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SPECIALTY POLYMERS & CHEMICALS

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Dumping Investigation on Korean exports of PVC –S to Australia

1.0 PVC -S Market in Australia

The current estimated annual volumes used in Australia varies between 180-210Kpa depending on the building and construction demand.

PVC demand did reach 240Ktpa in line with the increased demand for pipe in the agricultural sector.

Pipe and Fittings make up the major application, with Wire & Cable, film and packaging, flooring and compounders making up the extent of the PVC market segments.

There are about 7 PVC Pipe producers in Australia with factories across all major states.

The pipe sector uses both local and imported resins because of the shear volumes and without imports the local producer would struggle to fulfill all the requirements.

The remaining PVC applications whether it is Wire & Cable, Film and Packaging and or Compounders continue to combat increasing competition from imports of finished products. We have seen significant shift of major applications moving to Asia as is the case with many industries.

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2.0 Local Manufacturer

The local producer in Australia manufactures approx. 140Ktpa and import a level of quantities to supplement their sales.

Historically AVC enjoyed high level of market share (local production plus imports). Over the past 5 years the number of producers exporting to Australia increased particularly from Thailand because of the FTA, giving Thai resin an advantage of 5%. Subsequent to this other countries such as Indonesia have been included however the producer in Indonesia is considered reasonably small and is a net importer of VCM.

USA, China, Japan, Taiwan and Korea remain under the 5% duty.

3.0 The Customer

The requirements for Australian customers remain to be the cost of raw materials and volumes, where they also face reduced production volumes as more and more applications go offshore.

Every sector in Australia continues to experience difficulties and pressure to source raw materials as close to regional prices in order to defend and protect their businesses and in addition has to meet regulatory compliances.

They continue to seek flexibility and access to raw materials of high quality and performance.

4.0 Australia has the predicament;

1. Close enough to Asia so we can import raw materials at reasonable prices although some countries enjoy FTA whilst others are yet to be included.

2. Close to Asia that is a detriment to imports of finished and semi products at times below regional prices (that are harmful to converters)

3. Close to Asia but cannot export our manufactured products.

No doubt manufacturing in Australia will continue to face huge challenges and continue to review viability of producing in Australia or move overseas. The cost of compliances and cost of labour, resulting in reduced margins.

The polymer manufacturing in Australia has continued to restructure and we have seen major international producers exiting Australia as plants became old and too small to survive. There has been mergers of companies and closure of factories resulting in lower employment and reduced capacities.

Example of PVC Manufacturing; This sector closed down 2 sites over the past 15 years (ICI Plant in Sydney and BFGoodrich plant in Melbourne) resulted in closure of old and small factories.

Total capacities of 190 Ktpa between the producers was sufficient to meet demand at the time but was unable to survive, resulting in today's capacity of 140Kpta and only one manufacturing site.

Manufacturing costs in Australia will remain higher than regional producers because of several factors...feedstocks and the cost of conversion due to volumes.

Imports are now part of the supply chain as the feasibility of increasing capacity remains too difficult particularly when the major raw material (VCM) has to be imported.

The PVC imports in Australia continue to grow with demand as the market now consider these producers as significantly important to their supplies and risk management. Dumping duties have been imposed on imports of PVC into Australia for many years from many different countries and yet PVC capacity continued to decline. This indicates that AVC's current problems are a result of systemic issue, rather than a result of competition with imported PVC.

These overseas producers supported the Australian market at times when shortages occurred due to outages by the local producer. Customers have become familiar with the products and acknowledge the need to maintain second source and to maintain a competitive environment.

5.0 Compliances in Australia

The Vinyl Council of Australia has worked closely with the Green Building Council of Australia with the success of having PVC suspension and emulsion being recognized as important to the Building & Construction applications.

PVC is part of the criteria developed by the technical committee advising the GBCA to ensure that PVC complements the objective of Green Buildings and adds to the star rating sought by PVC converters whether it is pipe or flooring.....

To this end PVC Manufacturers **MUST** meet the environmental guidelines if they are to supply to the GBCA criteria.

To date AVC (local producer) has been recognized as the only producer that has been externally audited and certified to meet the criteria.

The next producer that meets the criteria is LG Chemicals. Their manufacturing facilities in Korea comply with the criteria and are in the process of finalizing verification.

At this stage no other producer to our knowledge has been recognized as complying to the criteria.

This suggests that any customer wanting to gain star rating can only use Corvic resin which could attract a premium if no other major producer invests in the time and effort to comply. This could have the implications to further encourage production of finished products offshore.

6.0 Conclusion

The PVC dynamics in Australia are quite unique where the local PVC manufacturer cannot meet demand and as such, imported PVC resins form a significant part of the supply chain for customers across the country.

The import volumes have been steady at around 60 ktpa with LG Chemicals having had a share of the total imports and a small share of the total PVC consumed in Australia.

Every customer wants to buy at the best possible price to enable him to maintain it's competitive position against his competitors (local and overseas).

By removing flexibility or reducing the competitive environment, will further jeopardize converters across all applications and will promote a monopoly of domestic supply.

AVC cannot supply whole market and has limited range of grades. The quality of some of the grades falls short from customer's requirements because of the manufacturing process or manufacturing limitations.

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