



Importer Verification Report

Verification & Case Details			
Initiation Date	24 June 2019	ADN:	2019/83
Case:	Investigation – High density polyethylene exported to Australia from the Republic of Korea, The Kingdom of Thailand, Singapore, and the United States of America		
Case Number	515		
Company	Redox Pty Ltd		
Location	Sydney		
Verification date	30 July 2019		
Investigation Period	01 April 2018 to 31 March 2019		
Injury Period	From 01 April 2015 to 31 March 2019		

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

PUBLIC RECORD

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1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Redox Pty Ltd (Redox), a private entity was established in 1965, primarily as an indent on a commission importer. Redox then added warehousing capacity in the 1970s. Redox entered the HDPE market with the acquisition of Bribros in 2012.

Redox's head office is in Sydney. Redox has manufacturing capacity in Sydney and Melbourne; warehouse capacity in Sydney, Melbourne, Adelaide, Brisbane and Perth; and, sales offices in Australia, New Zealand, Malaysia, and the United States of America.

Redox is wholly owned by the Coneliano family, who are involved with daily operations.

1.2 Related parties

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

The verification team found that Redox does not have any related party customers or suppliers of the goods during the investigation period. This was also confirmed by Redox.

2 THE GOODS

The goods are defined as high density polyethylene (HDPE). HDPE is a polymer of ethylene in primary form having a specific gravity of 0.94 grams or more per cubic centimetre.

Redox confirmed that it imported the goods from various countries subject to the investigation during the investigation period. The goods matched the description of the goods that are the subject of this investigation.

2.1 Model control codes (MCCs)

Redox provided sales and cost data in accordance with the MCC structure detailed in Consideration Report No. 515 and in ADN 2019/83. Redox sold goods with the following MCCs during the investigation period:

MCC	Application
A-B-N	Blow moulding
A-F-N	Film
	Film
	Film
	Film
A-I-N	Injection
	Injection
	Injection
	Injection
A-I-O	Injection
A-P-C	Pipe
	Pipe
	Pipe
A-P-N	Pipe
A-T-N	Tape and monofilament

Table 1 - MCC listing

2.2 2.2 Like goods

Redox agreed that the Australian industry produced like goods to the goods that it imported during the investigation period.

3 UPWARDS VERIFICATION OF SALES

3.1 Verification of sales completeness and relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts and up to audited financial accounts. The verification team verified the completeness and relevance of the sales listing provided in Part C of the questionnaire response by reconciling this to audited financial statements in accordance with ADN. No 2016/30.

However, at the visit, Redox stated that it does not record the goods as a separate category in its system and therefore it was unable to match the sales (Part C) to the financial reports. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

3.2 Sales completeness and relevance finding

The verification team was not able to complete the upwards verification for the reasons as explained above.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of sales accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the sales listing submitted in Part C of the questionnaire response by reconciling these to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Redox is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5 VERIFICATION OF IMPORTS

5.1 Import listing

At the verification visit, Redox confirmed the quantity of imports that was provided by the Commission (that was based on Australian Border Force (ABF) data) is correct.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 1**.

5.2 Verification of CTIS allocation

The verification team verified the reasonableness of the methodology used to allocate the cost to import and sell (CTIS) provided in the questionnaire response, to the relevant MCCs, in accordance with ADN No. 2016/30.

Cost Area	Methodology Applied
Ocean freight	Based on the actual ocean freight cost and allocated to the goods based on weight.
Customs entry fee	Based on the actual customs entry fees for each shipment and allocated to the goods based on weight.
Customs broker's fees	Based on the actual customs broker's fees for each shipment and allocated to the goods based on weight.
Quarantine charges	Based on the actual quarantine charge and allocated to the goods based on the weight.
Port service charges	Based on the actual port services charges and allocated to the goods based on the weight.
Bank charges	Based on the actual bank charge and allocated to the goods based on the weight.
Wharf cartage	Based on the actual wharf cartage and allocated to the goods based on the weight.
Infrastructure charge	Based on the actual infrastructure charge and allocated to the goods based on the weight.
Labelling	Based on the actual labelling charge and allocated to the goods based on the weight.
Stretch wrap	Based on the actual stretch wrap charge and allocated to the goods based on the weight.
Pallet sheet	Based on the actual pallet sheet charge and allocated to the goods based on the weight.
Pallet cap	Based on the actual pallet cap charge and allocated to the goods based on the weight.
Unpacking	Based on the actual unpacking charge and allocated to the goods based on the weight.
Handling in	Based on the actual handling in charge and allocated to the goods based on the weight.
SG&A	Based as percentage of revenue.

Table 2 - Cost calculation method

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.3 Verification of CTIS accuracy

The verification team verified the accuracy of the CTIS provided in the questionnaire response by reconciling it to source documents in accordance with ADN No. 2016/30.

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

5.3.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	For shipments 4, 6 and 11, the verification team found that invoice prices on the import consignment listing were different to what was on the commercial invoices for the respective import purchases.	The verification team changed the invoice prices on the import consignment listing to reflect the prices on the commercial invoices for the three shipments. As the values in the listing were corrected, subsequent values in the listing were automatically changed via excel formula. This allowed for accurate values to be used in relevant calculations. The verification team therefore relied on the detail shown on the commercial invoices for the respective import consignments.

From the information provided, the verification team is satisfied that the CTIS provided by the importer, is accurate. A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

5.4 Forward orders

The verification team verified the importer's forward orders by reconciling the listing provided in the questionnaire response to the company's records. The verification team noted that the forward orders were in accordance with the normal business practices of Redox. The verified list of forward orders is at **Confidential Appendix 2**.

6 GENERAL COMMENTS

Redox stated that business relationships and supply reliability are very important factors in the Australian market. Redox explained that the Australian HDPE market is very competitive. It explained that demand for HDPE in the Australian market has been stable over recent years.

Redox made the following claims in relation to injury factors other than dumping, that Qenos faced during the IP:

- Qenos' facilities are relatively small, old and inefficient.
- Qenos cannot supply the Australian market on its own due to its limited production capacity;
- Qenos is not a reliable supplier as a result of their capacity limitations, therefore end-users are reluctant to rely on Qenos for the majority of their long term supply of HDPE;
- Qenos has not reinvested in their facilities over time.
- Qenos' cost of production and cost of major raw material (gas) have increased substantially.

Furthermore, in relation to the goods and like goods, Redox stated that if the Commission wants to differentiate HDPE by end use, there should be different tariff codes for the various end uses. Redox claims that the products should be differentiated based on its application.

7 EXPORT PRICE

7.1 The importer

The verification team considers Redox to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Redox is:

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

7.2 The exporter

The goods were imported to Australia by Redox. Subject to further inquiries, the verification team considers Redox' suppliers to be the manufacturers, and hence the exporters of the goods¹, as Redox' suppliers are:

- named on the commercial invoices and packing lists; and
- named as consignors on the bills of lading.

7.3 Profitability of imports

The verification team assessed the profitability for the following shipments. The outcome of this assessment is in table 3 below. A detailed assessment is at **Confidential Appendix 4**.

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	Y
7	Y
8	Y
9	Y
10	Y
11	N
12	Y
Weighted average all shipments	Y

Table 3 - Profitability of selected imports

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

7.4 Related party suppliers

At the visit, Redox confirmed that none of its suppliers are related to Redox. The verification team did not find any evidence that the importer is related to its suppliers of the goods exported from the subject countries during the investigation period.

7.5 Arms length

In respect of imports of the goods to Australia by the importer during the investigation period, the verification team found no evidence that:

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

Therefore, subject to further inquiries, the verification team is satisfied that the imports between Redox and its suppliers are arm's length transactions.

7.6 Export price assessment

Subject to further inquiries with these exporters, the verification team recommends that the export price for goods imported by Redox can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation. This is because the verification team is of the opinion that for the goods imported by Redox:

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

8 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Weighted average unit importation and selling costs
Confidential Appendix 4	Profitability of sales
Confidential Attachment 1	Verification Work Program