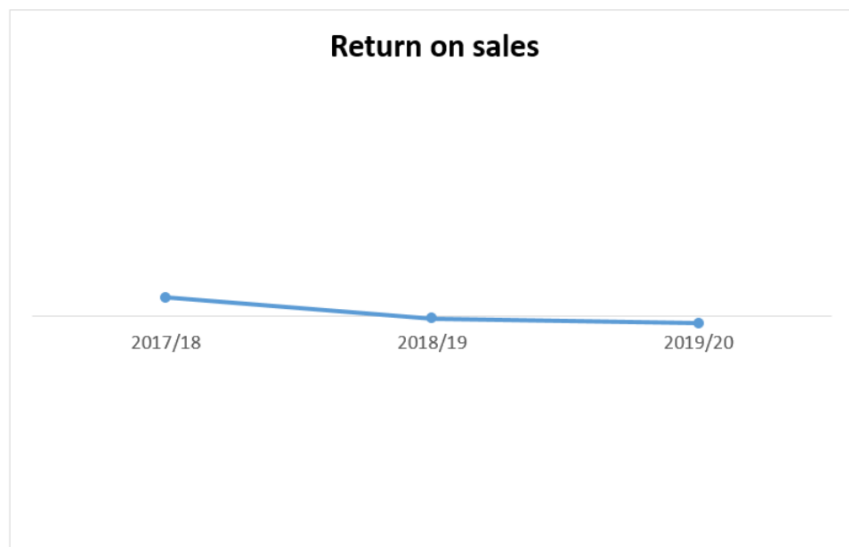


Figure 8 – Return on sales

Figure 8 demonstrates that Cromford experienced decreasing return on sales throughout the period examined.

8.6.3 Other economic indicators

Cromford did not claim injury in relation to other economic factors. Based on the information assessed, the verification team does not consider that Cromford has suffered injury in the form of other economic factors outlined below.

Assets

Figure 9 below shows the value of Cromford's total company assets during the period examined.

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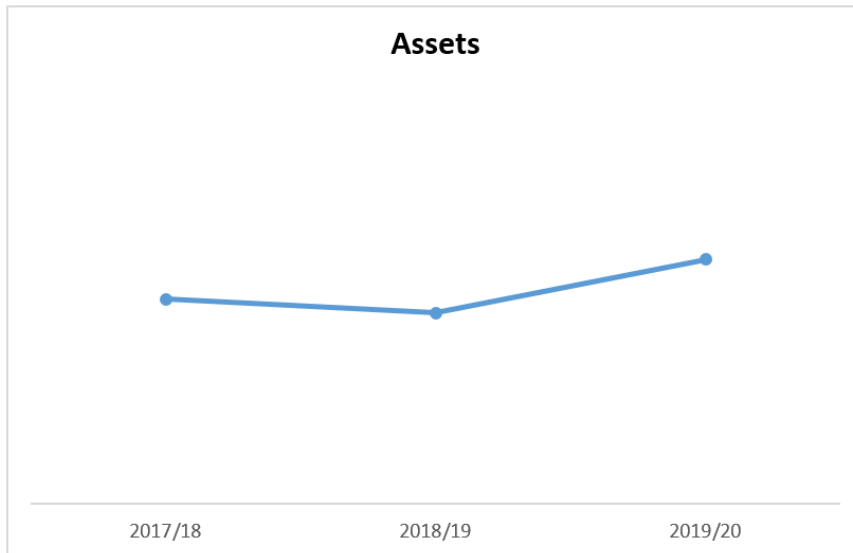


Figure 9 – Assets

As demonstrated above, Cromford's total company assets increased during the period examined. Cromford's change in assets during this period related to its production of like goods and other products.

Capital investment

Figure 10 below shows the value of capital investment undertaken by Cromford in relation to its total production during the period examined.

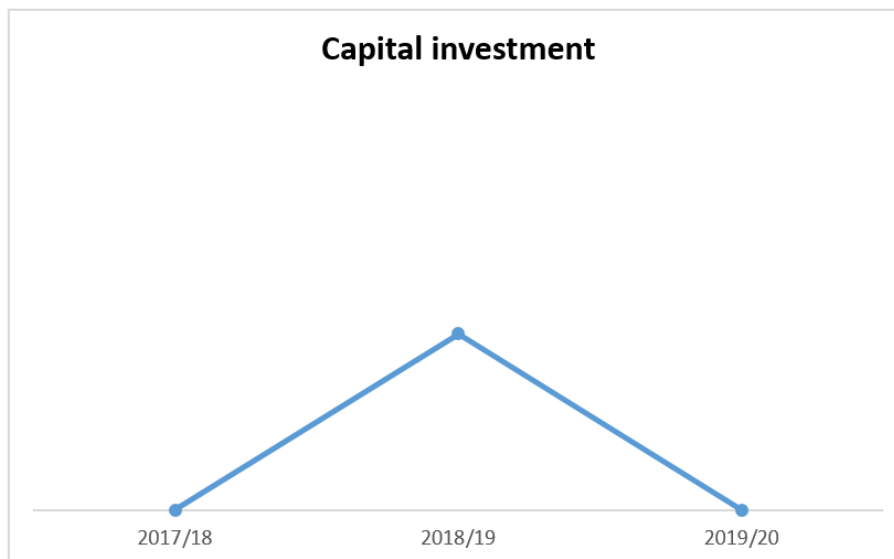


Figure 10 – Capital investment

As demonstrated above, Cromford engaged in capital investment in financial year 2018/19. Capital investment during this period related to Cromford's production of like goods and other products.

Capacity and capacity utilisation

Cromford's production capacity was consistent during the period and reported with respect to its production of all plastic film, given that like goods and other plastic films (non-subject goods) are manufactured on the same production lines.

Figure 11 below shows Cromford's capacity utilisation of its film lines.

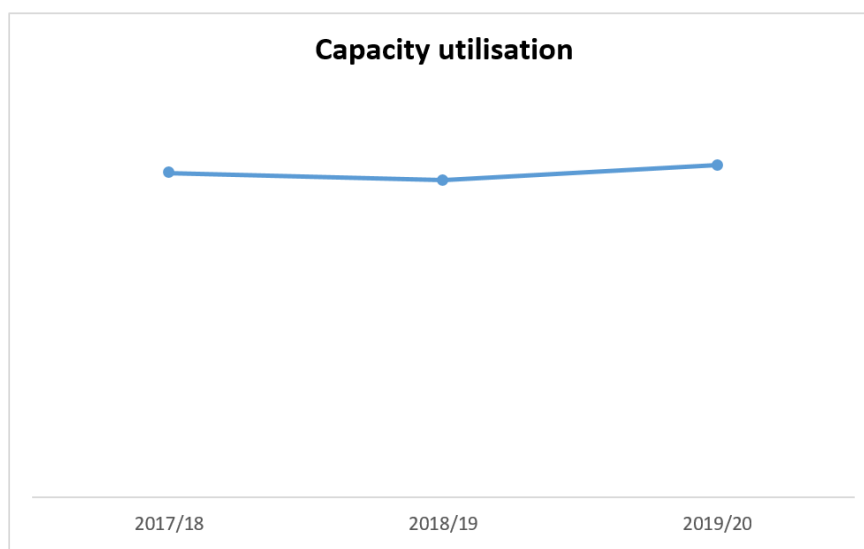


Figure 11 – Capacity utilisation

As demonstrated above, Cromford's capacity utilisation remained relatively stable during the period examined, while increasing marginally during 2019/20.

R&D expenses – Cromford did not engage in any R&D activities in relation to its production of like goods during the injury analysis period.

Employment and wages – Cromford provided information to show that total wages decreased during the injury analysis period. However, the information was reported at a total company level and Cromford did not provide information that evidenced that wages or employment had decreased, with respect to its production and sales of like goods.

Productivity – Cromford reported productivity for the production of all plastic films. Productivity declined in 2018/19 before increasing in 2019/20. Cromford did not provide information to show that productivity had changed with respect to its production and sales of like goods.

Inventories – Cromford described that it produces to order and therefore changes in stocks are not relevant to the assessment of injury for its production and sales of like goods. Cromford provided information relating to its stocks in support of this claim.

Cash flow measures – Cromford sells like goods and other products (non-subject goods) to the same customers and therefore changes in cash flow relate to both subject and non-subject goods. Cromford did not provide any information to show that it had experienced injury with respect to changes in cash flow for its production and sales of like goods.

8.7 Conclusion

Based on an analysis of the information contained in the application and obtained and verified during the verification visit, the verification team considers that Cromford has experienced injury in the form of:

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

For the reasons set out in section 8.3, the verification team has not made an assessment in respect of reduced market share, and refers this assessment to the case management team, to be made available to interested parties in the SEF.

9 CAUSAL LINK CLAIMS

9.1 Background and approach to analysis

Under section 269TG, one of the matters that the Minister must be satisfied of in order to publish a dumping duty notice is that material injury to an Australian industry producing like goods has been or is being caused or is threatened.

The verification team discussed with Cromford whether the alleged dumping of imported concrete underlay film can be demonstrated to be causing material injury to the Australian industry, and collected evidence to support those claims. This evidence will be considered further during the course of the investigation.

9.2 Tender negotiation – Volume and price effects

Cromford claimed injury in relation to lost sales volumes due to a tender process with GFG Alliance companies that it lost, which took effect from March 2020 onwards.

Cromford described that it had lost business to supply into NSW, QLD and VIC, as a direct result of this tender process.

Cromford lodged a tender proposal for sales of like goods, primarily for the New South Wales, Queensland, and Victorian sites. Cromford did not submit a tender proposal for SA. However, the tender proposal for SA related to the sale of orange concrete underlay film, not black concrete underlay film.

In its application, Cromford described that:

- it lost the business to supply QLD and VIC outright, but was offered the opportunity to revise pricing in NSW; and
- that imported builders film from Malaysia was being trialled in NSW, which was supported by the noticeable fall in its sales volumes during March, April and May.

In Cromford's opinion, it was more competitive in the NSW market, due to lower freight costs.

However, Cromford confirmed that the outcome of the New South Wales tender was since finalised, for which it was unsuccessful, resulting in significant sales volumes lost to this customer.

Cromford considers that the loss of sales volumes from the tender process is a direct consequence of dumped imports from Malaysia undercutting its prices. Cromford provided copies of tender proposals submitted in relation to the tender, relevant to this assessment. The verification team confirmed that Cromford had reduced prices in its revised bid for the NSW market. Cromford described that it was unable to reduce prices further to retain this business, while maintaining a margin for its sales.

As outlined in section 8.3, the verification team identified that Cromford's sales volumes of like goods declined during the investigation period. The decline in sales volumes during this period supported Cromford's claims.

Claims made in relation to lost sales volumes in the tender process due to price undercutting from allegedly dumped imports from Malaysia, will be assessed further during the course of the investigation.

9.3 Price suppression and price depression

As detailed in section 8.4, the verification team considers that Cromford has experienced injury in the form of price suppression during the injury examination period and price depression during the investigation period.

In its application, Cromford claimed that price suppression and price depression were a direct result of the allegedly dumped imports from Malaysia. In addition, Cromford provided details in relation to import price offers to demonstrate price undercutting from the allegedly dumped imports from Malaysia.

This information will be analysed further during the course of the investigation, in connection with verified data provided from other interested parties.

9.4 Profit and profitability

As outlined at section 8.5, the verification team considers that Cromford has experienced injury in the form of decreasing profit and profitability.

In its application, Cromford described that it experienced falling profit and profitability, which it alleges to be due to dumped imports from Malaysia.

This information will be analysed further during the course of the investigation.

9.5 Other economic factors

The verification team found that Cromford had experienced injury in the form of reduced revenue and ROI, consistent with its reduced sales volumes and profitability.

Cromford did not claim injury in relation to other economic factors and the verification team does not consider that Cromford has suffered injury in the form of the other economic factors considered at section 8.6.3 of this report.

9.6 Injury caused by factors other than dumping

Cromford stated in its application that sales of concrete underlay film correlate with activity in the construction industry. Cromford also noted that, during the injury examination period, housing construction activity fell through to mid-2019, after which it began to increase (by approximately one percent between March 2019 and March 2020).

In terms of its own costs, Cromford acknowledged that it is at a commercial disadvantage compared to importers of the goods for freight costs in relation to interstate sales, particularly in regional areas further from primary sales destinations of NSW, VIC and metropolitan QLD. However, Cromford described that feedback

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relating to the tender negotiations indicated that product pricing differences (i.e. EXW selling price of builder's film) was the major issue for pricing competitiveness with imported goods.

Aside from these factors, Cromford did not identify other factors that may have caused or may threaten to cause injury to Cromford.

It is noted that Cromford's application contains allegations of non-compliant builder's film being used as a direct substitute for its compliant products.

While the injury allegedly caused by non-compliant products could be related to factors other than dumping, Cromford described that it considers that sales of non-compliant products to be dumped goods, and therefore considers the injury from non-compliant products to be connected to its primary injury claims – in respect of injury being caused by allegedly dumped imports.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Verification work program
Confidential Appendix 1	Assessment of the economic condition of the Australian industry (Sales revenue, CTMS, Profitability)
Confidential Appendix 2	Assessment of other economic factors