



## Importer Verification Report

<b>Verification &amp; Case Details</b>			
<b>Initiation Date</b>	24 June 2019	<b>ADN:</b>	2019/83
<b>Case:</b>	Dumping Investigation – High density polyethylene exported to Australia from the Republic of Korea, The Kingdom of Thailand, Singapore, and the United States of America		
<b>Case Number</b>	515		
<b>Company</b>	Primaplas Pty Ltd		
<b>Location</b>	Sydney		
<b>Verification date</b>	29 July 2019		
<b>Investigation Period</b>	01 April 2018	to	31 March 2019
<b>Injury Period</b>	From 01 April 2015		

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**

Primaplas Pty Ltd (Primaplas), a private entity, was established in 1989 as a full-service provider of plastic resins and packaging films in Australasia and Singapore, offering customised end-to-end logistics. Primaplas operates from its head office based in Sydney and has a sales office in Melbourne.

### **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 Primaplas does not have any related party customers or suppliers of the goods during the investigation period.

## **2 THE GOODS**

### **2.1 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.

Primaplas 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.

### **2.2 Model control codes (MCCs)**

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

<b>MCC</b>
Prime-Blow moulding-None
Prime-Film-None
Prime-Injection-None
Prime-Pipe-Colour
Prime-Tape-None
Prime-Thermoforming-None
Recycled-Pipe-Colour

**Table 1 - MCC listing**

### **2.3 Like goods**

Primaplas 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 attempted to verify 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, Primaplas 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 Primaplas 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, Primaplas confirmed the quantity of imports that was provided by the Commission (that was based on ABF (Australian Border Force)) 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.

<b>Cost Area</b>	<b>Methodology Applied</b>
Ocean freight	Based on the actual ocean freight cost and allocated to the goods based on weight.
Marine insurance	Based on the annual marine insurance premium cost, allocated to the goods based on calculation provided in contract.
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.
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**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
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<b>1</b>	In relation to selected import shipment 10, the verification team found that the quantity listed partially included goods that was not HDPE. This was found as the verification team examined the commercial invoice for this shipment.	The verification team excluded the quantity of goods that was not HDPE, for the purposes of relevant calculations.
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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 practice of Primaplas. The verified list of forward orders is at **Confidential Appendix 2**.



## 6 GENERAL COMMENTS

Primaplas stated that business relationships and supply reliability are the key factors in the Australian market. Primaplas explained that the Australian HDPE market is very competitive. It stated that demand for HDPE in the Australian market has been very stable in the last four to five years.

Primaplas stated that Qenos is leading the market in HDPE supply where it has approximately 50 per cent of the HDPE market. This is one of the reasons why Primaplas contends that Qenos cannot be materially injured by dumped imports.

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

- Qenos plant is an old plant, has small capacity and is inefficient compared to the newer plants overseas;
- Qenos has very poor business strategies where it produces too many grades making it inefficient;
- Qenos' cost of production and cost of major raw material (gas) are very high which makes its products very uncompetitive;
- Qenos produces HDPE pipe 'off line', in that, when Qenos need to add carbon black (the additive to HDPE to make pipe grade HDPE) they have to transport the HDPE to another plant and re-extrude, incurring extra costs;
- Qenos cannot supply the Australian market on its own due to its limited production capacity;
- Qenos itself imports HDPE (pipe grade in particular) to fulfil its orders as it cannot meet the demand;
- Qenos is not a reliable supplier due to its sometime disruptive production, therefore end-users are reluctant to rely on Qenos for long term supply of HDPE;
- Qenos has established a subsidiary company ("eXsource") which imports HDPE to meet the Australian market demand.

Furthermore, in relation to the goods and like goods Primaplas stated that the application of different grades of HDPE is different, for example, injection grade is a base model and is very different from blow moulding grade (which is a higher grade product). Therefore, it is important for the Commission to specifically determine which particular grade of HDPE is dumped.

## **7 EXPORT PRICE**

### **7.1 The importer**

The verification team considers Primaplas to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Primaplas 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 Primaplas. Subject to further inquiries, the verification team considers Primaplas' suppliers to be the manufacturers, and hence the exporters of the goods<sup>1</sup>, as Primaplas' suppliers are:

- named on the commercial invoices and packing list; 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 5 below. A detailed assessment is at **Confidential Appendix 4**.

Shipment No.	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	N
5	Y
6	Y
7	Y
8	N
9	N
10	Y
11	Y
12	Y
<b>Weighted average all shipments</b>	<b>Y</b>

**Table 3 - Profitability of selected imports**

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<sup>1</sup> 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, Primaplas confirmed that none of its suppliers are related to Primaplas. 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 Primaplas 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 Primaplas 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 Primaplas:

- 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**

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