



Exporter Verification Report

Verification & Case Details

Initiation Date	24/06/2019	ADN:	2019/83
Case:	High Density Polyethylene - Dumping Investigation - Qenos Pty Ltd - Korea, Singapore, Thailand, USA		
Case Number	515		
Exporter	PTT Global Chemical Public Company Ltd		
Location	Desktop verification		
Investigation Period	1/04/2018	to	31/03/2019

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

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

PTT Global Chemical Public Company Ltd (PTT) is a diversified petrochemical company that manufactures petrochemical products. It owns and operates various facilities that manufactures various distillates, aromatics and olefin products. PTT's primary shareholders are PTT Public Company Limited and Thai NDVR Company Limited. PTT is the principal company in the PTT Group of companies.

PTT manufactured high polyethylene (HDPE, or the goods) that were exported to Australia and sold on the domestic market in Thailand during the investigation period. The goods manufactured by PTT are predominately sold to two related traders, GC Marketing Solutions Company Limited (GCM), and to a lesser extent, Solution Creation Company Limited (Sol C).

GCM is owned by PTT and sells the goods manufactured by PTT to the domestic market in Thailand and exports the goods to Australia and to third countries. GCM was formerly known as PTT Polymer Marketing Company Limited; however, it changed its name to GCM on 27 December 2018. The goods sold by PTT to Sol C during the investigation period represent a small volume and this entity did not sell the goods to Australia. The traders do not undertake any manufacturing or fabrication activities.

1.2 Related Parties

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

1.2.1 Related Customers

Australian sales

For all Australian sales, PTT exported the goods to Australia via a related trader, GCM. The verification team's arms length assessment is at chapter 5.3.

The verification team did not identify any Australian customers that were related to GCM or PTT. .

Domestic sales

PTT sold the goods domestically to two related entities. The verification team's assessment of arms length is at chapter 6.1.

1.2.2 Related Suppliers

PTT is an integrated petrochemical company that manufactures the raw material, ethylene, from its own olefin plants. Ethylene is the main raw material in the manufacture of HDPE.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

Major steps described in the production process include:

- Catalyst preparation;
- Polymerisation;
- Separating and drying;
- Pelletising; and
- Hexane recovery.

2.2 Model Control Codes (MCCs)

PTT provided sales and cost data in its response to the exporter questionnaire in accordance with the MCC structure detailed in Consideration Report No. 515 and Anti-Dumping Notice No. 2019/83.

In its exporter questionnaire response, PTT included an additional MCC being A-O-O. The application "O" refers to another application such as multifilament/woven grades or non-woven, sheet, wire or cable application not identified in the original MCC structure proposed by the Commission.

2.3 The goods exported to Australia

The verification team were satisfied that PTT produced and exported the goods to Australia.

PTT exported the goods to Australia with the following MCCs during the period:

- A-B-O;
- A-F-O;
- A-I-O;
- A-O-O;
- A-P-O; and
- A-T-O.

2.4 Like goods sold on the domestic market

The verification team were satisfied that PTT sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- **physical likeness** –the goods sold domestically and exported to Australia have identical mechanical properties, thermal properties and chemical properties. PTT does not produce the goods specifically for any market and the goods are produced for both domestic and export sale.
- **production likeness** – the goods are produced at the same production facilities, using the same raw material inputs and manufacturing processes;
- **commercial likeness** – the goods sold domestically and those exported to Australia are sold with the same commercial arrangements; and

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- **functional likeness** – the goods sold domestically and those exported to Australia are functionally alike and have the same applications.

PTT sold like goods on the domestic market with the following MCCs during the period:

- A-B-O;
- A-F-O;
- A-I-O;
- A-O-O;
- A-P-O; and
- A-T-O.

2.5 Model matching

The verification team considered the following categories when comparing sales of domestic models and export models.

Category	Characteristics of Category & Rationale for Model Matching	Used in Model Matching
Specification (prime/non-prime)	The verification team considers the price of PTT's sales to be influenced by specification category. Therefore, specification is a relevant MCC criteria for model matching.	Yes
Application	The verification team found that the price of PTT's sales was influenced by application category. Therefore, application category is a relevant MCC criteria for model matching.	Yes
Additive	The verification team considers the price of PTT's sales to be influenced by additive category. Therefore, additive category is a relevant MCC criteria for model matching.	Yes

The verification team observed that PTT's sales and costs are recorded in its accounting system by product grades, which typically includes information on specification, application and additives, and includes additional information on criteria such as melt index and density. The verification team analysed the prices of product grades that fall under the same MCC and found that there were negligible price differences between each product grades within each MCC. Where a price fluctuation between grades was noted, the volumes of those grades sold either domestically or exported to Australia were minimal and therefore it would not be appropriate to consider these in this pricing analysis. As such, the verification team considers that it is appropriate to match models on the basis of the MCC criteria set out in the table above.

2.6 Like goods – assessment

The verification team considers that the goods produced by PTT for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).¹

¹ References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

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 up to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements.

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	Evidence Relied On
1	The verification team was unable to identify which goods manufactured by PTT were exported to Australia.	PTT revised their domestic sales listing to identify the end destination of each transaction.	Income Statement Finalised financial accounts B4 upward sales reconciliation
2	For some transactions, PTT unit prices were not calculated for the gross and net invoice prices.	The Verification team calculated the missing unit prices.	D2 Domestic Sales
3	For some transactions, GCM domestic sales data had incomplete fields that did not identify the quarter.	The Verification team inserted the missing quarters into the domestic sales data using the invoice date.	D2 Domestic Sales
4	GCM had incorrectly allocated a grade to a MCC.	The verification team corrected the grade to the appropriate MCC.	Exporter questionnaire

3.2 Completeness and Relevance Finding

The verification team is satisfied that the sales data provided in the exporter questionnaire response by PTT, including any required amendments as outlined as an exception above, is complete and relevant.

4 COST TO MAKE AND SELL

4.1 Verification of completeness and relevance of CTMS data

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

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**.

4.1.1 Exceptions during Verification of Completeness and Relevance of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	The Verification team identified that CTM data provided was incomplete.	The original submission of the REQ did not include CTM data for a “swing” plant.	Income Statement Finalised financial accounts G8 upward cost reconciliation

4.2 Completeness and Relevance Finding of CTMS data

The verification team are satisfied that the CTMS data provided in the exporter questionnaire response by PTT, including any required amendments as outlined as an exception above, is complete and relevant.

4.3 Verification of CTMS Allocation Methodology

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models using manufacturing reports and general ledger extracts.

Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Actual material costs allocated based on production quantity	BOM, Manufacturing reports, general ledger
Manufacturing Overheads	Actual costs allocated based on production quantity	Manufacturing reports
Labour	Actual costs allocated based on production quantity	Manufacturing reports

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Depreciation	Allocated based on working hours and expenses per unit	Manufacturing reports
Packaging	Actual costs by packing type allocated based on production quantity	Manufacturing reports

The verification team identified the following 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**.

4.3.1 Exceptions during Verification of CTMS Allocation Methodology Exceptions

No.	Exception	Resolution	Evidence Relied On
1	PTT had excluded some selling, general and administrative (SG&A) expenses	The Verification team has revised the allocation of SG&A by assigning indirect expenses which were originally excluded.	Income statement

4.4 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the CTMS data provided in the exporter questionnaire response by PTT, including any required amendments as outlined as an exception above, is reasonable.

5 EXPORT PRICE

5.1 The importers

In relation to the goods exported by PTT to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

5.2 The exporter

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.

The verification team has found the following in relation to PTT's exports to Australia:

- PTT was the sole manufacturer of the goods exported to Australia from Thailand during the investigation period;
- PTT were aware that the goods were destined to Australia when making sales to GCM;
- PTT keeps inventory of the goods;
- GCM does not have a warehouse, the goods are delivered directly to the customer from PTT; and
- GCM does not undertake any further manufacturing, fabrication or alteration of the goods exported to Australia.

The verification team therefore considers PTT to be the exporter of the goods.

5.3 Arms length

In respect of PTT's Australian sales of the goods during the 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 receive a benefit for, or in respect of, the whole or any part of the price.²

The verification team therefore considers that all export sales to Australia made by PTT during the period were arms length transactions.

5.4 Export Price – assessment

In respect of Australian sales of the goods by PTT, the verification team recommends that the export price cannot be determined under paragraph 269TAB(1)(a) or 269TAB(1)(b). The

² Section 269TAA of the Act refers.

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verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation.

The *Dumping and Subsidy Manual* sets out that when an intermediary is involved, the export price, for the purposes of calculating the dumping margin, will be the price received by that exporter when selling to the intermediary, even if the intermediary is in the same country as the exporter.³ The verification team has found that for the goods exported to Australia, PTT's sales to the traders represent arms length transactions (refer chapter 6.3).

The verification team considers that it is appropriate to calculate the export price as the price paid by GCM to PTT for the goods exported to Australia at free on board (FOB) terms during the investigation period in accordance with 269TAB(1)(c).

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

³ P. 30, *Dumping and Policy Manual* (November 2018).

6 DOMESTIC SALES SUITABILITY

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

6.1 Arms length

In respect of domestic sales of the goods made by PTT to its customers 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 not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by PTT to domestic customers during the period were arm's length transactions.

6.2 Ordinary course of trade

Section 269TAA provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

The results of the verification teams testing of the ordinary course of trade are as follows.

Number of Models	Models in OCOT
6	6

6.3 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Low volume is defined by subsection 269TAC(14) as less than 5 percent of the total volume of the goods under consideration that are exported to Australia.

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The verification team's assessment of the suitability of domestic models to the models exported to Australia is detailed below:

Export MCCs	Sufficient sales of identical model sold on the domestic market	Surrogate model identified
A-B-O	Yes	Not applicable
A-F-O	Yes	Not applicable
A-I-O	Yes	Not applicable
A-P-O	Yes	Not applicable
A-T-O	Yes	Not applicable
A-O-O	Yes	Not applicable

6.4 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team has calculated an amount of profit based on the production and sales of like goods by PTT in the OCOT in accordance with Regulation 45(2) of the *Customs (International Obligations) Regulation 2015*.

7 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8).

7.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology
Domestic credit terms	The verification team has not adjusted the credit terms to the trader, GCM, as doing so, will only result in an upward adjustment of the same amount. Further, the verification team does not consider it appropriate to apply an upward adjustment incurred by GCM as this is only relevant to the GCM export price and not to PTT.	N/A
Domestic packaging	A downward adjustment to the normal value for domestic packaging is required to ensure a fair comparison to the FOB export price.	The verification team has applied this adjustment based on the packaging costs listed for each domestic transaction for sales from PTT to GCM.
Domestic Handling	A downward adjustment to the normal value for domestic handling is required to ensure a fair comparison to the FOB export price.	The Verification team has applied this adjustment based on the handling costs listed for each domestic transaction for sales from PTT to GCM.
Domestic Inland Transport	A downward adjustment to the normal value for domestic inland transport is required to ensure a fair comparison to the FOB export price.	The Verification team has applied this adjustment based on the inland transport cost listed for each domestic transaction for sales from PTT to GCM.

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Export packaging	An upward adjustment to the normal value for export packaging is required to ensure a fair comparison to the FOB export price for export sales to Australia.	This adjustment is based on the weighted average unit cost (per tonne) for export packaging costs over the investigation period.
Export inland transport	An upward adjustment to the normal value for export inland transport is required to ensure a fair comparison to the FOB export price for export sales to Australia.	This adjustment is based on the weighted average unit cost (per ton) for export inland transport over the investigation period.
Export handling charges	An upward adjustment to the normal value for export handling is required to ensure a fair comparison to the FOB export price for export sales to Australia.	This adjustment is based on the weighted average unit cost (per tonne) for export handling costs over the investigation period.
Export credit terms	Refer to Domestic credit terms above.	N/A

7.2 Adjustments

Adjustment Type	Deduction/addition
Packaging	Deduction for domestic packaging and addition for export packaging
Handling	Deduction for domestic handling and addition for export handling
Inland transport	Deduction for domestic inland transport cost and addition for export inland transport costs

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

8 NORMAL VALUE

The verification team found that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 7.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

9 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by PTT for the period is **0.6 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Domestic sales, OCOT and profitability
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program