



## Importer Verification Report

### Verification & Case Details

<b>Initiation Date</b>	24 June 2019	<b>ADN:</b>	2019/83
<b>Case:</b>	High Density Polyethylene (HDPE) – Dumping Investigation – Qenos Pty Ltd – the Republic of Korea, the Republic of Singapore, the Kingdom of Thailand and the United States of America		
<b>Case Number</b>	515		
<b>Company</b>	Chevron Phillips Chemical Australia Pty Ltd (CPCAU)		
<b>Location</b>	Melbourne		
<b>Verification date</b>	22/07/2019		
<b>Investigation Period</b>	01/04/2018	<b>to</b>	31/03/2019
<b>Injury Period</b>	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

Chevron Phillips Chemicals Australia Pty Ltd (CPCAU) operates as a private company subsidiary of Chevron Phillips Chemical Company LLC, a publicly-listed, US-based petrochemical company jointly owned by the Chevron Corporation and the Phillips 66 Company.

CPCAU states that it acts as an importer and reseller of high-density polyethylene (HDPE) and metallocene LLDPE chemical substances. CPCAU engages with other subsidiaries of Chevron Phillips Chemical Company LLC to import goods to Australia. CPCAU subsequently sells goods to unrelated customers — primarily to end users, as well as to some traders.

### 1.2 Related parties

The verification team examined whether there were related party relationships involved in the importation and sale of the goods.

#### 1.2.1 Related suppliers

CPCAU imports goods exclusively from related parties, specifically other companies wholly or partly owned by Chevron Phillips Chemical Company LLC.

CPCAU imports goods either

- directly from the related party manufacturer; or
- through a related party facilitator company that itself received the goods from the related party manufacturer.

## 2 THE GOODS

### 2.1 The goods

CPCAU confirmed that it imported HDPE from Singapore and the USA during the investigation period. CPCAU confirmed that the HDPE matched the description of the goods that are the subject of this investigation.

CPCAU imported HDPE to be further processed by purchasers into various kinds of bottles and containers for potential use in industrial, dairy and consumer retail packaging.

### 2.2 Like goods

CPCAU agreed that the Australian Industry produced like goods to the goods that it imported during the investigation period. CPCAU noted that it did not deal in pipe-grade HDPE which may be sold by other parties relevant to the current investigation.

### 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.

The verification team received CPCAU's audited financial report for the 2018 calendar year. CPCAU did not have an audited financial report that included the first quarter of 2019 at the time of verification.

The verification team verified CPCAU's total revenue for the 2018 calendar year as per the audited financial statements to the trial balance for the same time period. Further to this, the verification team was able to verify the total sales for the investigation period by using a trial balance for the first quarter of 2018 and the first quarter of 2019 to the sales reported in the importer questionnaire response.

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**.

#### 3.2 Sales completeness and relevance finding

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

## **4 DOWNWARDS VERIFICATION OF SALES**

### **4.1 Verification of sales accuracy**

The accuracy of sales listing 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. For example, 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.

During this process, the verification team identified the issues outlined below. 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	The sales listing stated that sales were classified by a certain MCC code. The importer later requested the MCC code be corrected for these sales to reflect the true nature of the goods.	The importer stated the correct MCC code for the goods affected. The verification team updated its analysis to reflect this amendment.
2	The importer’s initial sales listing did not specify rebate amounts paid to certain customers.	The importer provided the verification team with an updated sales listing, separating rebates from the gross invoice value when calculating the net invoice price sold.
3	The importer’s initial sales listing included sales from a country not considered in the current investigation.	The verification team excluded these sales from the sales analysis.

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

Item	Methodology Applied
Net invoice value	As stated on commercial invoice and identification of payment in screenshots from CPCAUs internal accounting system.
Rebates and discounts	Based on rebates recorded in CPCAUs internal accounting system.
Quantity	As indicated on commercial invoice.
Date of sale	Taken as invoice date, as it appears on commercial invoice.
Delivery terms	Delivery terms as stated on commercial invoice.
Credit	Payment terms as stated on commercial invoice.

**Table 1 – Sales calculation method**

### **4.2 Sales accuracy finding**

The verification team is satisfied that the sales data provided by CPCAUs, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification

**PUBLIC RECORD**

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

## 5 VERIFICATION OF IMPORTS

### 5.1 Import listing

CPCAU 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 identified CPCAU as the importer and Chevron Phillips Chemicals Asia Pte Ltd or Chevron Phillips Singapore Chemicals (Private) Ltd as the supplier.

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

### 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.

CPCAU's import documentation indicates that CPCAU imported during the investigation period at CFR delivery terms. CPCAU was therefore responsible for paying importation costs of goods into Australia.

### 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.

Cost Area	Methodology Applied
Ocean freight (OF)	Based on the actual OF cost, invoice by freight forwarder allocated to goods based on weight provided in CPCAU's customs declaration documents.
Customs fees	Based on actual customs fees provided in invoices from CPCAU's logistics provider.
Quarantine charges	Based on actual quarantine charges provided in invoices from CPCAU's logistics provider.
Port service charges	Based on actual port service charges provided in invoices from CPCAU's logistics provider.
Wharf handling fees	Based on actual fees in commercial invoices from third party logistics company.
SG&A	Based on an average annual SG&A rate.
Delivery to customer	Based on per-container delivery prices agreed between CPCAU and the relevant customer.

**Table 2 - 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	CPCAU initially provided monthly SG&A rates based on the month of import, not the month in which SG&A costs were incurred.	CPCAU provided annual SG&A expenses and total sales revenue. The verification team used these values to calculate an annual SG&A rate and apportioned this rate to all selected imports.

## 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 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**.

## 5.5 Forward orders

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

The verification team did not identify any significant shift in importation activity between goods sold in the investigation period and the forward orders provided at the time of verification.

## 5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by CPCAU, including any required amendments as outlined in the exception table above (delete if no exemptions), is accurate.

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

## 6 EXPORT PRICE

### 6.1 The importer

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

- is named on the commercial invoice from its supplier;
- is named as the consignee on the bill of lading;
- is declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and
- arranges delivery from the port in almost all cases. In some cases, the end user customer retrieved the goods from port instead.

### 6.2 The exporter

The verification team considers Chevron Phillips Chemical companies Chevron Phillips Chemical Company LP (USA) and Chevron Phillips Chemical Singapore Chemical Pte Ltd (in Singapore) to be the exporter of the goods.<sup>1</sup>

#### 6.2.1 Goods exported from Singapore

During the investigation period, goods originating from Singapore were manufactured by Chevron Phillips Singapore Chemicals (Private) Ltd.

Chevron Phillips Singapore Chemicals (Private) Ltd was identified as the supplier on commercial invoices and bills of lading received by CPCAUI.

The verification team is satisfied that Chevron Phillips Singapore Chemicals (Private) Ltd is the exporter of goods manufactured in Singapore to CPCAUI in Australia.

#### 6.2.2 Goods exported from the USA

During the investigation period, US-manufactured goods were sent to Malaysia before being sent to Australia. Goods were sent to Australia by a related party trading company, Chevron Phillips Chemicals Asia Pte Ltd.

Chevron Phillips Chemicals Asia Pte Ltd is identified as the supplier on commercial invoices and bills of lading received by CPCAUI, however certificates of origin from goods supplied to CPCAUI from Chevron Phillips Chemicals Asia Pte Ltd are identified as being made in the USA. During the visit, the verification team were unable to assess whether the USA-based manufacturing company was aware that the goods were destined for Australia specifically.

The functions undertaken by the two companies suggest that Chevron Phillips Chemical Company LP acts as manufacturer and Chevron Phillips Chemicals Asia Pte Ltd acts as facilitator of exports from Malaysia to countries including Australia. The verification team is satisfied that

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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.

Chevron Phillips Chemical Company LP is the exporter of goods from the USA to CPCAUI in Australia.<sup>2</sup>

### 6.3 Profitability of imports

The verification team assessed the profitability for the following shipments. The verification noted that profitability and non-profitability between goods supplied from Singapore or the USA.

The outcome of this assessment is in table 5 below.

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

**Table 3 - Profitability of selected imports**

The verification team has identified that CPCAUI's selected imports were profitable on average.

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

### 6.4 Related party suppliers

CPCAUI purchased all of the goods from related parties, Chevron Phillips Chemical Company LP (USA) and Chevron Phillips Chemical Singapore (Private) Pte Ltd (in Singapore), during the investigation period.

The verification team undertook a price analysis of CPCAUI's imports from its suppliers. The verification team concluded that CPCAUI's sales are likely profitable on average. The verification team also found that CPCAUI's imports generally followed a consistent price trend over the investigation period.

CPCAUI provided the verification team with example import price lists produced by one of CPCAUI's suppliers, Chevron Phillips Chemical Singapore (Private) Pte Ltd. The verification team is of the view that these price lists indicate an attempt to ensure reasonable competitive import pricing to Australia.

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<sup>2</sup> For further explanation of the Commission's method for determining the 'exporter' for the purposes of identifying an export price, see ch 6 of the Commission's Dumping and Subsidy Manual.

## 6.5 Arms length

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

## 6.6 Export price assessment

The verification team is of the opinion that for the goods imported by CPCAUI from Chevron Phillips Chemical Company LP (USA) and Chevron Phillips Chemical Singapore (Private) Pte Ltd (Singapore):

- 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 goods imported by CPCAUI from Chevron Phillips Chemical Singapore (Private) Pte Ltd (in Singapore) can be established under section 269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation. The export price for goods imported by CPCAUI from Chevron Phillips Chemical Company LP (USA) can be established under section 269TAB(1)(c) as the price the Minister determines having regard to all circumstances of the exportation.

## **7 GENERAL COMMENTS**

CPCAU have made a written submission with their views regarding the claims made by Australian industry.<sup>3</sup>

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<sup>3</sup> EPR 515 Document No. [08](#).

**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; Profitability of sales
<b>Confidential Attachment 1</b>	Verification Work Program