



Importer Verification Report

Verification & Case Details

Initiation Date	24/06/2019	ADN:	2019/83
Case:	High Density Polyethylene - Dumping Investigation – Korea, Singapore, Thailand and the USA		
Case Number	515		
Company	Polymer Direct Pty Ltd		
Location	Melbourne		
Verification date	30/07/2019		
Investigation Period	01/04/2018	to	31/03/2019
Injury Period	From 01/04/2015		

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

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1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Polymer Direct Pty Ltd (Polymer Direct) is an Australian private company operating in Australia since 1997. The company's principal place of business is situated in Port Melbourne Victoria.

Polymer Direct sells high density polyethylene (HDPE) in all states of Australia. The importer sells the goods in the condition in which they were imported to end users.

Polymer Direct also sells products other than HDPE, such as LDPE, LLDPE, PVC, recycled PET, and Engineering Thermoplastics & Elastomers.

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 Polymer Direct does not have any related party customers of the goods during the investigation period for the relevant countries under investigation.

The verification team found that Polymer Direct does have a related party supplier of the goods, Vinmar Overseas Ltd, during the investigation period for the relevant countries under investigation.

2 THE GOODS

2.1 The goods

Polymer Direct confirmed that it imported HDPE from Thailand during the investigation period matching the description of the goods that are the subject of this investigation.

The goods imported by Polymer Direct include various grades of HDPE such as pipe, film, blow moulding and injection moulding.

2.2 Model control codes (MCCs)

Polymer Direct provided sales data in accordance with the MCC structure detailed in ADN 2019/83. The company did not propose changes to the MCC.

Polymer Direct sold goods with the following MCCs during the investigation period:

- A-B-N
- A-F-N
- A-I-N
- A-P-C

There were seven different product codes of HDPE sold during the investigation period.

Product Application	MCC		
	Specification	Application	Other additives
Blow moulding	A	B	N
Blow moulding	A	B	N
Film	A	F	N
Injection moulding	A	I	N
Pipe	A	P	C
Pipe	A	P	C
Pipe	A	P	C

Table 1 - MCC mapping

The various categories of the MCC and the evidence relied upon for evaluation by the verification team is detailed in Table 2:

Category	Characteristics of category
Prime	Prime or non-prime. Determined with reference to description on invoice
Application	Product brochure and technical datasheets
Other additives	Certain grades require additives such as the addition of black for certain pipe grades for UV stabilisation. All of the pipe grade sold by the importer were coloured black.

Table 2 - MCC categorisation and supporting evidence

2.3 Like goods

The importer agreed that the Australian Industry produced like goods to the goods that it imported during the investigation period.

Physical likeness	Polymer Direct stated the Australian produced goods and imported goods were almost identical and have either identical or very similar thermal and chemical properties. The imported goods are also produced in pellet form with a minimum density .952g/cm ³ . The melt index ranged from .06 to 3.50.
Commercial likeness	Polymer Direct stated that the goods are sold to common users and directly compete in the same market. The majority of the goods sold by the importer were pipe grade which is mainly used in the gas, mining and water infrastructure sectors.
Functional likeness	Polymer Direct stated generally, imported grade is wholly interchangeable with a locally produced grade. However Polymer Direct sells one particular pipe grade with a higher MRS (minimum required strength), which is not locally produced by Australian industry. The locally produced and imported good can be considered functionally alike, as they have similar end uses.
Production likeness	The domestically manufactured goods and the imported goods are manufactured via similar manufacturing processes, using the same or similar raw materials in the production process.

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.

Polymer Direct's financial period is from January to December and the verification team reviewed the audited financial statement for calendar year 2018. The methodology adopted by the verification team is set out below:

- Reconciled the total revenue as per Polymer Direct's 2018 audited financial report to the total revenue as reported in the 2018 management reports. The verification was satisfied as to the reliability and integrity of Polymer Direct's management reports;
- Reconciled management reports for the investigation period (1 April 2018 to 31 March 2019) to the reported sales;
- Using trial balances and Profit & loss statements, adjusted for the first quarters of 2018 and 2019, reconciled the sales listing for the investigation period captured by the audited accounts (1 April 2018 to 31 December 2018); and
- Requested Polymer Direct to demonstrate how the sales listing volumes and values were extracted in their sales system.

The verification team identified the issues 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**.

3.1.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	Total sales volume and value in the sales listing did not reconcile to the figures in the company's sales system. There was a variance of approximately 31 tonnes.	The verification team obtained further information, and identified that the 31 tonnes were HDPE produced by countries not the subject of this investigation.
2	The reconciliation of the total sales amount on the sales system differed to the amount on the SAP P&L statement	The difference was less than 1%, and the verification team considers this to be a negligible amount.

3.2 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by Polymer Direct is complete and relevant.

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 audited financial statements in accordance with ADN. No 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
1	NIL	

The verification team established the following information as outlined in the table below:

Item	Methodology Applied
Net invoice	Based on invoice
Date of sale	Taken as invoice date, as appears on invoice
Packaging type	Based on invoice
Quantity	Based on invoice

Table 3 – Sales calculation method

4.2 Sales accuracy finding

The verification team is satisfied that the sales data provided by Polymer Direct, 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

Polymer Direct confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

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

The documents provided by the importer regarding their purchases from the exporter are listed below. Polymer Direct was named as the purchasing party on all the invoices.

- Commercial invoices
- Purchase order
- Bill of lading
- Freight and port charge invoices
- Delivery/tailgate invoice
- Customs entry declarations
- Proof of payment

5.2 Verification of cost to import and sell

The verification team verified the accuracy of the cost to import and sell (CTIS) listed for selected shipments in Part B of the questionnaire response by reconciling to source documents in accordance with ADN No. 2016/30.

Some sales were at FOB and CFR while other sales were CIF in which ocean freight and marine insurance costs will not be relevant.

5.3 Verification of CTIS allocation

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

PUBLIC RECORD

Cost Area	Methodology Applied
Ocean freight	Based on the actual Ocean freight cost, invoice by freight forwarder applicable to the shipment.
Marine insurance	Based on the annual marine insurance premium cost, allocated to goods based on calculation provided in contract.
Customs fees	Based on the actual cost
Quarantine charges	Based on the actual cost, invoice by freight forwarder applicable to the shipment
Wharf storage & other storage costs	Based on the actual cost, invoice by freight forwarder applicable to the shipment
Port service charges	Based on the actual cost, invoice by freight forwarder applicable to the shipment
Bank charges	Based on the financial instruments employed
Delivery (if not in SG&A)	Based on the actual cost, invoice by freight forwarder applicable to the shipment
Indirect SG&A costs	Based on the operating costs, less interest charges, as percentage of sales revenue
Interest costs	Based on the average interest rate of financial instruments employed in the course of trade

Table 4 - Cost calculation method

The verification team identified the issues 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 allocation

No.	Exception	Resolution
1	For shipment 12, quarantine fee and CMR fee was incorrectly included in the listing	Confirmed with Polymer Direct that it was listed in error, and the verification team have removed these fees from the list.
2	For shipment 2, the country of origin was listed as Thailand, however customs database shows it as USA.	Confirmed with Polymer Direct that the goods for shipment 2 was supplied by a manufacturer in Thailand. The evidence provided included the packing list, packing declaration, container breakdown, certificate of origin.

5.4 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 the 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**.

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	Interest costs from one general loan facility were not allocated to the interest costs of the relevant shipments	The verification team allocated a proportion of these costs to the relevant shipments by allocating the loan cost over all sales revenue, then allocating a daily cost over the period between Polymer Direct's payment to its supplier and when payment was received from Polymer's Direct's customer.

5.5 Forward orders

The verification team verified Polymer Direct's forward orders by reconciling the listing provided in the questionnaire response to the company's records. The list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Polymer Direct, including any required amendments as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 GENERAL COMMENTS

During the visit, the verification team discussed with Polymer Direct the claims made by the Australian industry in the application, claims regarding injury, causation, dumping and the Australian market for HDPE.

Polymer Direct have made a written submission with their views regarding the claims made by Australian industry.¹ The verification team considers that the matters raised by Polymer Direct during the verification are consistent with those in the written submission.

¹ Case 515 Public Record item no. 006

7 EXPORT PRICE

7.1 The importer

The verification team considers Polymer Direct to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Polymer Direct 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 Polymer Direct. Subject to further inquiries, the verification team considers Polymer Direct's three suppliers to be the exporters of the goods², as they are:

- named on the commercial invoice;
- named as consignor on the bill of lading;
- pays for ocean freight for consignments on CFR and CIF terms;
- pays for marine insurance for consignments on CIF terms;

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.

² 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.

PUBLIC RECORD

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

Table 5 - Profitability of selected imports

The assessment is at **Confidential Appendix 3**.

7.4 Related party suppliers

Polymer Direct purchased a small portion of the goods from Vinmar during the investigation period.

7.5 Arms length

In respect of imports of HDPE to Australia by Polymer Direct 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 Polymer Direct and its suppliers are arms length transactions.

7.6 Export price assessment

The verification team is of the opinion that for the goods imported by Polymer Direct from its suppliers:

- 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.

Subject to further inquiries with these exporters, the verification team recommends that the export price for HDPE imported by Polymer Direct can be established under s.269TAB(1)(a) of the

PUBLIC RECORD

Customs Act 1901, using the invoiced price, less transport and other costs arising after exportation.

8 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification Work Program