



31 July 2019

**Non-Confidential – For Public Record**

The Director – Investigations 1  
Anti-Dumping Commission  
GPO Box 2013  
Canberra ACT 2601  
By Email: [investigations1@adcommission.gov.au](mailto:investigations1@adcommission.gov.au)

Dear Director

**Dumping Investigation, No 515 - High density polyethylene from Korea, Singapore, Thailand, USA**

1. We make this submission as an interested party to the above investigation, as an importer to Australia of high density polyethylene (“**HDPE**”) and supplier to Australian pipe manufacturers.
2. The following issues will be outlined in this submission for the Commission’s attention: -
  - a. Demarcation of HDPE by sector/application;
  - b. Price benchmarking;
  - c. Applicants evidence for normal value estimates;
  - d. Gas feedstock and power costs;
  - e. Qenos Pty Ltd (“**Qenos**”) capacity constraints;
  - f. Geographic considerations and market demarcation; and
  - g. National/public interest implications, should measures be imposed.

***Demarcation of HDPE by sector/application***

3. Polymer Direct is an importer of HDPE for the pipe manufacturing sector, and concur with concerns raised by J.Bracic & Associates submission on behalf of Martogg Group of Companies dated 19 July 2019 (“**the Martogg submission**”).
4. We ask that the commission request that Qenos fully complete the application with injury indices for each ‘model, type, grade of goods’ as required by the approved form, and the Commission take into account separate market demarcation when assessing injury and causation.
5. We further ask the commission consider each discrete market segment in and of itself, since there are distinct and differing dynamics operating within each sector. HDPE Pipe is a unique product and cannot be considered in the same basis as other commodity HDPE (such as blow moulding, injection and film).

**Polymer Direct Pty Ltd ABN 72 153 304 280**  
Ground Floor, 270 Bay Street Port Melbourne Victoria 3207 Australia  
PO Box 338 Port Melbourne Victoria 3207 Australia  
Tel: 61-3 8645 3555 Fax: 61-3 8645 3500  
[sales@polymerdirect.com.au](mailto:sales@polymerdirect.com.au)    [www.polymerdirect.com.au](http://www.polymerdirect.com.au)

### **Price Benchmarking**

6. On the issue of price benchmarking, we again concur with the Martogg submission, however the index utilised by Qenos for the pipe manufacturing sector, is benchmarked to **ICIS SEA PE Pipe Black HDPE 100 index**. Notwithstanding, the same price benchmarking principles as outlined in the Martogg submission apply.
7. This long established reference to ICIS SEA PE Pipe Black HDPE 100 index is entirely due to Qenos management's business decision to set price with direct reference to an international index.
8. We ask the commission note that any price suppression experienced by Qenos can be directly related to their decision to set their price according to an international index. Price suppression has been caused by their own business strategy to establish the Australian market price based on the commercial position of lower cost producers, not alleged dumped imports.
9. In addition, we request the above be taken into account for unsuppressed selling price and non-injurious price assessment purposes.

### **Applicant evidence for normal value estimates**

10. In the ADC Consideration report, it is informed the applicant relied on a limited 'commercial survey' (December 2018 Quarter) to ascertain domestic selling prices for HDPE in Thailand.
11. In order to calculate Thai domestic pricing for the rest of the period, Qenos then adjusted this limited data sample by referencing movements US domestic prices for HDPE blow moulding and injection grades. Qenos have then constructed a weighted average using these price references to assume the Thai domestic price movements in injection, blow moulding, ***film & pipe***.
12. We would ask the commission what possible correlation there may be between the domestic prices in two distinctly different economies, with completely separate fundamentals.
13. We would further submit that, even if a correlation were to exist, the use of only blow moulding and injection data means there can be no comparative assessment.
14. Specifically, in the case of pipe, the product used in the US to manufacture PE pipe complies to a completely different standard to that used in much of the rest of the world. The US pipe manufacturers produce from natural resin and masterbatch colour, which falls under standard ASTM D3350.
15. The HDPE pipe grade manufactured by SCG in Thailand is a **fully pre-compounded** material which complies with AS/NZ 4130 and AS/NZ4131. Put simply, the US pipe grades and the Thai pipe grades of HDPE have no relation to each other either commercially or from a regulatory compliance perspective.

16. It is therefore clear there is absolutely no correlation between the US and Thai HDPE pipe grade domestic pricing, and it is incorrect for the applicant to seek to create such correlation in the mind of the commission.

***Gas feedstock and power costs***

17. As detailed in the Martogg submission, it is well documented and supported by Qenos own media announcements that Qenos has suffered injury from constantly increasing gas feedstock and power costs. We concur fully with the points made in the Martogg submission in this regard.
18. Any injury experienced by the applicant is unrelated to import activity. It is, rather, a function of these rapidly rising costs and their own adherence to a pricing policy benchmarked to international competitiveness.
19. We request the Commission analyse this as part of injury and causation assessment.

***Qenos capacity constraints***

20. Qenos has regularly advised HDPE pipe customers of an inability to supply their required volume. We understand specific reference to this will be made available to the commission via pipe producers' individual submissions.
21. The Australian HDPE pipe market demand is a minimum 160,000 tonnes per annum and expanding.
22. Qenos maximum production capacity for the pipe market is known to be a maximum of 50,000 tonnes per annum. Although Qenos may claim 80,000 to 90,000 tonnes per annum, this is nameplate capacity, and does not reflect their actual capacity, as their own advice to key customers and actual production volumes will reflect.
23. Further, gas supply to the Qenos plant in Altona (which produces pipe grade HDPE), has been regularly disrupted over the past several years leading to Qenos further reducing the availability of locally produced HDPE to customers in the pipe sector.
24. Qenos regularly import HDPE as a supplement their inability to supply the market. We note Qenos have not sought to have dumping duties imposed on the source country of the majority of their imports, Saudi Arabia.
25. Customers of Polymer Direct have consistently reported Qenos have advised they cannot supply any more volume than what has already been contracted (this includes Qenos locally produced HDPE and HDPE imported by Qenos). This leaves customers with no choice but to source HDPE from other import channels.
26. As further evidence of major capacity constraints, pipe customers have also advised that even in Melbourne – which must be regarded as Qenos 'home market' - Qenos will not supply locally produced HDPE, and will instead only offer imported HDPE. Refer confidential attachment "A".

**Polymer Direct Pty Ltd ABN 72 153 304 280**

Ground Floor, 270 Bay Street Port Melbourne Victoria 3207 Australia

PO Box 338 Port Melbourne Victoria 3207 Australia

Tel: 61-3 8645 3555 Fax: 61-3 8645 3500

[sales@polymerdirect.com.au](mailto:sales@polymerdirect.com.au) [www.polymerdirect.com.au](http://www.polymerdirect.com.au)

27. The shortfall between Qenos capacity and market demand means approximately 60% of the market can only be serviced by imports.
28. In order to secure this business critical supply of HDPE, Australian pipe producers have established long term partnerships with committed regional producers such as SCG to support their needs – which cannot be filled by Qenos - on a consistent, ongoing, and reliable basis.
29. We understand evidence of these claims will be provided to the commission in submissions from key Australian pipe producers.

***Geographic considerations & market demarcation***

30. Qenos production of HDPE pipe compound is located in Melbourne. The natural home market, then, for Qenos is in the locations nearer to Melbourne, i.e. Victoria, NSW and SA.
31. Polymer Direct and SCG activity is largely confined to Queensland, NT and WA, areas which may be considered remote from the Qenos home market. More than █% of sales by PD of SCG HDPE pipe grade are represented in these remote areas, refer confidential attachment “B”, being an analysis of Australian sales of imported HDPE by Polymer Direct during the investigation period, as disclosed to the Commission in Part C spreadsheet of Polymer Direct Importer Questionnaire.
32. Whilst Qenos do supply some domestic product into South East Queensland, this is regularly supplemented with Qenos imported HDPE.
33. We contend that where Qenos is present in these remote markets, it is predominantly with imported HDPE, not locally produced HDPE. We believe the commissioner should take account this geographic separation of the market, between ‘home market’ and ‘import market’, when assessing the applicant’s claim of material injury caused by imports.

***National / Public interest implications, should measures be imposed***

34. HDPE pipe is a critical part of many significant public and private infrastructure projects, important to the national interest and economy.
35. The imposition of dumping measures, including provisional measures subsequent to the publishing of a preliminary affirmative determination, would cause significant negative commercial impact to these projects, in all likelihood rendering them non-viable and causing substantial negative impact on the Australian economy.
36. The impact on Australian pipe manufacturers in such a scenario would be devastating, and could have catastrophic results for the industry.
37. Further, the imposition of dumping duties would only serve to pass the problems of Qenos down the line to Australian consumers, increasing costs and putting critical infrastructure projects at risk.

38. We request the Commission take this into account, including guidance to the Minister, to consider their discretion under section 269TL.

***Conclusion***

39. We would appreciate the Commission consider all the above issues in this submission.

40. Should the Commission require any further information of explanation, please do not hesitate to contact the writer.

Yours sincerely



Anthony Hurley

Chief Executive Officer

**Polymer Direct Pty Ltd ABN 72 153 304 280**

Ground Floor, 270 Bay Street Port Melbourne Victoria 3207 Australia

PO Box 338 Port Melbourne Victoria 3207 Australia

Tel: 61-3 8645 3555 Fax: 61-3 8645 3500

[sales@polymerdirect.com.au](mailto:sales@polymerdirect.com.au) [www.polymerdirect.com.au](http://www.polymerdirect.com.au)