



Australian Government
**Australian Customs and
Border Protection Service**

R E P O R T

CUSTOMS ACT 1901 - PART XVB

INTERNATIONAL TRADE REMEDIES BRANCH

REPORT TO THE MINISTER

REP 184

**INQUIRY INTO THE CONTINUATION OF
ANTI-DUMPING MEASURES**

**POLYVINYL CHLORIDE HOMOPOLYMER RESIN
EXPORTED FROM
JAPAN**

25 September 2012

PUBLIC RECORD

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1 SUMMARY AND RECOMMENDATIONS

This continuation inquiry is in response to an application by Australian Vinyls Corporation Pty Ltd (Australian Vinyls) seeking the continuation of the anti-dumping measures applying to polyvinyl chloride homopolymer resin (PVC) exported to Australia from Japan.

This report sets out the facts on which the delegate of the Chief Executive Officer (the delegate) of the Australian Customs and Border Protection Service (Customs and Border Protection) is basing his recommendation to the Minister for Home Affairs (Minister) for measures applicable to PVC from Japan.

1.1 Applicable law

Division 6A of Part XVB of the Act¹ provides for the Chief Executive Officer of Customs and Border Protection (CEO) to alert interested parties to the impending expiry of measures and provide them with an opportunity, before those measures expire, to apply for a continuation of those measures. The Division:

- sets out the consequences if no application is made;
- outlines the procedure to be followed by the CEO in dealing with an application and preparing a report for the Minister;
- empowers the Minister, after consideration of that report, either to decide that the measures will expire or to take steps to ensure the continuation of measures.

The CEO's powers under this Division have been delegated to certain officers of Customs and Border Protection ("the delegate").

The delegate must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless the delegate is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent.

1.2 Recommendation

The delegate recommends that the Minister:

- 1 declare that he has decided to take steps to secure the continuation of anti-dumping measures in respect of the goods exported from Japan from the expiry date of 21 October 2012; and

sign the requisite notice² (**Attachment 1**).

¹ A reference in this report to a provision of legislation, unless otherwise specified, is a reference to the *Customs Act 1901 (Cth)*.

² Ss 269ZHG(1) and (4).

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1.3 Findings and conclusions

Customs and Border Protection has found that the following factors support a finding that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures were intended to prevent:

- The available evidence shows there were exports of PVC from Japan in 2011 that were dumped;
- those exports at dumped prices were at prices that would undercut industry prices and would be in volumes to cause material injury to the industry in the form of lost sales volumes and revenues, price suppression and depression and reduced profits;
- in the absence of anti-dumping measures it is likely that exports from Japan to Australia would be dumped; and
- in the absence of anti-dumping measures dumping of PVC from Japan would continue or recur and would cause material injury to the Australian industry to continue or recur.

Based on these findings the delegate recommends that the Minister takes steps to secure the continuation of anti-dumping measures applying to PVC exported from Japan from the expiry date of 21 October 2012.

PUBLIC RECORD**2 INTRODUCTION****2.1 Continuation inquiry process**

Dumping duty notices (that have not been revoked) automatically expire five years after the date on which they were published, unless the Minister decides to continue them.

Not later than nine months before a dumping duty notice expires, Customs and Border Protection must publicly announce that anti-dumping measures are due to expire and invite certain interested parties to apply within 60 days for the continuation of the anti-dumping measures. If no application for continuation is received by Customs and Border Protection within the period allowed, the anti-dumping measures expire on the specified date.

If an application for continuation of anti-dumping measures is received, and not rejected, Customs and Border Protection has up to 155 days, or such a longer period as the Minister allows, to inquire and report to the Minister on whether the continuation of the anti-dumping measures is justified. Within 110 days of the initiation notice, or such longer period as the Minister allows, Customs and Border Protection must place on the public record a statement of essential facts on which it proposes to base its recommendation to the Minister.

Before recommending the continuation of the anti-dumping measures, Customs and Border Protection must be satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures were intended to prevent.

Where the Minister decides to continue anti-dumping measures, the dumping duty notice will remain in force after the specified date for a further period of five years (unless the relevant notice is revoked before the end of that period).

In making recommendations in its final report to the Minister, Customs and Border Protection must have regard to:

- the application for continuation of the anti-dumping measures;
- any submission relating generally to the continuation of the anti-dumping measures to which the CEO has had regard for the purpose of formulating the statement of essential facts;
- the statement of essential facts; and
- any submission made in response to the statement of essential facts that is received by Customs and Border Protection within 20 days of being placed on the public record.

Customs and Border Protection may also have regard to any other matter that it considers to be relevant to the inquiry.

Following the Minister's decision, a notice will be published advising interested parties of the decision.

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2.2 Notification and participation

The current anti-dumping measures applying to PVC from Japan are due to expire on 21 October 2012.

On 9 December 2011, Customs and Border Protection published a notice in *The Australian* newspaper inviting certain persons to apply for the continuation of anti-dumping measures that apply to PVC exported to Australia from Japan. On 7 February 2012, Australian Vinyls, the sole manufacturer of PVC in Australia, lodged an application for the continuation of the anti-dumping measures.

Following consideration of the application, the inquiry was initiated on 24 February 2012. Public notification of initiation of the inquiry was made in *The Australian* newspaper on 24 February 2012. Australian Customs Dumping Notice (ACDN) No. 2012/09 was also published providing further details of the inquiry.

Following an extension of time from the Minister, Customs and Border Protection placed the statement of essential facts (SEF 184) on the public record on 13 August 2012. Interested parties were notified of the extension and ACDN 2012/22 was published advising of the extension.

The extension to the SEF extended the due date for the final report to the Minister. This final report (REP 184) to the Minister which outlines Customs and Border Protection's findings and recommendations is due on or before 25 September 2012.

Customs and Border Protection visited Australian Vinyls and verified data relating to costs and sales for the inquiry. A non-confidential report of the visit was placed on the public record.

Customs and Border Protection visited Chemiplas Australia Pty Ltd (Chemiplas), an importer of the goods, from Japan and verified data relating to costs and sales for the inquiry. A non-confidential report of the visit was placed on the public record.

No exporters of PVC from Japan provided information to the inquiry.

Submissions were received from Australian Vinyls, Chemiplas, Polvin Compounds Pty Ltd (Polvin) an end user of PVC, and Shintech Incorporated (Shintech) an exporter and producer of PVC from the United States of America (USA).

2.3 Response to the statement of essential facts

Australian Vinyls provided the only response to the SEF, a copy of the submission was placed on the public record.

2.4 History of anti-dumping measures

Anti-dumping measures were imposed on PVC from Japan in 1992 and have been the subject of continuation inquiries every five years since then.

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2.5 Review of the measures

The measures applying to Japan were last reviewed in 2005 when different normal values and NIFOBs were fixed for all exporters generally.

The CEO commenced a review of the normal values and non-injurious free on board prices applying to PVC exported from Japan and the USA following consideration of an application by Chemiplas, an importer of PVC.

The review commenced on 24 February 2012, the period to examine normal values and non-injurious free on board prices is from 1 January to 31 December 2011.

A separate report, REP 185 was provided to the Minister on 25 September 2012 for the review of the measures.

2.6 Investigation of PVC from Korea

On 23 April 2012 the CEO initiated an investigation into the dumping of PVC exported from the Republic of Korea (Korea) following consideration of an application lodged by Australian Vinyls.

A separate report, REP 187, was provided to the Minister on 25 September 2012 for the investigation of PVC from Korea.

PUBLIC RECORD**3 THE GOODS AND LIKE GOODS****3.1 Finding**

The Australian industry produces PVC that has characteristics closely resembling those of PVC manufactured in Japan and exported to Australia. Therefore PVC manufactured by the Australian industry is like goods.

3.2 The goods

The goods covered by the dumping duty notice are polyvinyl chloride homopolymer resin (PVC).

The goods subject to the measures do not include PVC compounds, pastes or emulsion grades.

PVC is a white free flowing powder that is used in combination with other chemicals to produce a variety of products.

The main input into the production of PVC is vinyl chloride monomer (VCM). VCM is manufactured by combining ethylene and chlorine to form ethylene dichloride that is 'cracked' in a furnace. PVC is made in a batch process in which VCM droplets are polymerised, while suspended in water, in the presence of an initiator and other additives.

PVC is sold to a range of processors who either extrude, inject, mould or blow mould the PVC to make a wide variety of goods. The major end-use of PVC based products is in the building and construction sector (e.g. pipes and fittings, cables, house cladding, gutters, down pipes, flooring and window frames). PVC based products are also used in packaging, upholstery and domestic appliances.

Tariff classification

PVC is classified under sub-heading 3904.10.00, statistical code 18, in Schedule 3 to the *Customs Tariff Act 1995*. The rate of duty from Japan is 5%.

3.3 Like goods

In previous investigations, inquiries and reviews in respect of PVC, Customs and Border Protection determined that Australian Vinyls was the Australian industry producing like goods. On the basis of information provided by Australian Vinyls during this inquiry and previous investigations, Customs and Border Protection considers Australian Vinyls is a producer of like goods.

PUBLIC RECORD**4 THE AUSTRALIAN INDUSTRY****4.1 Finding**

There is an Australian industry that is producing like goods, consisting of Australian Vinyls.

4.2 Australian production

Australian Vinyls is the sole manufacturer of PVC in Australia. Its production facility is in Laverton North, Victoria. The company manufactures PVC and wood-plastic compounds, as well as supplying a range of imported chemicals including caustic soda, PVC processing additives, synthetic rubbers and speciality elastomers.

4.3 PVC production process

PVC is a white free flowing powder that is used in combination with other chemicals to produce a variety of products.

The main input into the production of PVC is vinyl chloride monomer (VCM). VCM is manufactured by combining ethylene and chlorine to form ethylene dichloride that is cracked in a furnace. PVC is made in a batch process in which VCM droplets are polymerised, while suspended in water, in the presence of an initiator and other additives.

PUBLIC RECORD**5 AUSTRALIAN MARKET****5.1 Finding**

The size of the Australian market declined from calendar year 2007 to 2009 before increasing in calendar year 2010, and then declining in 2011.

5.2 Market size and demand

The Australian market for PVC is supplied through local production and imports from a number of sources, Australian Vinyls imports PVC from Taiwan to supplement domestic production.

PVC is sold to a range of processors who either extrude, inject, mould or blow mould the PVC to make a wide variety of goods. The major end-use of PVC based products is in the building and construction sector (such as pipes and fittings, cables, house cladding, gutters, down pipes, flooring and window frames). PVC based products are also used in packaging, upholstery and domestic appliances.

During the recent continuation inquiry into PVC from the USA (Rep 174), Customs and Border Protection estimated the size of the market at slightly over 190,000 tonnes in the financial years 2009-10 and slightly below 190,000 tonnes in 2010-11. REP 174 showed the market peaking in 2007/08 at around 225,000 tonnes before declining in subsequent years.

In its application Australian Vinyls estimated the size of the market in the calendar year 2011 at approximately 180,000 tonnes. Australian Vinyls estimated the current market was at 190,000 to 200,000 tonnes per annum.

Australian Vinyls said that it relies on monthly forecasts from its larger customers to estimate demand for the next three months, however these forecasts can be unreliable.

Australian Vinyls said the market is weaker due to the effects of the global financial crisis and the breaking of the drought and floods. During the drought there was demand for large water projects requiring irrigation pipe, however the floods reduced demand as there was no longer a need for those projects. In addition it also became impossible to lay pipes in the flooded areas. The global financial crisis had an effect due to the slowdown in the construction industry which uses PVC for pipes, cables flooring, profiles, ducting, window profiles and siding. Technology improvements, such as using thinner walled pipes, can also affect demand as less material is required, however this may make PVC more competitive as it lessens the cost.

Australian Vinyls was also affected in the first half of 2008 by a prolonged plant shutdown that meant its larger customers could not get PVC at a time when the economy was still growing strongly.

Chemiplas estimated that the market was at around 200,000 tonnes in 2011 based on Australian Vinyls plant capacity of 140,000 tonnes per year and the import statistics showing 64,442 metric tonnes in 2011.

Chemiplas noted that imports account for approximately one third of the total market and this was most likely to increase as Australian Vinyls lost its competitiveness due to an inefficient plant and lack of integration.

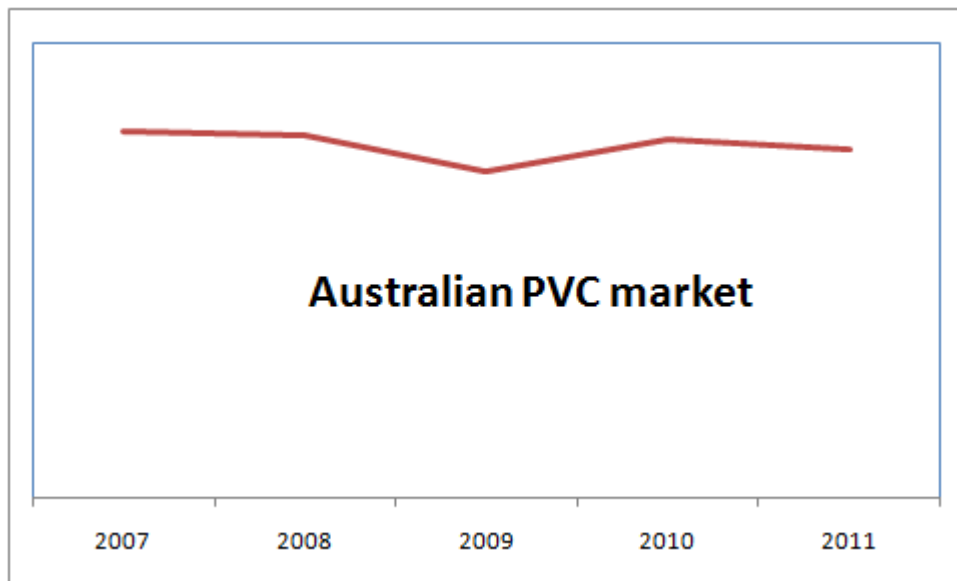
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Chemiplas saw South East Asian suppliers as likely to become key to the Australian market due to their locality, feedstock, competitiveness and increases in capacity.

Polvin submitted that Australian Vinyls operated an outdated inefficient non integrated PVC resin plant, that the PVC resin from Japan was of better quality and that if the Japanese PVC resin was available in Australia then no-one would use the Australian Vinyls resin.

Customs and Border Protection estimated the size of the Australian market for the calendar years 2007-2011 using information from its import database, information supplied by Australian Vinyls and information from importers.

Movements in the size of the Australian market are illustrated in the following chart.



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6 ECONOMIC CONDITION OF THE INDUSTRY

6.1 Finding

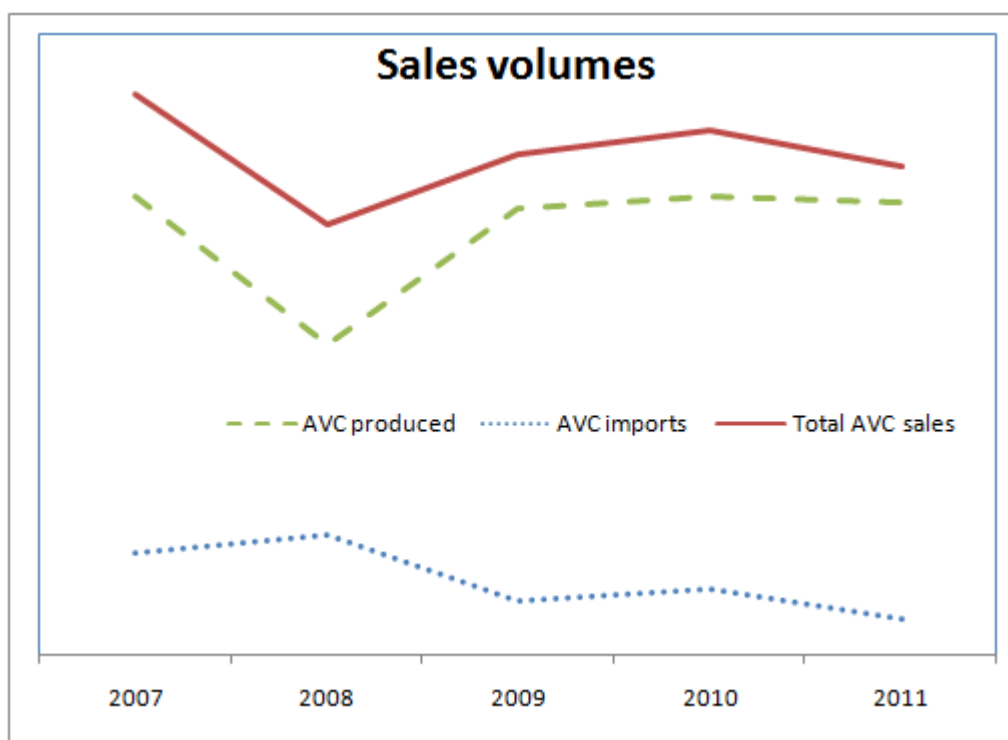
The major injury factors indicate that the economic performance of the Australian industry deteriorated from 2007 to 2011. Revenue, prices, profits and profitability fell while costs rose. Customs and Border Protection considers that this indicates that Australian Vinyls is susceptible to further injury should the Australian PVC market deteriorate further or if other market pressures emerge.

6.2 Introduction

Australian Vinyls provided data until December 2011. The following analysis examines trends in respect of sales of local production and imports where noted, on a calendar year basis.

6.3 Volume effects

Movements sales volumes are illustrated in the following chart.



The lower sales volume in 2008 is attributable to a plant shutdown in March 2008. The shutdown was required to allow the installation of a new distributed control system. Sales volumes since 2008 have been steady and at the levels approaching maximum output.

Australian Vinyls sales of imported PVC rose in 2008 to help offset the shortage caused by the plant shutdown but have since declined.

As Australian Vinyls has been producing close to optimum capacity, market share would not appear to be an injury factor relevant to this inquiry.

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Australian Vinyls submitted to the investigation into PVC from Korea that it had maintained market share in the first half of 2011 however its share dropped dramatically in the second half of the year. Australian Vinyls provided data on sales and graphs depicting market share by month and by quarter from January 2010 to March 2012.

Customs and Border Protection then compared sales and import data for the December half years of 2009, 2010, 2011 and 2012 to see whether the fall in sales was related to a fall in the overall market for PVC.

Customs and Border Protection found in REP 187, the investigation into PVC from Korea, that the industry has suffered injury in the form of lost sales volumes, loss of market share, lost production and increased inventories.

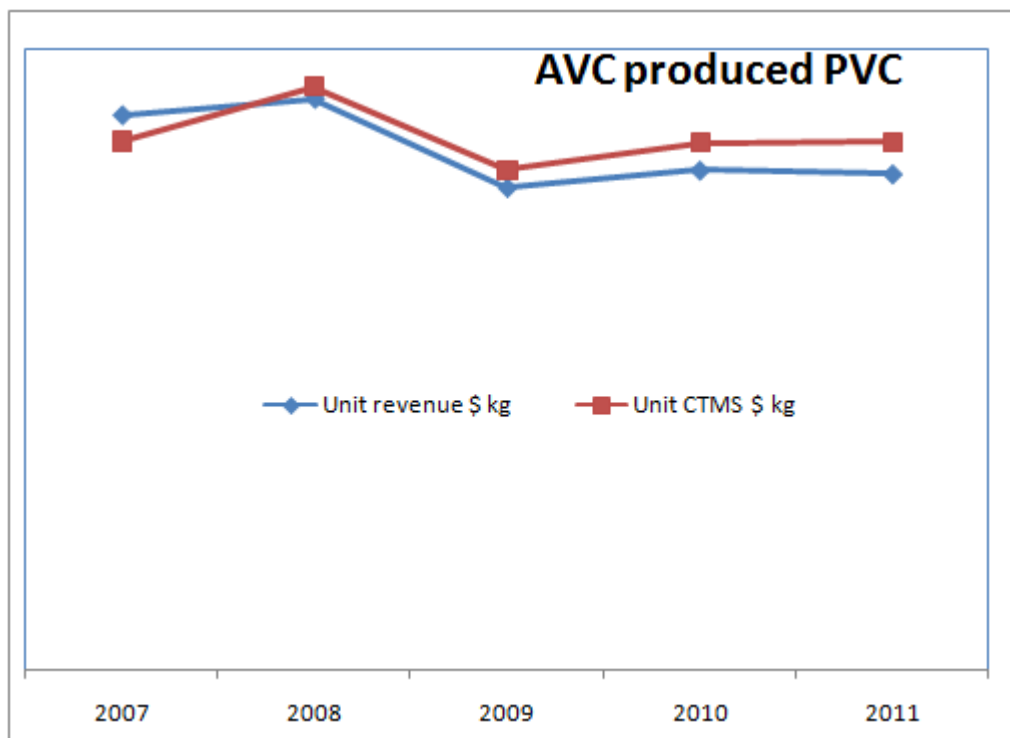
6.4 Price effects

Price depression occurs when a company, for some reason, lowers its prices.

Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, have been prevented.

An indicator of price suppression may be the margin between revenues and costs.

Movements in unit revenues and costs are illustrated in the following chart.



Australian Vinyl's average price was relatively steady from 2007 to 2008 before declining in 2009 following the global financial crisis, prices have been steady since then. Prices have been depressed being lower from calendar year 2009 to 2011 than they were in 2007 and 2008.

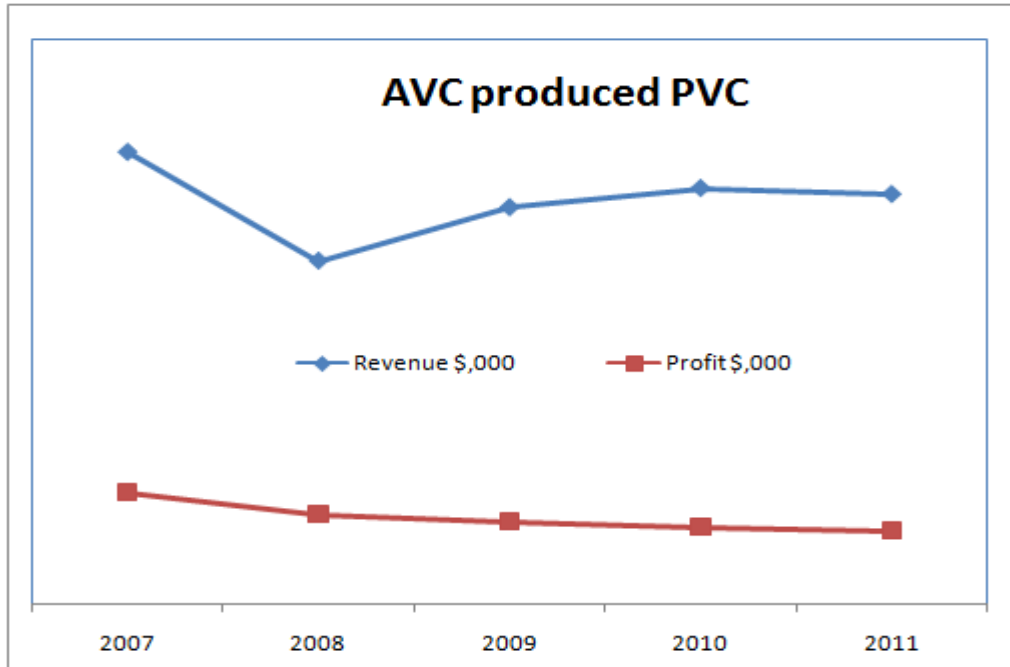
Movements in both total and unit revenue and costs indicate that costs exceeded prices from 2008 to 2011.

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The negative margin between revenue and costs has been increasing since 2008 indicating that prices have been suppressed.

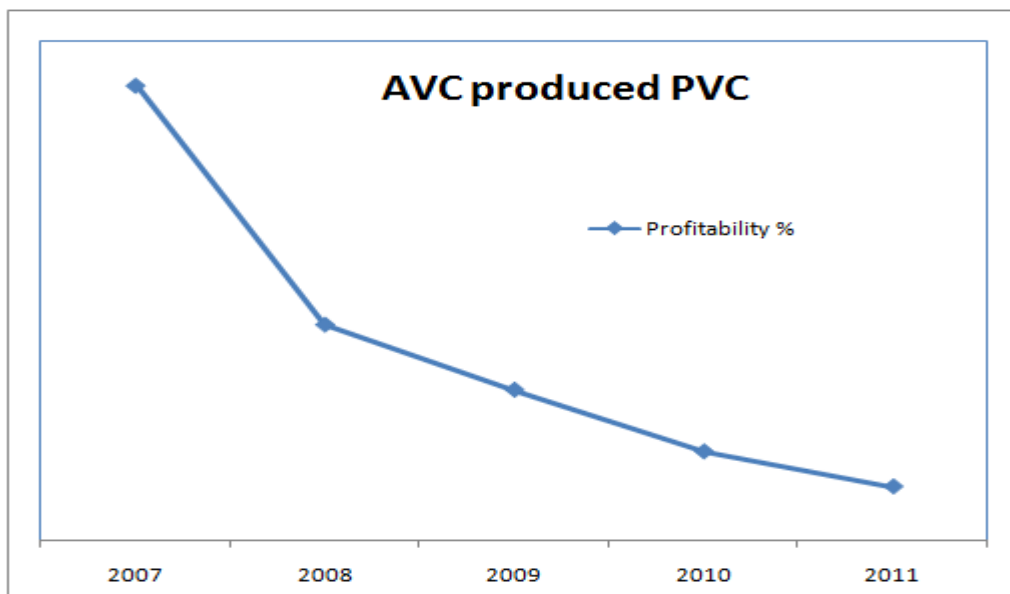
6.5 Revenue, profit and profitability effects

Movements in revenue and total profits are illustrated in the following chart.



Revenue fell significantly in 2008, this was mainly due to the plant shutdown in March 2008. Revenues increased from 2008 as production came back on line. Total profits have been steadily decreasing since 2007.

Profitability is profit expressed as a percentage of revenue.



Profitability fell sharply from 2007 to 2008 and has since been on a steep decline. Details on the economic condition of the industry are at **Confidential Appendix 1**.

PUBLIC RECORD**7 LIKELIHOOD OF DUMPING AND MATERIAL INJURY RECURRING OR CONTINUING****7.1 Findings**

The delegate is satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent.

7.2 Continuation test

Customs and Border Protection must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

7.3 Likelihood of dumping continuing or recurringApplicants claims

In its application, Australian Vinyls highlighted that Japan is the world's second largest producer of PVC globally and over 2011 its production utilisation rate was only 71%, which suggests considerable excess capacity.

Australian Vinyls highlighted that PVC import volumes from Japan to Australia increased by 54% over 2011 on the previous year to demonstrate Japan's exporters are capable of increasing volumes to capitalise on opportunities for supply.

Australian Vinyls submitted that PVC production in Japan had been affected by the tsunami in March 2011 and the closure of a VCM plant in October 2011. However production at the VCM plant was expected to resume in 2012 increasing availability for an expansion of PVC production and exports and Japan was still the largest producer in the Asia region exporting 300,000 - 400,000 tonnes per year.

Australian Vinyls provided information on domestic and export prices in Japan for 2011 from a chemical industry newsletters and New Zealand import statistics on PVC from Japan for 2011. Australian Vinyls calculated monthly dumping margins for 2011 for PVC imported into New Zealand from Japan; the margins ranged from 32 – 91%.

Australian Vinyls said that prices in the Asia region were low due to the presence of low priced exports from the USA. The USA producers were looking for new markets to sell into as the USA domestic market had very little demand, the prices of the USA exports were affecting pricing of other exporters, including Japan in the region. This situation made it more likely that exports from Japan would be lower priced and more likely to be dumped.

Importer claims

Chemiplas claimed that the increase in exports from Japan to New Zealand in 2011 was due to plant shutdowns in Japan following the earthquake and tsunami in 2011 and a subsequent restart geared to run at 100% capacity.

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Chemiplas further claimed that Japan's export market was expected to decrease with the strong yen, export demand for VCM and demand in its domestic market when rebuilding commenced in the areas affected by the earthquake in 2011.

Customs and Border Protections assessment

Information from the Japan Petrochemical Industry Association (JPCA) website shows that annual production capacity for PVC in Japan was 2.115 million metric tonnes (MT) for 2010. Customs and Border Protection calculated production utilisation from 2009 to 2011 using information on production quantities from the Japanese government's Ministry for Economy, Trade and Industry (METI) for those years.

The information showed production utilisation increased from 79% in 2009 to 83% in 2010 before decreasing to 72% in 2011 suggesting Japan PVC producers have excess capacity. Information from the Ministry of Finance shows that Japan exported approximately 454,468 MT of PVC in 2011. Exports of PVC from Japan in 2011 accounted for approximately 30% of production indicating that the export markets are an important part of the PVC industry in Japan.

Customs and Border Protection reviewed information from chemical industry newsletters that commented on the outlook for the PVC industry in Japan in 2012. These newsletters noted that the exports of PVC from Japan were expected to be under pressures from a stronger yen and a slowdown in the global economy. The newsletters also noted that reconstruction work following the earthquake and tsunami was slow with domestic demand increasing less than 1% in 2011. Data from METI and the Ministry of Finance shows production, sales and exports in the March 2012 quarter all lower than in the March 2011 quarter whilst inventories had risen.

Customs and Border Protection's import database indicates shows that exports of PVC from Japan to Australia have maintained a presence in the market, albeit at declining volumes, since the last continuation inquiry. The presence of continuing imports from Japan in the market indicates that distribution links with Japanese exporters of PVC have been maintained.

Customs and Border Protection did not receive any responses from exporters of PVC from Japan and has relied on the best available information to assess whether dumping will continue or recur.

Customs and Border Protection examined information available in the public domain from the Japanese government's METI website on export statistics for 2011 and 2012. The information from METI closely corresponded to the pricing and volume information on imports of PVC from Japan to New Zealand submitted by Australian Vinyls. The information on monthly export prices for PVC from Japan for 2011 contained in the chemical industry newsletters corresponded to information available from METI.

Customs and Border Protection considers that the information submitted by Australian Vinyls on export and domestic prices for PVC from Japan is reasonable and can be relied on for an assessment of whether dumping will continue or resume.

Customs and Border Protection calculated dumping margins by comparing Japan domestic and export prices from the chemical industry newsletters, METI and the information on New Zealand import statistics for the period January 2011 to December 2011. The margins calculated were not negligible.

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The semi annual reports for June to December 2011 to the World Trade Organisation shows India and China continue to have dumping duties in place against exports of PVC from Japan.

Customs and Border Protection considers that the evidence currently available shows that in the absence of anti-dumping measures, dumping of PVC from the Japan would likely continue or recur.

Customs and Border Protection's finding is that the expiration of anti-dumping measures on PVC from Japan would lead, or would be likely to lead, to a continuation of the goods being exported at dumped prices.

Details and calculations of Japan's PVC production capacity and exports are at **Confidential Appendix 2.**

Details and calculations on export prices, normal values and dumping margins are at **Confidential Appendix 3.**

7.4 Likelihood of material injury continuing or recurring

Applicants claims

In its application Australian Vinyls claimed that its financial position in 2012 was precarious with domestic selling prices declining, price suppression being experienced and profit and profitability deteriorating. Australian Vinyls asserted in the application that the prices of PVC exported from Japan to New Zealand in 2011 if exported to Australia, and after adding costs to approximate a into store price, would have undercut its average selling price that would likely have caused it to respond by lowering its prices resulting in additional injury.

Australian Vinyls explained that PVC was a commodity product and the price in Australia was influenced by global factors. The price in Australia was particularly influenced by the price of PVC in Asia, as listed in chemical industry publications. The publications meant that prices in the market were quite transparent.

Australian Vinyls also provided information on PVC prices and profits in East China in 2011 that showed PVC was being sold unprofitably since May 2011 and thus demonstrated the pricing pressures on PVC in the region.

Importer claims

Chemiplas claimed that Australian Vinyls PVC plant was outdated and experienced added costs when compared to other PVC plants in Japan as it did not produce its own VCM. Chemiplas said that the cost of importing VCM added to Australian Vinyls inefficiencies.

Chemiplas submitted that the Australian market should not be compared to the New Zealand market for PVC as the New Zealand market is a free market due to no local manufacturer and the price is set by the market.

Chemiplas further submitted that Thailand was the largest exporter of PVC to New Zealand in 2011 and noted that Thai exports of PVC to Australia were duty free. Chemiplas said that as Thai and certain other countries exports to Australia were duty free this made those exports more competitive in the Australian market than exports from Japan that were subject to duty of 5% and also incurred higher freight costs.

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Chemiplas also claimed that a main reason exports of PVC from Japan would not cause injury is that those exports would be in 25 kilogram bags. Chemiplas said that Australian Vinyls stated on its website that around 80% of its PVC resin was supplied in bulk road tankers.

Chemiplas said that imports from Japan would only be competing in a small area against Australian Vinyls and that this competition would most likely be against PVC imported by Australian Vinyls rather than its produced PVC.

End user claims

Polvin submitted that the Australian PVC processing industry (downstream from Australian Vinyls) employs more people and has more capital invested than Australian Vinyls.

Polvin also submitted that the end users needed access to well priced and quality PVC resins from the USA and Japan and that these resins should not be blocked. Polvin further submitted that Australia must have either a free market economy or a protected economy and cannot have both at the same time.

Polvin concluded that the Australian Vinyls business model cannot survive because it is out of date, and that end users who have updated their factories should not be penalised by crippling their raw material supplies. Polvin said it needed to be able to source competitively priced resins in order to survive and that the end user industry is 1,000 times bigger than Australian Vinyls business, and therefore more important.

Exporter claims

Shintech Incorporated, a producer and exporter of PVC in the USA submitted that imports from Asia to Australia were required to meet demand in the Australian market, those imports were not subject to anti-dumping duties and exports from Japan and the USA should also not be subject to anti-dumping duties.

Customs and Border Protection assessment

Injury factors indicate that the economic performance of the Australian industry has deteriorated from 2007 to 2011. Profits and profitability have declined from 2007 as costs increased to levels above prices. Revenues have shown some decline and sales volumes have also been affected.

The decline in profits, profitability and the price suppression evident as costs have risen above prices indicates that Australian Vinyls is susceptible to further injury should the Australian PVC market deteriorate further or if other market pressures emerge.

Customs and Border Protection recognises that imports are required in the market to meet demand, the assessment of the impact of imports on the Australian market is the effect on PVC produced by Australian Vinyls, not on PVC imported by Australian Vinyls.

Interested parties did not provide data or evidence to support their contentions of inefficiencies in the Australian industry when compared to other PVC producers.

Customs and Border Protection compared free on board (FOB) export prices of PVC from Japan to New Zealand and to other countries in 2011 with FOB export prices from all sources to Australia for 2011. This comparison showed that export prices

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from Japan to New Zealand were competitive with export prices from other sources into the Australian market. Furthermore there were export prices to other countries from Japan that were at prices similar to or lower than those to New Zealand and the majority of those exports were in larger quantities.

Customs and Border Protection has proposed a non-injurious free on board (NIFOB) price for the review of the measures based on import parity pricing, (REP 185 refers).

The information on export prices from Japan shows that prices would be below the NIFOB proposed for measures applying to Japan and would be injurious. The volume exported at prices that would be injurious to the Australian industry was not a negligible volume when compared to all imports of PVC to Australia in 2011.

Customs and Border Protection does not consider that exports of PVC from Japan in 25 kilogram bags would not be injurious, taking into account sales information from Australian Vinyls and information from other importers of the goods from other countries. This information shows that there is strong demand for PVC in 25 kilogram bag sales and that whilst bulk sales account for the majority of PVC sales, the 25 kilogram bags are an important part of Australian Vinyls cost and sales structure.

In the absence of measures, it is reasonable to expect that the exportation of PVC from Japan that is likely to be dumped would undercut other imports in the Australian market and significantly undercut Australian Vinyls' selling prices.

This undercutting would likely lead to further pressure on industry's prices resulting in price depression and suppression, loss of sales volumes, sales revenue and market share. The resulting price effects would flow through to a further deterioration of Australian Vinyls' profit performance. Customs and Border Protection considers that the resulting injury caused would be material.

Customs and Border Protection's finding is that the expiration of anti-dumping measures on PVC from Japan would lead or would be likely to lead to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent.

Details on pricing of exports and undercutting are at **Confidential Appendix 4**.

7.5 Conclusion

Customs and Border Protection's finding is that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping were intended to prevent as:

- The available evidence shows there were exports of PVC from Japan in 2011 that were dumped; and
- those exports at dumped prices were at prices that would undercut industry prices and would be in volumes to cause material injury to the industry in the form of lost sales volumes and revenues, price suppression and depression and reduced profits.

Customs and Border Protection recommends that the Minister takes steps to secure the continuation of the anti-dumping measures on PVC exported from Japan.

PUBLIC RECORD

8 ATTACHMENTS AND APPENDICES

Attachment 1 Section 269ZHG(1) and (4) notice

Confidential Appendices

Confidential Appendix 1	Economic condition of the industry
Confidential Appendix 2	Production capacity and exports, Japan
Confidential Appendix 3	Dumping assessment
Confidential Appendix 4	Export prices and undercutting