



Chevron Phillips Chemicals Australia Pty Ltd
ACN: 107 015896
Level 8, Chadstone Tower 1
1341 Dandenong Road, Chadstone, VIC 3148, Australia
Telephone: (61) (3) 8563 9435
www.cpchem.com

PUBLIC RECORD

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The Director, Investigations 1,
Anti-Dumping Commission,
GPO Box 2013
Canberra ACT 2601
Australia

Emailed to: investigations1@adcommission.gov.au

Dear Sir,

Initiation of Investigation No. 515 into alleged dumping of High Density Polyethylene exported from the Republic of Korea, the Republic of Singapore, the Kingdom of Thailand and the United States of America.

We refer to the subject investigation and to the public file documents constituting an application by Qenos Pty Ltd ("Qenos") representing Australian industry as well as a consideration report # 515 prepared by the Anti-Dumping Commission ("ADC").

Having intimate knowledge of the Australian and global markets for high density polyethylene ("HDPE"), our company is surprised to experience yet another attempt to initiate measures against its importation into Australia. While the applicant has a long-standing record of making such applications, we are nevertheless, astounded the alleged dumping phenomenon is again resurrected at this particular time as the principal reason for the applicant's deteriorating economic performance.

We and our associate overseas companies have been implicated in this case as one of the select group of commercial entities alleged to be responsible for the material injury claimed by the applicant.

We wish to acknowledge our participation in the current investigation process and at our considerable expense, intend to demonstrate the absence of dumping (and any causal link to injury) attributed to our products.

From the public documents released to date, we make the following observations and render the appropriate responses:

1. On page # 27 of its application, Qenos claims:

"The Australian importer, [supplier], features regularly as the source and/or agent with product branded Montachem (a one-stop USA distributor business that markets variety of resins under its own brand name but sourced from a number of

producers in the USA including Formosa Plastics, Chevron Phillips, etc.” (emphasis added).

We emphatically reject the assertion that Chevron Phillips Chemical Company LP (“CPCC”) sells its HDPE to Montachem for resale under the latter’s brand.

2. On page # 25 of its application, Qenos claims:

“(ii) Low priced material from the USA

During 2018 a number of reports emerged of material sourced from the USA being offered to Qenos customers at prices well below Qenos. The USA-origin sourced HDPE was supplied directly and indirectly into South-East Asia, pushing increased volumes into Australia.

(iii) Low priced-USA material transhipped from the USA

Import (or export) data confirms that very little material has landed in Australia directly from the USA (through until end-March 2019). Qenos understands that HDPE is exported from the USA to Australia via Singapore (where it enters the commerce of Singapore for re-bagging) and then is exported to Australia with the USA-origin goods only appearing in the Singapore exports statistics.”(emphasis added)

We commence our response to the above by declaring these matters were thoroughly discussed with case officers representing the Anti-Dumping Commission (“ADC”) during a verification visit on 22nd July 2019. We stated:

- a. Chevron Phillips Chemicals Australia Pty Ltd (“CPCAU”) imported XXXX MT of XXXXXXXX HDPE during the investigation period. The goods were purchased from (Supplier). Some XXXXX MT were shipped directly from (country) while the remaining volumes were shipped to Australia from (Supply source).

The US products were ordered as a direct consequence of the company’s interrupted supplies from its traditional Singapore manufacturer due to a scheduled plant shutdown. The shipments arranged directly from (source) were imported as contingency stock in the event problems persisted with Singapore production. This was a single order in May with no further orders placed for the specific grade of (sourced) material.

- b. During May 2018, we were approached by (Customer), a major HDPE consumer with a request to supply additional quantities of HDPE as a consequence of an impasse with Qenos with whom supply arrangements were to be suspended. We believe the period of suspension persisted over five months, from July to November 2018. We were able to offer only limited alternative supply due to a planned plant shutdown in July and August and at prices which reflected higher Singapore regional pricing rather than lower “formula-based” levels customarily constructed by Qenos (from reported ICIS-LOR values). We were notified by

(Customer) in November 2018 that they would resume supply from Qenos in December and as such, our volumes returned to original levels. We further explained to the case officers that a pricing element of CPCAU's corporate procurement policy was changed in 2004 to reflect prevailing regional domestic values in order to ensure consistency and to avoid breaching dumping thresholds.

In direct response to each of Qenos' claims quoted above, we make the following comment:

- To suggest ***“USA-origin sourced HDPE”*** was ***“..pushing increased volumes into Australia.”*** is entirely without foundation since the material was simply replacing Singapore-origin HDPE due to a production shortfall.
 - At no time was any price offering made by CPCAU to the (customer) in competition with Qenos since the customer had previously excluded Qenos from consideration at that time.
 - Qenos observes ***“very little material has landed in Australia directly from the USA (through until end-March 2019)”***, yet implies a considerably larger volume of USA-origin HDPE is threatened via transshipment from Singapore. We respond by asking how a volume of HDPE (at XXXXXMT) shipped from Singapore can be considered a “threat” when Qenos describes 1,015 MT shipped directly from the USA as “very little”.
 - None of the entities associated with the CPCC group engages in any re-bagging activities in Singapore/Malaysia..
 - Contrary to several assertions made by Qenos implying incorrect origin declarations for US product allegedly shipped from Singapore, we wish to advise all origin declarations made by the company are correct.
3. On the broader **issue of material injury**, we observe Qenos continues to emphasise attribution to allegedly dumped imports while at the same time, downplaying the significance of “other factors”. An examination reveals that previous claims made by Qenos are essentially identical and one could be forgiven for concluding that its latest application for measures simply constitutes a “cut & paste” from all previous applications.

We reject such emphasis because we believe Qenos' HDPE manufacturing facilities are confronted by serious impediments which detract from its ability to operate on a globally competitive basis. Apart from plant size and an absence of economies of scale, Qenos must endure abnormally high input costs in the form of exaggerated gas prices.

On page # 30 of its application, Qenos states:

“As with other Australian manufacturers, Qenos has experienced an increase in energy costs in the last two year period, including also increases in feedstock costs (as with all other Australian manufacturing industries).

Qenos has experienced some limited production outages that have impacted production output to a minor degree. The sharp reduction in production volumes, however, has not been caused by production outages –rather it has been due to raw material cost increases associated with LPG not being economic in the HDPE production process.”

In effect, Qenos is admitting to a significant commercial decision to sharply reduce production volumes essentially on the grounds of excessive and uneconomic input costs. On page # 20 of its application, it also claims its HDPE production ***“..was reduced in 2018/19 due to a range of factors including (i) a shortfall of raw material ethane in 2018 first half and operational consequential disruptions...”***

This leads us to further question **Qenos claims of lost market share** within a growing Australian market. The restricted size of Qenos production facilities strongly suggests it cannot increase output levels in line with market growth without substantial investment in plant expansion. *(Given the current state of the Australian gas market with its major political impediments, any additional investment would attract an unacceptable risk profile).*

Therefore, we can logically conclude that Qenos’ inability to increase market share in line with general market growth is not possible at this time and therefore, must be discounted as evidence of injury. Moreover, its claim of “lost” market share must similarly be discounted because of its unilateral decision to reduce production output for the reasons previously stated.

On the **issue of price suppression**, Qenos provides an index table of cost variations on page # 21 of its application demonstrating substantial increases in 2018/19. It explains that it ***“experienced an increase in the unit cost to produce HDPE due to energy cost increases coinciding with oil price increases driving catalyst and chemical input costs in 2018/19”***.

A full recovery of such costs in its domestic selling prices is practically impossible given the general availability of HDPE that is globally manufactured on a substantially lower cost base. Any presence of allegedly dumped imports is highly unlikely to materially contribute to the magnitude of price suppression suffered as a result of Qenos’ cost increases.

As a consequence of major cost increases and reduced production output, we are not surprised at Qenos claims of **reduced profits and profitability**. However, we dispute its assertions that these factors should primarily be attributed to the presence of dumped imports.

On the **issue of price depression**, Qenos claims its prices were continually undercut by those attributed to dumped imports from the countries nominated in its application. Yet we observe (along with the ADC) that on page # 16 of Qenos' application, its sales revenues had actually increased during the investigation period.

Qenos explains ***“Revenue for locally produced sales of HDPE remained relatively stable from 2017/18 to 2018/19, due to higher realisations achieved in the latter year, despite a significant decline in domestic sales volumes”***.

We are therefore, compelled to challenge the veracity of its claim of “price depression”. At page # 21 of its consideration report no 515, the ADC similarly concludes from its observations on “price effects”, that ***“... This does not appear to indicate price depression, as prices overall have risen during the period..”***.

On the issues of **reduced investment and return on investment**, we believe, for reasons expressed previously, that these matters are primarily related to both external economic factors as well as commercial decisions made by Qenos and should not be deflected to any incidence of competitive import pricing (whether allegedly dumped or otherwise).

4. In the **matter of causation**, we find there is no evidence of any direct linkage between the material injuries specified by Qenos and allegedly dumped imports attributed to our company.

We would have welcomed the opportunity to further examine indexed data relating to “Confidential Appendix A5” which requires disclosure of domestic sales of like goods which were acquired from imports. Such information may have provided a further explanation of the volumes of supplementary stocks Qenos would have used to overcome supply shortages from its own production as well as an indication of their sales values. It may also have explained a preference to supply imported HDPE which would have been more cost-effective and profitable. We suspect the origin of its supply source was not named as one of the “offending” countries, for obvious strategic reasons.

However, pursuant to Application instructions, Qenos was not required to provide a public record version in the form of a corresponding indexed table.

We also question the veracity of USA domestic selling prices listed in Table B-3.2 on page # 39 of Qenos' application. Qenos relies heavily on a third party source, referred to as “Platts Polymer newsletter” for information contained within the table. We find the quoted monthly unit values to be substantially different to those derived from our company's internal sales records. This will have significant implications on estimates of dumping margins and indeed, whether dumping exists at all.

In concluding, we restate our intention to cooperate with the ADC during its investigation process and invite its officers to contact us on any of the matters contained in this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'P. Jago', with a large loop at the end of the name.

Peter Jago – National Sales Manager
Chevron Phillips Chemicals Australia Pty Ltd