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Australian Government
Australian Customs and
Border Protection Service

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80

R E P O R T

**POLYVINYL CHLORIDE
HOMOPOLYMER RESIN (PVC)**

EXPORTED FROM

THE REPUBLIC OF KOREA

END USER VISIT REPORT

AUSTRALIAN PLASTIC PROFILES PTY LTD

**THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE
REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT CUSTOMS'
FINAL POSITION**

May 2012

PUBLIC RECORD

Contents

2. Abbreviations 3
3. Background 4
4. Visit Details 5
4.1 Purpose of visit..... 5
4.2 Meeting 5
4.3 Company background 6
4.3.1 Organisational structure and functions of company..... 6
5. IMPORTS..... 7
Supplier and ordering..... 7
Volume and Verification of imports 8
6. Purchases from the Australian industry 10
6.1 Background 10
Supplier and ordering..... 10
7. Importer – Exporter 11
7.1 Arms length transactions..... 11
7.2 Who is the importer? 11
7.3 Who is the exporter? 12
7.3.1 Export price 12
8. Australian market & INJURY FACTORS 13
8.1 Australian market 13
8.2 Injury Factors 13
9. Unsuppressed selling price 14
11. Attachments and appendices 15

PUBLIC RECORD

2. ABBREVIATIONS

ACDN	Australian Customs Dumping Notice
CEO	Chief Executive Officer
DDP	Delivered duty paid
Customs and Border Protection	Australian Customs and Border Protection Service
Minister	Minister for Home Affairs
NIFOB	Non-injurious free on board price
Korea	The Republic of Korea
APP	Australian Plastic Profiles Pty Ltd
Australian Vinyls	Australian Vinyl Corporation Pty Ltd

PUBLIC RECORD

3. BACKGROUND

On 16 March 2012, Australian Vinyls Corporation Pty Ltd (Australian Vinyls) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of polyvinyl chloride homopolymer resin (PVC) exported to Australia from the Republic of Korea (Korea).

Following an examination of the application, the delegate of the Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (Customs and Border Protection) decided not to reject the application, and an investigation into the alleged dumping of PVC exported to Australia from Korea was initiated on 23 April 2012.

Customs and Border Protection published a notice in *The Australian* newspaper on the date of initiation, and released Australian Customs Dumping Notice ACDN 2012/14, which contains further details on the investigation.

The investigation period, used to determine whether dumping has occurred, is from 1 January 2011 to 31 December 2011.

Customs and Border Protection will examine the Australian market and the economic condition of the industry from 1 January 2009 for the purposes of injury analysis.

3.2 The goods subject to the measures

The goods the subject of the application are described as follows:

Polyvinyl chloride homopolymer resin (PVC) is a white powder produced by the polymerisation of vinyl chloride monomer ("VCM"). PVC can be manufactured through a suspension process or a mass process, and the final goods are considered to be similar and interchangeable.

The application excludes paste (or emulsion), compound grades and recycled PVC.

PVC is classified under sub-heading 3904.10.00, statistical code 18, in Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty for PVC from Korea is 5%. The goods subject to anti-dumping measures are PVC.

4. VISIT DETAILS

4.1 Purpose of visit

The purpose of the visit to Australian Plastic Profiles (APP) was to obtain and verify relevant information regarding:

- the Australian market for the goods;
- import process and prices; and
- Australian industry purchasing process and prices.

4.2 Meeting

COMPANY: Australian Plastic Profiles Pty Ltd (APP)

ABN: 001 414 759
ADDRESS: 12 Cawarra Rd, Caringbah
NSW 2229
TEL NO: (02) 9527 8800
FAX NO: (02) 9527 8811

DATE: 24 May 2012

PRESENT:

Bruce Lawrence
Chief Financial Officer (APP)
Trevor Chivers
General Manager (Pipe King Pty Ltd)
Customs and Border Protection:
Mr Carl Halpin – Operations 2
Ms Rebecca Higgins – Operations 3

APP has not previously been involved in any anti-dumping matters. At the outset of the meeting Customs and Border Protection provided an overview of the investigation process including the following key dates;

- Initiation date, 23 April 2012;
- submissions, including exporter questionnaires, due by 4 June 2012;
- statement of essential facts (SEF) due by 13 August 2012;
- submissions in response to SEF due by 2 September 2012; and
- final reports to Minister due by 25 September 2012.

A preliminary affirmative determination (PAD) may be made no earlier than 22 June 2012.

The CEO may make a determination where satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice. Provisional measures in the form of securities may be imposed at the time of the

determination or at any time after the determination has been made where satisfied that it is necessary to do so to prevent material injury continuing while the investigation continues.

We informed APP that we would compile a confidential report on the visit, and provide the opportunity for APP to comment on the accuracy of the report. Following approval of this report a non-confidential version would then be prepared for the public record.

We also informed APP that all information provided by APP to Customs and Border Protection would be treated as confidential unless advised otherwise.

We explained the operation of the public file system, and the opportunity for APP and all interested parties to comment on reports and submissions placed on the public record, in particular the statements of essential facts for the investigation.

APP fully cooperated during the visit and provided the team with access to all requested information.

4.3 Company background

4.3.1 Organisational structure and functions of company

APP advised that it is a family company, operating a single plant in Sydney with approximately 200 employees. APP stated that it was the fourth largest PVC manufacturer in Australia. APP explained that it manufactures a range of PVC pipes and profiles for use in commercial and domestic settings.

APP explained that it sells PVC pipes and profiles, to wholesalers such as [REDACTED] and [REDACTED]. APP advised that it operates as a second supplier to these wholesalers whose main suppliers are the large PVC manufacturers Vinidex Pty Limited and Iplex Pipelines Limited.

5. IMPORTS

Background

APP stated that it imports approximately [REDACTED] per cent of its requirement of PVC resin from [REDACTED] the remaining [REDACTED] percent is supplied by the Australian manufacturer Australian Vinyls. APP explained that its business strategy is to have a second supplier, to ensure continuous supply should its main supplier Australian Vinyls experience interruptions in manufacture. APP explained that in 2008 this occurred and that this is when a number of PVC manufactures looked to imports to ensure continuity of supply.

APP advised that it imports from [REDACTED] because they have a long standing relationship and [REDACTED] has made purchasing from them simple. APP stated that its primary concern with purchasing imports is the supplier not the country of origin, if measures were in place on Korea they would likely to still buy from [REDACTED] possibly produced in China, depending upon whether their product was available and if they could achieve similar terms of trade.

Goods imported

APP confirmed that it imports PVC resin only in grade K67. APP explained that it also uses grades K57 and K62 however these grades are only currently supplied by Australian Vinyls. APP explained that it could also import these grades however either [REDACTED] or APP would need to modify part of its manufacture process to accommodate this.

Supplier and ordering

APP explained that it receives monthly offers from [REDACTED], APP supplied example offers from [REDACTED] which are at Confidential Attachment 1. APP asserted that it places orders with [REDACTED] approximately [REDACTED] times a year to ensure that it has a second supplier.

APP asserted that the price offered by [REDACTED] is not generally negotiable (APP advised however that there have been instances of small decreases in the price initially offer by [REDACTED], when APP has informed [REDACTED] that the price is too high). APP explained that the PVC market is very transparent the global leader in PVC resin manufacture is Formosa Plastics, Taiwan. Formosa publishes its prices between the 18-23rd of each month other manufactures set their prices accordingly. APP stated that [REDACTED] representatives visit their premises in Australia occasionally.

Once APP has placed an order the logistics of importation are taken care of by an agent of [REDACTED]. APP stated that the goods are containerised and then de-stuffed into a tanker at the wharf, de-stuffing is where the PVC is pumped out of the sea bulk container and into a tanker for delivery to APP. APP asserted a small amount of resin is lost in this process. APP confirmed that shipment terms with [REDACTED] are [REDACTED] APP indicated, however, that it pays for an importing licence yearly (approximately [REDACTED] a year).

APP stated that it does not receive any discounts or rebates. Payment terms are [REDACTED] days from the date of sail and payment is made in [REDACTED]. APP stated that all shipments from [REDACTED] are accompanied by a certificate of analysis and that the goods are guaranteed. APP stated that it does not currently have any forward orders with [REDACTED].

Volume and Verification of Imports

APP advised that it imported [REDACTED] kg's of PVC resin over [REDACTED] importations during the investigation period.

Because APP is not considered to be the importer, it buys the goods [REDACTED] and an agent of [REDACTED] arranges shipment and importation, APP's purchases of PVC resin from [REDACTED] were not easily identifiable in the Customs and Border Protection import database. APP provided Customs and Border Protection purchase orders for all of its purchases from [REDACTED] over the investigation period. Customs and Border Protection converted this data into a table of imports, showing supplier, PVC grade, invoice number, invoiced amount, port arrival date, bill of lading date, payment date, APP order number and kilograms ordered. The table of imports is at **Confidential Appendix 1**

APP advised that this table correctly represented its purchases of PVC resin over the investigation period, albeit the grade was recorded as K62 this should be K67.

We selected the six purchases from [REDACTED] for verification. APP provided details for [REDACTED] purchases, whether the purchases were selected or not.

We compared the details of each purchase provided by APP with the details recorded in the table of imports. With a couple of minor discrepancies data in the table of imports matched the records. Where discrepancies were noted the table was updated to reflect the records.

APP provided copies of documentation for each of the purchases including:

- purchase order;
- supplier's commercial invoice;
- delivery dockets; and
- proof of payment;

These documents form **Confidential Attachment 2**.

We verified that payment had been made for each purchase for the total amounts of each invoice. The terms were stated as [REDACTED] with payment terms [REDACTED] days from bill of lading date.

We noted that on all invoices, except for one the goods were described as being to grade LS100 (equivalent K67), the exception was for grade LS70. APP advised that LS70 grade is equivalent of grade K57. APP stated that they had trialled one shipment of this grade of approximately [REDACTED] tonnes. APP advised that they have not place any further orders for this grade, however, the trial was successful and could be ordered if there a short supply of the grade in Australia.

PUBLIC RECORD

PUBLIC FILE

72

We noted on all invoices, that an amount was specified for GST. APP confirmed that they pay the full amount inclusive of GST to ■.

PUBLIC RECORD

6. PURCHASES FROM THE AUSTRALIAN INDUSTRY

6.1 Background

APP advised that it purchases █ percent of its requirement of PVC resin from the Australian industry member Australian Vinyls. APP stated that it has had a long standing and strong relationship with Australian Vinyls for over 40 years. APP stated that its purchases from Australian Vinyls are only for its locally produced PVC resin, not Australian Vinyls PVC resin imports.

Supplier and ordering

APP explained that it provides Australian Vinyls with a guaranteed minimum volume of purchases per month. Prices are negotiated over the phone. APP reiterated that the global PVC market is very transparent, publication such as 'Platts'¹ provide detailed information on global PVC prices and this is the basis of negotiations. APP also stated that Australian Vinyls is an importer and as such is aware of global prices in these negotiations. APP advised that Australian Vinyls representatives visit the APP plant approximately four times a year.

APP stated that an advantage of purchasing from Australian Vinyls is that they have storage facilities, and deliver on a daily basis, this lowers storage costs for APP. APP stated that payment terms for purchases from Australian Vinyls is █ days from date of invoice.

¹ www.platts.com

7. IMPORTER – EXPORTER

7.1 Arms length transactions

APP stated that it does not receive any rebates from ■ and the invoice price is the price paid (subject to payment terms). APP stated it has no relationship with ■ other than a normal commercial relationship.

APP stated that it has no formal agreements, contracts or arrangements with its supplier and does not receive any financial assistance or support from ■.

During our examination of the documents we found no evidence to the contrary, nor any other indication that APP'S relationship with ■ was other than that of buyer and seller.

In particular we found no evidence in respect of APP's purchase of PVC resin from ■ that:

- There is any consideration payable for, or in respect of, the goods other than their price; or
- The price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- That the buyer, or an associate of the buyer, will subsequent to the purchase or sale, directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We are therefore of the view that sales between the ■ and APP were arms length.

7.2 Who is the Importer?

From the information obtained during the visit we found the following in respect of transactions between APP and the suppliers of the PVC ■:

- APP places orders for PVC with ■;
- ■ raises a commercial invoice for PVC for goods sourced from ■;
- APP pays the full purchase price of the goods (subject to terms) to ■;
- Terms of the sale are ■.
- ■ is responsible for arranging and paying for Australian ocean freight, port and inland transportation costs;
- ■ is responsible for port clearances in Australia and arranging the transport, warehousing and destuffing of the goods.

Based on the available evidence, we are satisfied that ■ is the beneficial owner of the goods at the time of their arrival in Australia and is therefore the importer of the goods.

7.3 Who is the exporter?

APP stated that all of its purchases of PVC resin from [REDACTED] are sourced through [REDACTED]. During our examination of the documents provided at the verification visit we found that:

- APP placed its orders with [REDACTED];
- The commercial invoices identify [REDACTED] as the owner of the goods;
- The exporter invoiced APP for the goods;
- APP pays the exporter directly.

Based on the information available, we are satisfied that ~~x~~ is the exporter of the goods.

7.3.1 Export price

Subject to further inquiries we are satisfied that the export price for the PVC imported by APP from [REDACTED] can be calculated under section 269TAB1(c) of the *Customs Act (1901)*, having regard to all the circumstances of the exportation.

PUBLIC RECORD

8. AUSTRALIAN MARKET & INJURY FACTORS

8.1 Australian market

APP opened the discussion on the Australian market and injury factors affecting the Australian Vinyls by stating that they fully support the sole Australian manufacturer, Australian Vinyls and that it imports as a means to maintain a second supply chain and to ensure that prices from Australian Vinyls are reasonably comparable to the world market prices.

8.2 Injury Factors

Raw Material Prices

- The inability for Australian Vinyls to operate a VCM plant and thus its requirement to import VCM was considered by APP to be a competitive disadvantage to Australian Vinyls. APP claimed that the world prices for VCM were linked to world oil prices and that Australian Vinyls may suffer injury where the VCM is purchased in a high point, but when it arrives to Australia the VCM price may be lower, resulting in overseas manufacturers who have easier access to VCM supply with lower lead times obtaining a price advantage.

Market Changes

- APP stated that the key markets for PVC in Australia were the manufacturer of plumbing pipes and electrical conduit as well as PVC profiles. APP stated that it believes the larger manufactures of pipe are moving away from solid PVC pipes to three layer pipe which consists of two outer layers of PVC surrounding an inner foam layer. This pipe type is used in major construction projects and uses considerably less (approximately 50% less) PVC than the previous fully PVC pipes.
- APP noted that a key demand for pipe in Australia were large scale gas and water projects such as road construction, industrial and residential estate construction and the construction industry generally. APP believed that as the demand for PVC is linked to the demands of these projects and construction sectors, and decrease in activity in these markets will consequently result in a decrease in demand for PVC.
- APP noted that as PVC pipe cannot be economically imported, Australia was reliant on its own pipe manufacturing companies to meet Australia's demand for PVC pipe. Consequently APP believes it is necessary to ensure contingency arrangements are in place to ensure it's supply of PVC and thus supplements its purchases from Australian Vinyls with imports with a ratio of approximately ■ to ■ respectively.

9. UNSUPPRESSED SELLING PRICE

At the visit we explained to APP the concepts of unsuppressed selling price (USP) and non-injurious price (NIP). It was explained that Customs and Border Protection used either one of three methodologies in approaches to establishing an USP as follows:

- market approach using industry selling prices at a time unaffected by dumping;
- construction approach using recent industry cost to make and sell data plus a reasonable amount for profit (profit maybe established with reference to a period unaffected by dumping or it may be based on a similar category of goods) or
- market approach using selling prices in Australia of goods imported from undumped sources.

We informed APP that Australian Vinyls has submitted that the NIP should be calculated using its cost to make and sell in the calendar year 2011 plus the average profit achieved in 2006 and 2007 financial years.

APP did not have a view on this matter at the meeting. We explained to APP that it could, noting the timeline for the investigation, make a submission in writing on the matter of the NIP to the investigation.

PUBLIC RECORD

11. ATTACHMENTS AND APPENDICIES

Confidential appendix 1	Table of imports
Confidential attachment 1	Example offers from supplier
Confidential attachment 2	Documents supporting purchases from supplier

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