



12 September 2019

The Director
Investigations 1,
Anti-Dumping Commission
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CANBERRA ACT 2601

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Public File

Dear Director

Investigation No. 515 – High density polyethylene exported from Korea, Singapore, Thailand and the USA – Qenos Pty Ltd response re Iplex Pipelines Australia Pty Ltd Submission

I. Introduction

I refer to the submission by Iplex Pipelines Australia Pty Ltd (“Iplex”) dated 31 July 2019. The submission makes a number of assertions that Qenos Pty Ltd (“Qenos”) seeks to address. Specifically, Iplex contends:

- the Anti-Dumping Commission (the “Commission”) must “demarcate” the high density polyethylene (“HDPE”) market into segments to properly assess injury to the Australian industry;
- Qenos is unable to “adequately” supply the Australian market;
- injury sustained by Qenos is unrelated to competition from imports;
- Qenos’ pricing strategies have “exacerbated” the injury;
- injury to Qenos has not been caused by imports of imported pipe grade HDPE; and
- dumping duties will not remedy the injury suffered by Qenos.

Qenos takes this opportunity to address the matters raised by Iplex.

II. HDPE market

The Australian market for HDPE comprises a number of market segments as identified by Qenos in its application. There are six broad application categories for HDPE – blow-moulding, film, injection moulding, pipe, tape and monofilament, and wire and cable, of which a number of different grades of HDPE polymer within these broad categories are supplied (both from Qenos and imports).

Qenos’ application for measures covers all grades of HDPE as it is a producer of grades into the nominated application categories. Qenos has indicated in its application that injury from the dumped exports from Korea, Singapore, Thailand and the USA is not limited to a single grade or application – it is across the spectrum represented by the different application categories.

Qenos notes that Iplex’ primary concern is with the HDPE pipe segment of the local market in which it is a significant player. Qenos has not claimed that it can supply to meet 100 per cent of demand in the



pipe segment of the market. Qenos is an incumbent supplier at Iplex and it has contracted supply volumes with Iplex.

Qenos does not only experience import competition for pipe grade HDPE at Iplex. There are other local pipe producers who have supply agreements with Qenos, and from import supply. The Australian market for HDPE is open and transparent, with imports establishing market prices (including for HDPE pipe grades).

Qenos' production footprint therefore is not limited to one or two segments of the Australian HDPE market. Qenos supplies across all market segments from local production and competes with imports across all market segments. Qenos application is based upon injury it has sustained across all segments of the HDPE market and is not limited to any one segment alone.

Iplex has also challenged Qenos' assessment of normal values for HDPE in the home market of the exporting country. It claims that Qenos' "mischaracterisation of HDPE markets" is incorrect or erroneous. Iplex contends that Qenos' "*analysis suggests that there is a correlation between movement in the US and domestic prices in Thailand such that US price information can be used for the purpose of calculating normal values for Thai exports of pipe grade HDPE.*"¹ Qenos seeks to clarify this misinterpretation. The base price for Thai HDPE pricing was obtained from a market survey that provided prevailing blow-moulding, injection moulding and film grade HDPE prices in Thailand. The reference to pricing in the US market was merely to identify the premium at which pipe grade sells over blow and injection moulding grades, in the absence of actual independent pricing in the market in Thailand.

III. Qenos as a supplier

Iplex states that Qenos "*has consistently failed to meet Iplex's demand under the [Supply] Agreement*". Iplex references "eight separate instances" where it claims that Iplex' purchase orders "*have either been refused or supply has been completed with imported product*".

Qenos is not privy to the chronological references made by Iplex. This information has been redacted from Iplex' public file version of its submission. Iplex notes that Qenos cannot supply 100 per cent of demand for pipe grade HDPE in Australia. Qenos does have limitations as to the volume of pipe grade HDPE it can supply. Where practicable, Qenos will supply from local production. In the absence of sufficient availability from local supply, Qenos will supplement supply from imports. Qenos recognises the importance of uninterrupted supply for its customers and seeks to ensure that it has back-up supply where possible. It should be noted that Iplex has not stated that it has exhausted its inventories as a consequence of Qenos supply; rather, it is stating that Qenos has refused to accept a purchase order. There can be numerous reasons for this including, but not limited to:

- (a) The purchase order is for volumes above typical monthly volumes;
- (b) Qenos has encountered short-term, raw material ethane supply issues at Altona and therefore cannot guarantee supply on a timely basis; or
- (c) Qenos has experienced Altona plant production downtime (and similarly cannot guarantee short-term supply).

Qenos disagrees with Iplex's grievances that Qenos can be considered an "unreliable" or "inconsistent" supplier. Qenos has a long history on the Australian market as a reliable supplier of quality HDPE. Qenos' views Iplex references concerning Qenos' response to purchase orders as reflective of limited circumstances beyond Qenos' control.

¹ Iplex submission, EPR Document No. 007.



IV. Contractual pricing

Iplex contends that Qenos has caused injury to itself due to the pricing formulae included in agreed contracts. HDPE prices are determined on the Australian market on an import parity basis. Alternative supply options to Qenos are from imports and, it is the Asian import parity price that influences prices in Australia. The use of pricing formulas in Qenos supply contracts is typically at the insistence of the Qenos customer with the customer intention being that the formulas maintain the competitive relativity of the Qenos price for the duration of the contract.

The referenced benchmark is the south-east Asian price ex-Singapore.

As a price taker Qenos must be competitive with imported HDPE. The referenced benchmark to which Iplex refers is a basis for referencing price movements in the region. The inclusion of the benchmark price in a contract does not mean that the HDPE price is a “fair” price. Rather, the benchmark price reflects the prevailing south-east Asian price taking account of overall supply and demand in the region. Where there is oversupply – as was the position during the investigation period – the benchmark price will be a dumped price. By referencing a benchmark price, Qenos is considered to be a competitive supplier of product for the customer.

V. Causal link

Iplex suggests that the cause of Qenos’ injury during the investigation period is due to *“the particular global market forces that impact the Australian market for pipe grade HDPE and the structural challenges associates with the Applicant’s business model, domestic supply chain and business practices that have exacerbated its inability to adequately service demand in the Australian market.”*

Qenos agrees with Iplex that it operates in a market is influenced by global forces. These forces include the influences of suppliers in the USA being shut out of the Chinese market and diverting supply into other markets – most notably, into the Asian region. This creates an oversupply in Asia, and an accompanying decline in prices to dumped levels. Qenos, therefore, must compete with the reduction in regional prices.

Iplex further references the domestic gas supply shortages that have impacted Qenos. Notably, these shortages are beyond Qenos’ control and, as agree by Iplex, fall outside the investigation period.

Qenos does not disagree that the raw material feedstock supply shortages and isolated plant production outages are part of the normal ebb and flow of business. However, the downward pressure to prices applied by dumping is a constant on a local supplier and exacerbates the problems associated with the normal ebb and flow of business.

Iplex has also referenced Qenos’ cost increases as reflected in its cost of production indices. The cost increases in electricity and gas are not unique to Qenos, but to the broader Australian economy more generally. Coinciding with declining prices (due to dumping) Qenos is unable to recover the documented cost increases that are typically passed onto customers in other markets. Qenos therefore experiences price suppression, resulting in reduced profits and profitability as a consequence of having to meet dumped prices for supply on the Australian HDPE market.

Qenos wholly rejects Iplex’s assertions that the reasons for the deterioration in Qenos’ profit and profitability in the investigation period is its *“domestic pricing strategy, coupled with an apparent misjudgement of Australian market dynamics.”* Iplex has not provided any detail as to what it is referencing in relation to this “misjudgement”. Qenos has a long-standing position on the Australian market as a reliable supplier of quality grades of HDPE. The matters referenced by Iplex concerning regional HDPE prices and raw material cost increases and supply difficulties are factors beyond Qenos



control. The impact of dumping resulting in low priced, import volumes that establish competitive prices exacerbate injury to Qenos and result in a consequential decline in Qenos profits and profitability.

Iplex has referenced the Ministerial Direction on Material Injury². Qenos agrees with Iplex that the Ministerial Direction does state that that injury caused by other factors must not be attributed to dumping or subsidisation. The Ministerial Direction also states that the dumping or subsidisation need not be the sole cause of injury to the industry, namely:

*“In the past some uncertainty has arisen over establishing the requirements for material injury where other factors may be contributing to injury suffered by the industry. Injury caused by other factors must not be attributed to dumping or subsidisation. However, I direct that dumping or subsidisation **need not be the sole cause of injury to the industry.**” (emphasis added).*

The Ministerial Direction is clear that injury may be experienced by the Australian industry due to a number of factors. The injury from the dumping (or subsidisation) however, must be material in nature. Qenos affirms its view that the injury it has experienced from dumping that has resulted in price suppression is material.

VI. Closing remarks

Qenos disagrees with Iplex representations that the injury caused to Qenos due to the dumping of HDPE exported from Korea, Singapore, Thailand and the USA can be considered “negligible”.

The Australian market for HDPE is transparent in nature. Imports establish market selling prices in the HDPE market. Imports accounted for approximately 50 per cent of the market in the investigation period and therefore have a significant influencing impact on prevailing prices. Qenos is impacted by declines in import prices that occur unrelated to the domestic environment in Australia of increasing energy input costs. The injury experienced by Qenos from dumping is incremental to that from higher input costs to manufacture and, with imports accounting for approximately 50 per cent of the Australian HDPE market, materially impacts Qenos profit and profitability in its HDPE business.

Qenos requests that the Commission be cognisant of the significant impact that the dumping from Korea, Singapore, Thailand and the USA has had on Qenos’ selling prices during the investigation period. This has resulted in a substantial decline in Qenos’ profit and profitability. In the absence of dumping, the decline in profit and profitability would not have been so dramatic or severe.

Qenos further urges the Commission to consider the publication of a Preliminary Affirmative Determination and the imposition of provisional measures at the earliest time prior to the publication of the Statement of Essential Facts.

If you have any questions concerning this submission, please do not hesitate to contact me on (03) 9258 7480, or Qenos’ Representative Mr John O’Connor on (07) 3342 1921.

Yours sincerely

David Francis
General Manager Marketing, Sales and Product Technology

² ACDN No. 2012/24 of 1 1 June 2012.