



**Australian Government**  
**Australian Customs and  
Border Protection Service**

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**CUSTOMS ACT 1901 - PART XVB**

**TRADE MEASURES BRANCH**  
**STATEMENT OF ESSENTIAL FACTS NO. 151**

**INQUIRY INTO WHETHER THE CONTINUATION OF  
ANTI-DUMPING MEASURES IS JUSTIFIED**

**POLYVINYL CHLORIDE HOMOPOLYMER RESIN (PVC)**  
**EXPORTED FROM**  
**THE REPUBLIC OF KOREA**

11 January 2010

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## ABBREVIATIONS AND SHORTENED FORMS

ACDN	Australian Customs Dumping Notice
Customs and Border Protection	Australian Customs and Border Protection Service
AVC	Australian Vinyls Corporation
AVCH	AVC Holding Pty Ltd
AVCT	AVC Trading Pty Ltd
CEO	Chief Executive Officer of Customs and Border Protection
China	The People's Republic of China
CTMS	Cost to make and sell
Examination period	1 January 2006 to 30 June 2009
Korea	Republic of Korea
LG Chem	LG Chem Ltd
Manacol	Manacol Pty Ltd
Minister	Minister for Home Affairs
NIP	Non-injurious price
Primaplas	Primaplas Pty Ltd
PVC	Polyvinyl chloride homopolymer resin
SEF	statement of essential facts
The goods	The goods subject to the continuation inquiry
USP	Unsuppressed selling price
USA	United States of America
VCM	Vinyl chloride monomer
Vinidex	Vinidex Pty Ltd

# 1 SUMMARY AND RECOMMENDATIONS

This statement of essential facts (SEF) presents the facts on which the Australian Customs and Border Protection Service (Customs and Border Protection) proposes to base its recommendation to the Minister for Home Affairs (Minister) concerning its inquiry into whether continuation of the anti-dumping measures applying to polyvinyl chloride homopolymer resin (PVC)<sup>1</sup> exported to Australia from the Republic of Korea (Korea) is justified.

## 1.1 Application of law to facts

### 1.1.1 Authority to make a decision

Division 6A of Part XVB of the *Customs Act 1901*<sup>2</sup> empowers the Minister, after consideration of a report from Customs and Border Protection, either to decide that anti-dumping measures will expire or take steps to ensure the continuation of the measures.

### 1.1.2 Role of the CEO of Customs and Border Protection

The Chief Executive Officer of Customs and Border Protection (CEO) must conduct an inquiry into whether the continuation of anti-dumping measures is justified and recommend that:

- the Minister take steps to secure the continuation of the anti-dumping measures; or
- the anti-dumping measures expire on the specified expiry date.

The CEO must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless the CEO is satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping or subsidisation and the material injury that the anti-dumping measure is intended to prevent.

The CEO's powers have been delegated to certain officers of the Trade Measures Branch.

### 1.1.3 Role of the Minister

The Minister must, after having regard to Customs and Border Protection's report and any other information that the Minister considers relevant, declare whether or not he has decided to take steps to secure the continuation of the

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<sup>1</sup> Refer to the full description of the goods in section 3.1

<sup>2</sup> A reference to a division, section or subsection of legislation in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

anti-dumping measures concerned. This declaration is made by publishing a notice.

## **1.2 Preliminary findings**

Customs and Border Protection has made preliminary findings that, if the anti-dumping measures on PVC exported from Korea to Australia expire:

- it is possible that exports of PVC from Korea to Australia will recur;
- and if exports of PVC from Korea to Australia recur, it is likely they will be at dumped prices; and
- it is not satisfied that there is a likelihood of material injury continuing or recurring.

On the basis of information currently before it, Customs and Border Protection is not satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent.

Therefore, Customs and Border Protection proposes to recommend that the anti-dumping measures applying to PVC exported from Korea to Australia expire on the specified expiry date (23 March 2010).

## 2 INTRODUCTION

### 2.1 Continuation inquiry process

Dumping duty notices (that have not been revoked) automatically expire five years after the date on which they were published, unless the Minister decides to continue them<sup>3</sup>.

Not later than nine months before a dumping duty notice expires, Australian Customs and Border Protection must publicly announce that the relevant measures are due to expire and invite certain interested parties to apply within 60 days for continuation of measures<sup>4</sup>. If no application for continuation of the measures is received by Customs and Border Protection within the period allowed the measures expire on the specified date.

If an application for continuation of anti-dumping measures is received, and not rejected, Customs and Border Protection has up to 155 days to inquire and report to the Minister on whether continuation of the measures is justified. Within 110 days of the initiation notice, Customs and Border Protection must place on the public record an SEF on which it proposes to base its recommendation to the Minister concerning the continuation of those measures.

Before recommending the continuation of the measures, Customs and Border Protection must be satisfied that the expiration of the measures would lead, or would likely lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures were intended to prevent.

Where the Minister decides to continue anti-dumping measures, the dumping duty notice will remain in force after the specified date for a further period of five years (unless the relevant notice is revoked before the end of that period).

In making the recommendations to the Minister in its report, Customs and Border Protection must have regard to:

- the application for continuation of the anti-dumping measures;
- any submission relating generally to the continuation of the measures to which the CEO has had regard for the purpose of formulating the SEF;
- this SEF; and
- any submission made in response to this SEF that is received by Customs and Border Protection within 20 days of being placed on the public record.

Customs and Border Protection may also have regard to any other matter that it considers to be relevant to the inquiry.

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<sup>3</sup> Under section 269TM

<sup>4</sup> Under section 269ZHB

## 2.2 Notification and participation

The current anti-dumping measures applying to PVC from Korea and Hungary are due to expire on 23 March 2010.

On 18 May 2009 Customs and Border Protection published a notice inviting certain persons to apply to Customs and Border Protection for continuation of the anti-dumping measures applying to PVC from Korea and Hungary.

On 17 July 2009, Australian Vinyls Corporation (AVC) lodged an application for continuation of the current anti-dumping measures applying to PVC exported to Australia from Korea.

No application was lodged for a continuation of anti-dumping measures applying to PVC from Hungary. Therefore, anti-dumping measures on PVC from Hungary will expire on 23 March 2010.

Customs and Border Protection examined the application for the continuation of anti-dumping measures applying to PVC from Korea and decided not to reject it. Public notification of initiation of the continuation inquiry was made on 24 August 2009 in the *Australian* newspaper. Australian Customs Dumping Notice (ACDN) No. 2009/26 was also published.

On 25 November 2009 the Minister approved an extension of 30 days to the due date for publishing a SEF. Customs and Border Protection is now required to place the SEF on the public record on or before 11 January 2010. Interested parties are invited to lodge submissions in response to the SEF not later than 31 January 2010.

The report to the Minister which outlines Customs and Border Protection's findings and recommendations is due on or before 25 February 2010.

## 2.3 Responding to the SEF

Customs and Border Protection proposes to base its recommendations to the Minister concerning the continuation of the anti-dumping measures on this SEF. Interested parties may therefore wish to make submissions in response to this SEF.

Customs and Border Protection is not obliged to have regard to any submissions received after **31 January 2010** if to do so would prevent the timely preparation of the report to the Minister.

Submissions should be sent to:

The Director  
Trade Measures Operations 3  
Australian Customs and Border Protection Service  
5 Constitution Avenue  
CANBERRA ACT 2601  
AUSTRALIA

Submissions can be faxed to (02) 6275 6990 or emailed to [tmops3@customs.gov.au](mailto:tmops3@customs.gov.au).

Interested parties intending to respond to the SEF must include a non-confidential version of their submission for placement on the public record<sup>5</sup>. Submissions provided in confidence must be clearly marked “**IN-CONFIDENCE**”.

The public record contains non-confidential submissions already received from interested parties, this SEF, non-confidential versions of Customs and Border Protection’s visit reports and other publicly available documents such as Customs and Border Protection’s initiation report, notices and other information. These documents should be read in conjunction with this SEF.

All documents on the public record are available on the Customs and Border Protection’s electronic public record which may be accessed on the internet at [www.customs.gov.au](http://www.customs.gov.au) by following the prompts for “anti-dumping”.

## 2.4 History of anti-dumping measures

Since 1992, there have been a number of anti-dumping investigations in respect of PVC. Measures have been imposed on numerous countries including Brazil, Canada, the People’s Republic of China (China), France, Hungary, Israel, Japan, Korea, Mexico, Norway, Saudi Arabia, Thailand, and the United States of America (USA).

Anti-dumping measures currently apply to exports from Japan and the USA (since 1992) and from Hungary and Korea (since 2000) (see Trade Measures Report No. 010).

In 2005, measures applying to PVC from Hungary and Korea were continued (see Trade Measures Report No. 91). These measures are due to expire on 23 March 2010. Also in 2005, measures applying to PVC from Hungary, Korea, Israel, Japan, Thailand and the USA were reviewed (see Trade Measures Report No. 100).

In 2006, measures applying to PVC from the USA were continued (see Trade Measures Report No. 115) and are not due to expire until 2011.

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<sup>5</sup> In preparing a non-confidential version interested parties should take account of the requirements set out in ACDN 2006/54.

In 2007, measures applying to PVC from Japan were continued (see Trade Measures Report No. 123) and are not due to expire until 2012. The measures applying to PVC from Israel and Thailand expired on 11 December 2007.

### 3 GOODS SUBJECT TO THE CONTINUATION INQUIRY

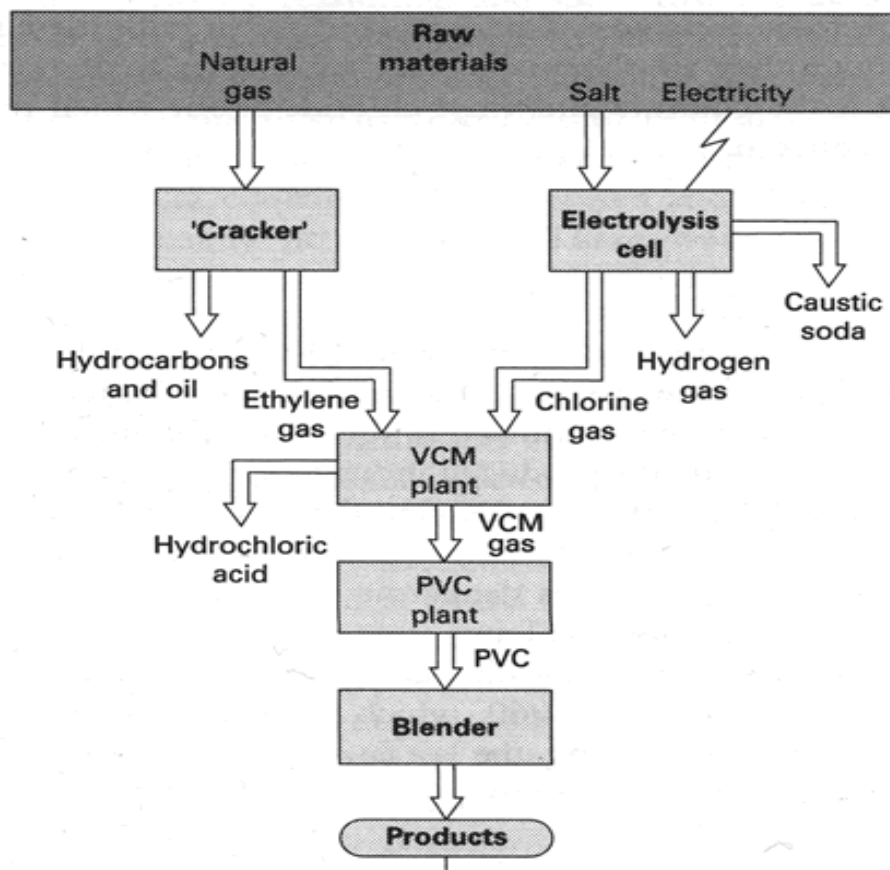
#### 3.1 Preliminary finding

Customs and Border Protection is satisfied that AVC produces PVC that has characteristics closely resembling those of PVC manufactured in Korea and previously exported to Australia and is satisfied that PVC manufactured by AVC are like goods<sup>6</sup>.

#### 3.2 The goods

The goods subject to the continuation inquiry (the goods) are polyvinyl chloride homopolymer resin, known as PVC. PVC is a white powder produced by the polymerisation of vinyl chloride monomer (VCM). PVC can be manufactured through a suspension process or a mass process, but the final goods are similar and interchangeable.

The chemical process for making PVC involves three steps: first, production of VCM; then the linking of the monomer units (VCM) in a polymerisation process (to produce PVC); and finally the blending of the polymer with additives (see flowchart below).



<sup>6</sup> In terms of section 269T

In the PVC plant, pressure is applied to vinyl chloride (dispersed in water as a suspension or an emulsion) in high pressure chambers at temperatures of 50-70°C. The role of water is to remove and control the heat given off in the polymerization process. PVC forms as tiny particles which grow and when they reach a desired size the reaction is stopped and any un-reacted vinyl chloride is distilled off and re-used. The PVC is separated off and dried to form a white powder.

PVC resin is sold to compounders who convert the powder to plastic.

In the blender, additives are blended with PVC to determine the desired properties of the PVC including texture, colour, stability, mechanical and electrical properties, clarity and weather fastness. The relevant additives are mixed with the polymer in a process called compounding.

Common/main additives are: plasticisers (make products flexible); heat stabilisers (prevent PVC decomposing when heated); lubricants (control its rate of flow when it is molten and prevents it from sticking to metal surfaces); processing aids and impact modifiers (make plastic more workable or make the final article stronger); fillers; colourants; and flame retardants. Other specialist additives are antistatic agents, biostabilisers and viscosity modifiers.

A variety of processing methods such as extrusion, injection moulding, blow moulding and coating are then applied to the PVC compounds to form products. PVC based products are used predominantly in the building/construction industry but are also used in packaging, upholstery and domestic appliances. The molecular weight of the PVC generally determines its end use, measured as an ISO K value. Generally, the higher the K value, the more flexible the final application can be when plasticisers are added.

In the continuation inquiry of 2005, Customs and Border Protection determined that paste (or emulsion), compound grades and recycled PVC, such as cordial bottles that can be reground and sold into the market, are not regarded as the goods.

### **3.2.1 Tariff classification**

Imported PVC is entered for home consumption in Australia under tariff classification 3904.10.00/18 of Schedule 3 to the *Customs Tariff Act 1995*. All goods entered under that tariff classification from Korea are subject to dumping duties. The general rate of duty is 5%. This has not changed since the original investigation in 1999 that gave rise to the anti-dumping measures.

### **3.2.2 Like goods**

#### **Like goods manufactured and sold in Australia by AVC**

AVC manufactures PVC resin at its Laverton plant in Victoria (i.e. AVC does not manufacture PVC paste and emulsion grades). AVC sells its locally manufactured PVC, trademarked as Corvic, bagged or bulk. Bags are either

25kg bags or jumbo (bulk) bags ranging in size from 550 to 1,450kg which are palletised or containerised for transport. PVC sold in bulk is transported in a tanker or a lined 20 foot container.

AVC manufactures the following five grades of PVC:

- Corvic 57 and Corvic 62;
- Corvic 66 and Corvic 67; and
- Corvic 71.

The main difference between the grades is in the degree of polymerisation and in-grain porosity. PVC is tailored to specific customers and applications. For example, Corvic 66 has been specifically developed by AVC for one customer.

AVC also advised that AVC Trading Pty Ltd (AVCT) imports the following grades of PVC from Formosa, Taiwan for resale by AVC:

- Formalon 60;
- Formalon 65, 65D and 65S; and
- Formalon 70

AVC advised that:

- Corvic 57 and 62 and Formalon 60 are used to manufacture pipes, pipe attachments and electrical fittings;
- Corvic 66 and 67 and Formalon 65, 65D and 65S are used to manufacture pressure pipes; and
- Corvic 71 and Formalon 70 are general purpose grades for flexible sheathing and general extrusions.

Customs and Border Protection found in the continuation inquiry of 2005 that the physical characteristics, end-use and substitutability of PVC manufactured by AVC remained similar to the PVC from Korea, as in the original investigation. Customs and Border Protection also determined that AVC's "Widespec PVC" or "Offspec PVC" was a like good as it competes in the Australian market and is used in the same application as imported resin. In most cases, "Offspec PVC" is sold for blending with prime resin in a blend that meets the quality specifications for the intended application.

### **Like goods manufactured and sold in Korea by LG Chem Ltd**

LG Chem Ltd (LG Chem), a Korean manufacturer of PVC, stated in its response to the exporter questionnaire (response) that the PVC it manufactures is sold on the Korean domestic market and exported to third countries. LG Chem stated that it had not sold any PVC to Australia during the 2008-09 financial year. This claim is supported by Customs and Border Protection import data.

In its response, LG Chem did not outline any technical or quality difference between the PVC it exports and that which it sells in the Korean market. Customs and Border Protection, however, in a 2005 visit to the company found that LG Chem sells a higher proportion of speciality grades of PVC in the domestic market than it exports.

## **Substitutability**

Importers in the continuation inquiry in 2005 claimed that PVC manufactured by AVC and imported PVC are very similar. Importers also claimed that while some end users have preferences i.e. PVC manufactured by a particular producer works more efficiently in their machines or the product is more consistent, there is not much difference between producers. Customs and Border Protection received similar comments from importers visited in this inquiry.

## 4 Australian industry

### 4.1 Preliminary finding

Customs and Border Protection is satisfied that:

- there is an Australian industry producing like goods;
- AVC is the sole manufacturer of PVC in Australia; and
- AVC is a significant importer of PVC.

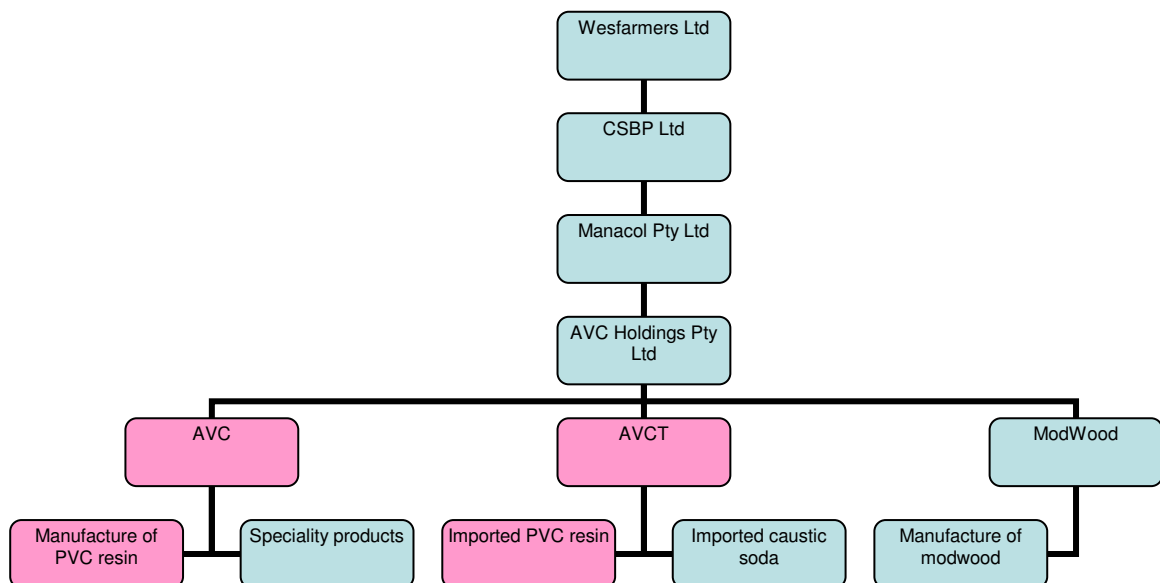
### 4.2 AVC company overview

AVC is the sole manufacturer of PVC in Australia. AVC operates a production facility at Laverton in Victoria that produces approximately 140,000 tonnes of PVC annually. (AVC operated a second production facility at Altona in Victoria until January 2002).

In recent years, there have been the following changes to the group structure:

- In June 2005 AVC management, Colonial First State Investments Ltd and Colonial First State Private Capital Ltd formed a new company - Manacol Pty Ltd (Manacol). Manacol then acquired 100 percent of the shares in AVC Holdings Pty Ltd (AVCH); and
- In September 2007 Manacol's shares were acquired by CSBP Ltd which is 100 percent owned by Wesfarmers Ltd. (CSBP is Wesfarmers Ltd's chemical and fertiliser business.)

The current company group structure is illustrated in the following diagram.



The above diagram shows that:

- AVC has the following product streams:
  - Manufacture and sale of PVC resin; and
  - Sale of imported speciality products – AVC imports specialised polymers and polymer additives for resale ; and
- AVCT imports PVC resin. This PVC is imported for resale by AVC.

## **4.3 Production process**

### **4.3.1 AVC's Plant**

AVC has the capacity to produce 140,000 tonnes annually of PVC at its Laverton plant, located to the west of Melbourne in Victoria. Customs and Border Protection visited AVC's commercial offices to verify the data contained in its application.

AVC stated that the main raw material it uses in the manufacture of PVC is VCM. AVC imports VCM as VCM is not produced in Australia. The VCM is shipped to Corio, Victoria from overseas. From Corio, road tankers transport the liquid VCM to storage tanks at Laverton. AVC uses other raw materials in the PVC production process (i.e. chemicals to start and stop the process and granulating agents) which are imported and sourced locally.

AVC produces the polymer PVC by the suspension polymerisation process. During suspension polymerisation, the monomer VCM is dispersed in water in a reactor (autoclave), together with an initiator and a surfactant or suspension agent at a controlled temperature:

- Initiators – on heating, start the polymerisation reaction.
- Suspending agents – the amount and type (together with the reaction temperature) determine the size of the droplets of monomer dispersed in the water, and also the porosity of the PVC grains produced.
- Temperature – the reaction temperature fixes the average molecular weight as well as (together with the suspending agents) the size and structure of the polymer particles.
- Water – allows initial VCM dispersion to a mist of fine droplets, then agglomeration to the final PVC grains, as well as helps in removing the heat of reaction.

Approximately equal volumes of water and VCM are piped into the autoclave creating the suspension which begins the polymerisation.

The VCM polymerises to form a slurry of PVC grains in water. After this conversion (usually 3 – 5 hours), the reaction is stopped by discharging the autoclave to the degasser and removing unconverted VCM.

AVC operates six reactors around the clock. Each of the batches in the six autoclaves may be at a different stage of the process at any one time. Each autoclave is equipped with a cooling jacket which allows cold water to control temperature during reaction.

The Laverton plant is designed to recover unconverted VCM by degassing and stripping the PVC slurry. The VCM is recovered for reuse.

The next step in PVC manufacturing separates the PVC from the slurry to complete the process. Most of the water is removed when the slurry passes through the centrifuge. A damp 'cake' of polymer leaves the centrifuge and is conveyed into the fluid bed dryer. Here, the remaining water contained in the porous grains evaporates as a stream of heated air bubbles through the polymer powder.

In order to minimise emissions, entrained powder is collected in a cyclone and the moist air is wet-scrubbed before discharge into the atmosphere.

Any oversize particles are screened from the dried resin before conveying to silo.

The final product is a fine white powder known as PVC resin. After the PVC is dried and screened, it is conveyed to one of the ten storage silos at AVC. The ten silos have a total capacity of 5,500 tonnes.

Around 80 percent of the resin product is dispatched to customers in bulk road tankers. The remainder is packed into bags in our warehouse before dispatch.

### **4.3.2 Packaging**

The resin from two of the silos is packed in the warehouse into either 25 kg bags for dispatch on one tonne pallets or into one tonne bulk bags. The bags are then stored in the warehouse before dispatch by road truck.

The remaining eight silos discharge product resin directly into bulk powder tankers or into shipping container boxes that are carried on the back of trucks.

## **4.4 AVC as an importer of PVC**

AVC reaffirmed the Customs and Border Protection finding in the continuation inquiry of 2005 that:

- since the closure of its Altona plant in early 2002, AVC (through the separate business of AVCT) has imported certain grades of PVC from Taiwan to supplement domestic production. AVC provided annual sales volume data for imported PVC for the period 2002 to 2008;
- imports are utilised particularly in the states furthest from the plant in Victoria. The goods are shipped from the country of export to the closest port of the customer; and

- the AVC terms and conditions applying to sales of imported PVC are similar to those applying to sales of locally produced PVC. Customs and Border Protection noted that there is little price difference between sales of locally produced PVC and imported PVC in any particular month.

AVC advised in this inquiry that in 2008, when it was short of supply due to a plant shutdown in March 2008 which affected production for 3 months, it imported PVC from a range of countries to maintain supply to its customers including the Republic of South Africa, the USA and China.

Customs and Border Protection note that AVC is a major importer of PVC.

## **5 AUSTRALIAN MARKET**

### **5.1 Market size**

The Australian market is supplied by AVC and imports from a number of countries in particular Taiwan, China, Indonesia and Thailand.

To calculate the size of the PVC market in Australia, Customs and Border Protection used verified sales data from AVC and Customs and Border Protection import data. No importers provided a response to the importer questionnaire, however, two importers - Primaplas Pty Ltd (Primaplas) and Vinidex Pty Ltd (Vinidex) - were visited by Customs and Border Protection.

Primaplas is an importer and distributor of a range of plastics and polymer resins including PVC.

Vinidex imports a range of plastics and polymer resins including PVC. Vinidex manufactures and distributes plastic piping systems that are used in the transportation of fluids, energy and data for infrastructure development, agriculture, mining and building. Vinidex has manufacturing operations located in Sydney, Melbourne, Perth and Brisbane.

In the continuation inquiry of 2005 Customs and Border Protection found that the Australian PVC market was approximately 200,000 tonnes per year. AVC claimed in this inquiry that the Australian market was about 185,000 tonnes in 2008-09 and is continuing to decline in 2009-10 with the economic downturn brought about by the global financial crisis which began affecting the Australian market in September 2008.

Customs and Border Protection estimated the market size in 2006-07 and 2007-08 was in excess of 200,000 tonnes for each year, and this reduced to a market size of less than 200,000 tonnes in 2008-09.

### **5.2 Market structure**

The principal use for PVC in Australia remains the manufacture of pipes and pipe fittings and wire and cables for the construction and building industry. AVC claimed that 70-75 percent of the PVC market is pipe grade resin. Other uses for PVC include hoses and tubing and injection mouldings such as shoes.

AVC claims that the Australian market consists of the following market segments:

- Plumbing & electrical fittings;
- Pressure pipe; and
- General purpose.

AVC claimed that it can service all market segments with the grades that it manufactures locally supplemented by the grades it imports.

Customs and Border Protection found in the 2005 continuation inquiry that:

- the customer base for AVC and importers is a mature one that does not change greatly in the short term i.e. it is not common to change supply chains once secured;
- supply quantities and prices are negotiated on a regular basis;
- Asian PVC pricing and foreign exchange rates are often taken note of when prices are being negotiated;
- AVC claimed that it may get a slight price premium by being a local producer; and
- improvements in technology have led to end users using less PVC by improving additives and production processes to maintain strength e.g. end users are now making thinner pipes that require less PVC yet maintain required properties.

During this inquiry, Customs and Border Protection found these observations appeared to remain valid in the more recent PVC market. Importers visited during this continuation inquiry also claimed:

- Australian PVC market is integrated into the Asian regional market i.e. the prices in the Australian PVC market follow Asian prices, with supplier prices to Australia on par with regional prices. Australian selling prices are typically set with reference to the Asia prices published by Harriman and ICIS;
- AVC takes account of Asian regional prices, generally pricing to parity, once adjusted for differential delivery and other costs;
- PVC price information is extremely transparent;
- Current dumping duties exert an artificial influence on prices; and
- Australian PVC market is very price sensitive.

In addition, AVC stated during this inquiry that a decreasing requirement for PVC by end-users in their products is being compounded by a decline in the Australian market in 2008-09 and 2009-10, particularly in the housing and construction sector, due to the economic downturn.

### **5.3 Market share**

Customs and Border Protection noted that the majority of the PVC supplied to the market during the 2008-09 financial year was locally manufactured. The balance of the PVC was imported via a range of traders and importers/ end users, including AVC through the separate business of AVCT.

Customs and Border Protection examined the sources of supply to the Australian market during the 2008-09 financial year from data it extracted from the Customs and Border Protection import database.

Customs and Border Protection noted that the market has been affected by the following events since the continuation inquiry of 2005:

- AVC's plant shutdown in March 2008 and resulting disruption to production resulted in AVC increasing the volume of sales of imported PVC for a short period to make up for the shortfall in supply and other importers increasing their purchases of imported product to maintain production levels and ensure continuity of supply;
- Global financial crisis impacting the market from September 2008 resulting in reduced demand for PVC; and
- Innua Australasia Pty Ltd, a significant importer of PVC from Taiwan, ceased operating in early 2009. Customs and Border Protection was unable to identify the origin of any alternative supply that Innua's customers had secured.

## **6 DUMPING SINCE MEASURES WERE IMPOSED**

The volume of PVC exported to Australia from Korea since measures were imposed in 2000 has been negligible.

## **7 ECONOMIC CONDITION OF THE INDUSTRY**

### **7.1 Preliminary findings**

Customs and Border Protection has made the following preliminary findings:

- PVC is a cyclical commodity market. AVC lost sales volume in 2008 following the plant shutdown in March 2008 and the global financial crisis which began impacting the Australian market in September 2008;
- AVC lost market share in 2008 in line with lost sales volume but has increased market share in 2009;
- AVC lost sales revenue in 2008 in line with lost sales volume and despite increases in sales volume in September 2008 quarter and March 2009 quarter sales revenue in 2009 has not returned to the same levels achieved prior to 2008;
- AVC's unit CTMS increased in June 2008 to be above its unit revenue following the plant shutdown and has generally remained above unit revenue since then coinciding with the impact of the global financial crisis; and
- AVC's total profits and profitability has fluctuated but was affected by the plant shutdown and the impact of the global financial crisis in 2008.

### **7.2 Examination period**

Customs and Border Protection examined the performance of AVC from 1 January 2006 to 30 June 2009 (the examination period).

### **7.3 AVC's claims**

AVC claimed in its application that since 2005 its economic performance has fallen below what might otherwise be expected with selling prices at unsuppressed levels.

AVC claimed that referencing a notional unsuppressed selling price (USP)<sup>7</sup> is a reasonable way of plotting the economic performance of AVC and assessing the likely impact on performance if measures were allowed to expire. AVC included in its application, graphs showing actual selling prices against a notional USP. AVC claims the graphs show that actual selling prices were generally below the notional USP since 2005.

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<sup>7</sup> AVC claimed it used the same method used by Customs and Border Protection in Trade Measures Report No. 100 (PVC: Review of Normal Values, Export Prices and Non-Injurious Prices) i.e. USP was based on a constructed price using AVC's verified weighted average cost of VCM plus an amount representing a reasonable gap between the VCM cost per tonne and the selling price of PVC.

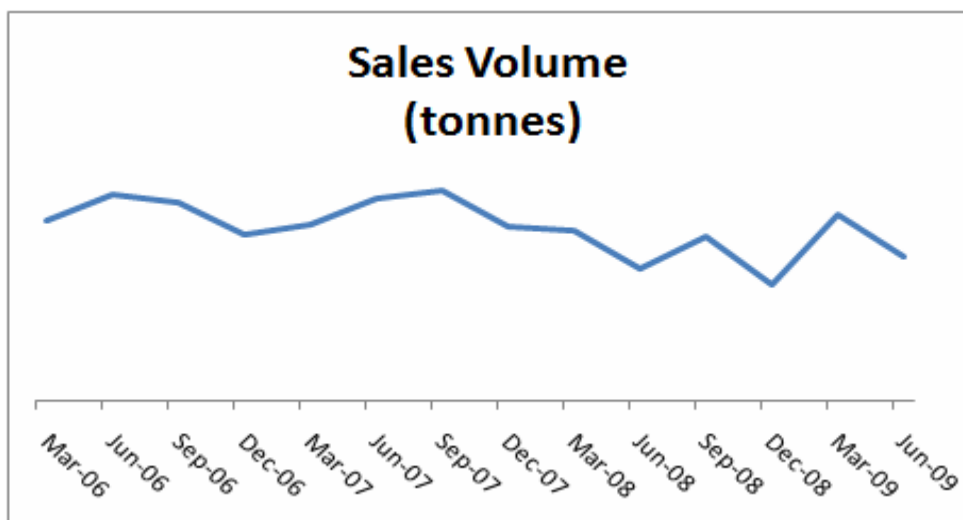
AVC claimed that on current indicators (profitability and actual selling prices versus the USP) it is vulnerable to any renewed dumping in significant volumes.

## 7.4 Volume trends

Customs and Border Protection examined AVC's sales of imported and local PVC in its analysis of volume trends.

### 7.4.1 Sales volumes

Movements in AVC's quarterly total sales volume (local production and imported PVC) is illustrated in the following chart.



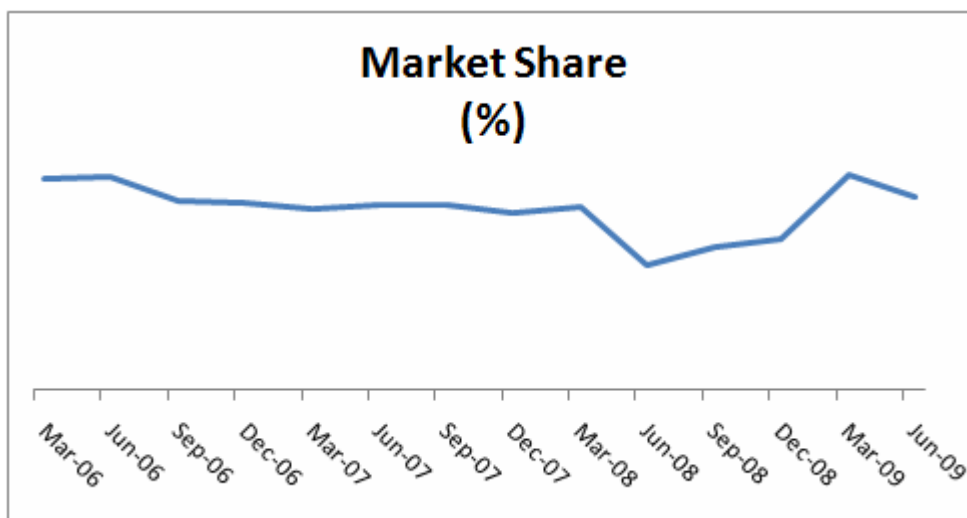
Customs and Border Protection is aware of, and has taken into account, the relative trends in sales volume for AVC's local production and its imports. Customs and Border Protection has not displayed the data with such a split in the above chart for confidentiality reasons.

Customs and Border Protection in the continuation inquiry of 2005 found that PVC is a cyclical commodity market. The above chart supports this finding, however, Customs and Border Protection noted:

- the plant shutdown in March 2008 was followed by a fall in overall sales in the June 2008 quarter made up of a decrease in sales of local production and an increase in sales of imported PVC;
- the impact of the global financial crisis in September 2008 was followed by a decrease in overall sales in the December 2008 quarter (made up of a decrease in sales of both local production and imported product); and
- that AVC's increase in sales volume in the March 2009 quarter.

## 7.4.2 Market Share

Movements in AVC's market share are illustrated in the following chart.



The above chart indicates that AVC's market share has remained relatively stable between the September 2006 and March 2008 quarters. The graph then shows:

- reduced market share between June 2008 and December 2008 quarters; and
- increased market share in the March and June 2009 quarters to a similar level to that achieved before the decline.

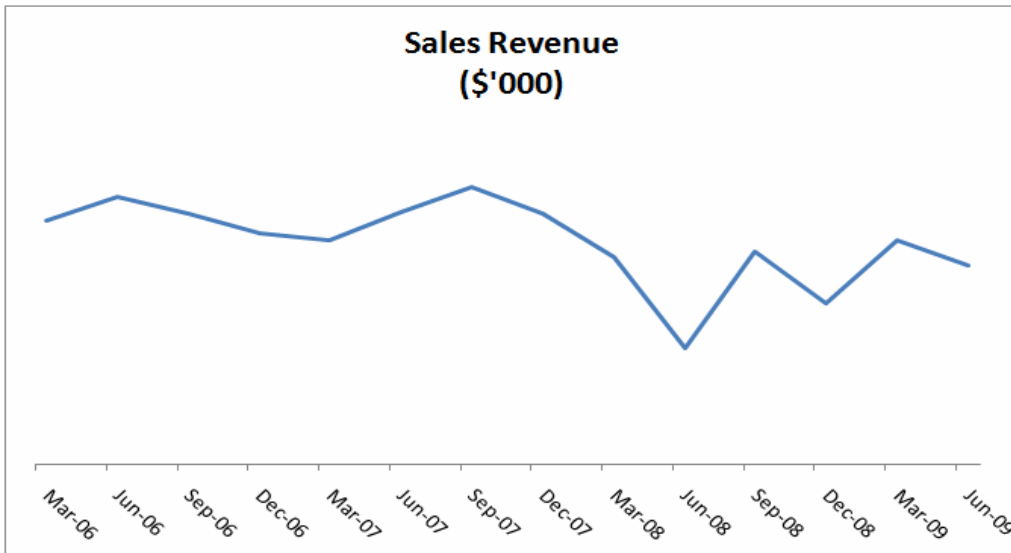
AVC stated that its poor results in 2008 were due to problems experienced with the installation of a new Distributed Control System in the plant in March 2008 which resulted in a plant shutdown and disruption in production for three months. AVC advised that it lost business due to the shutdown which it has since been trying to regain. This is reflected in the above graph.

Customs and Border Protection noted that AVC's significant increase in market share in the March 2009 quarter.

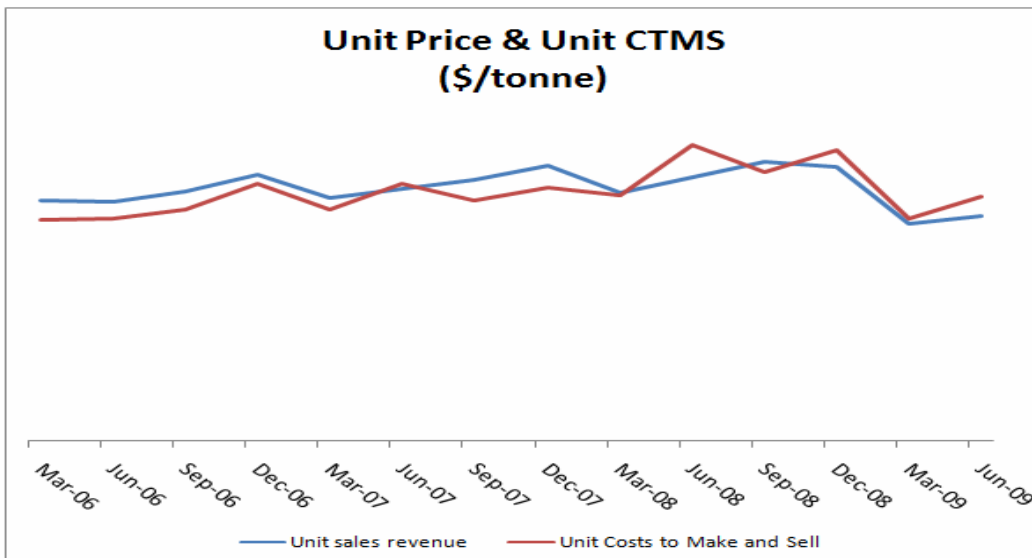
## 7.5 Revenue, price and cost trends

Customs and Border Protection examined revenue, price and cost trends over the examination period using data relating only to local production.

Movements in AVC's revenue, unit prices and costs are illustrated in the following charts.



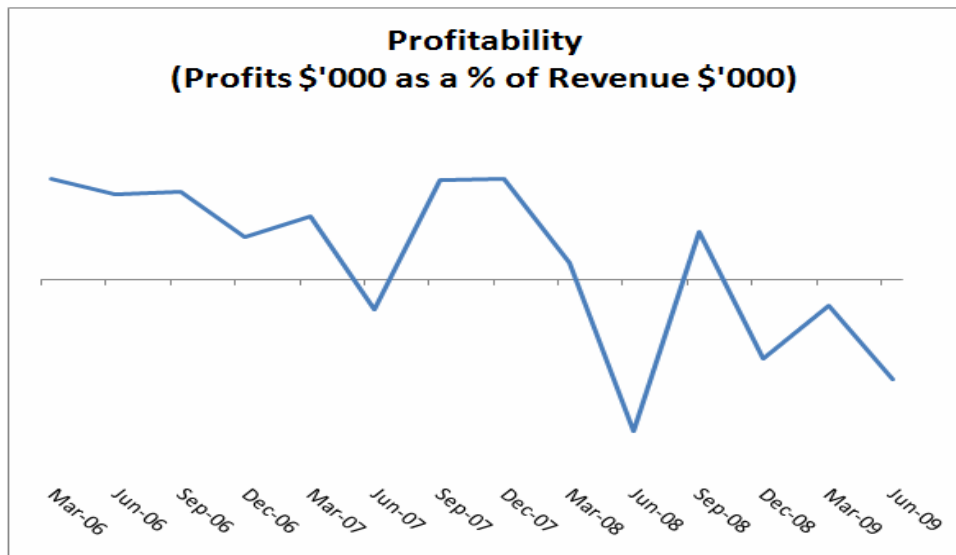
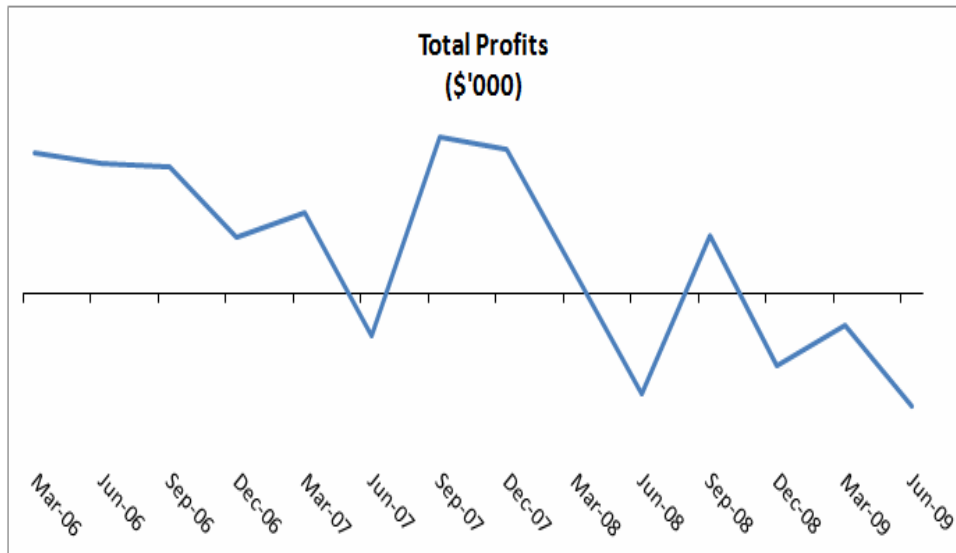
The above chart indicates that AVC's sales revenue has generally followed the same trends as sales volume.



The above chart shows that unit CTMS has fluctuated throughout the examination period in a generally upwards direction, with the exception of the last two quarters. Unit CTMS increased in June 2008 quarter following the plant shutdown to be above the unit price line and has generally remained above the unit price since then. AVC's unit price has also fluctuated throughout the examination period in a generally upwards direction. Both unit CTMS and unit price declined in the last two quarters of the examination period. Customs and Border Protection noted that the start of the decline coincides with the start of the impact of the global financial crisis.

## 7.6 Profits and profitability

Movements in AVC's total profits and profitability (profit measured as a percentage of revenue) are illustrated in the following charts.



The above charts indicate that AVC's total profit and profitability declined in June 2007 quarter and then again in June 2008 and December 2008 quarters to negative values. AVC has been operating at a loss since the December 2008 quarter.

Customs and Border Protection noted that the decline in the June 2008 quarter coincided with the plant shutdown and its subsequent impact on production. It also noted the negative values in the last three quarters coincided with the impact of the global financial crisis.

## **8 LIKELIHOOD OF DUMPING OR INJURY CONTINUING OR RECURRING**

### **8.1 Preliminary findings**

Customs and Border Protection considers that, if anti-dumping measures expire:

- it is possible that exports of PVC from Korea to Australia will recur;
- and if exports of PVC from Korea to Australia recur, it is likely they will be at dumped prices; and
- it is not satisfied that there is a likelihood of material injury continuing or recurring.

Having regard to all of these preliminary findings, Customs and Border Protection is not satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures are intended to prevent.

### **8.2 Claims by interested parties**

#### **8.2.1 Recurrence of dumping**

In its application, AVC provided the following documents in support of its claim that dumping of PVC from Korea would recur in the absence of anti-dumping measures:

- Monthly volume, value and unit value statistics for Korean PVC exports to third countries including Australia for the period 2007 to April 2009; and
- Korean domestic price information on PVC for the same period from a market research company.

AVC claimed that an analysis of this data shows that approximately 43 percent of Korean exports to all countries are at unit values (with a 3 percent or greater dumping margin) below the Korean domestic price.

During verification, AVC emphasised the claim it made in the application that Customs not employ its usual methodology to assess dumping on the basis of a weighted average analysis. AVC explained that the aim of analysis in continuation cases is to assess behavioural patterns and whether Korean exporters would be likely to dump and cause material injury. AVC further explained that weight averaging export prices masks a significant number of low, dumped export prices and the predatory and opportunistic nature of this pricing.

AVC claimed that the above Korean export behaviour to third countries suggests a likelihood that future exports to Australia would be dumped.

### **8.2.2 Recurrence of material injury**

AVC claimed in its application that over the examination period its economic performance has generally fallen below what might otherwise have been expected with selling prices at unsuppressed levels. AVC further claimed:

- PVC imports from Korea have continued to have a small market presence in the Australian market;
- Korea is one of the largest exporters of PVC in the world;
- The fungible nature of PVC and its sensitivity to price would ease resumption of supply to the Australian market of dumped Korean PVC; and
- a comparison of a notional USP with notional selling prices of Korean product (built up from a notional LDPI SC extended to an importers selling price) shows that around 33 percent of all Korean export volume is at a notional importers selling price which would undercut the USP.

Both importers visited during the continuation inquiry were of the view that removing the measures would be unlikely to damage the Australian market for the following reasons:

- there is sufficient supply, at competitive prices, from alternative sources to meet demand; and
- importers seek to maintain long term and stable relationships with their PVC suppliers.

### **8.3 Exporter involvement in the continuation inquiry**

Customs and Border Protection in the continuation inquiry of 2005 identified four companies who had previously exported PVC from Korea to Australia:

- Han Wha Chemical Corporation;
- LG Chem Ltd;
- The Normandy Group S.A.; and
- Hyundai PetroChemical.

Customs and Border Protection in the continuation inquiry of 2005 noted that Hyundai PetroChemical no longer manufactured PVC.

Notwithstanding the negligible volumes of PVC exported to Australia from Korea during the examination period, Customs and Border Protection invited the other three companies to participate in this inquiry. Specifically, Customs and Border Protection requested data in relation to third country sales, domestic sales and cost to make and sell. Customs and Border Protection

nominated the financial year 2008-09 for the purposes of assessing export prices and normal values.

Han Wha Chemical Corporation advised that it did not want to participate in the inquiry and the Normandy Group S.A. did not respond to the invitation. LG Chem agreed to participate and completed and submitted a response to the exporter questionnaire on 19 October 2009. Customs and Border Protection sought clarification of some of the information provided by LG Chem in its response. LG Chem subsequently provided additional information on 10 December 2009.

LG Chem provided in its response for the 2008-09 financial year:

- a summary of its export sales volume and US dollar FOB prices to third countries by quarter;
- separate domestic and export CTMS data by month; and
- domestic sales spreadsheet of all domestic sales of like goods.

The information provided by LG Chem was not verified by Customs and Border Protection.

Customs and Border Protection obtained the following information about LG Chem and the market from its 2008 annual report:

- LG Chem is Korea's first and largest vertically integrated chemical company;
- LG Chem was founded in 1947 and has become one of the world's top 30 chemical makers;
- LG Chem has two business divisions – petrochemicals and the information & electronic materials divisions. (A third division – industrial materials division – was demerged and launched as a new company called LG Hausys in April 2009. As a result of the demerger, LG Chem has become a specialised chemical company that focuses on petrochemical goods, car batteries and information and electronic materials); and
- LG Chem expects 2009 to be an extremely challenging year for businesses, as economic uncertainties continue. The downturn in the world economy has not abated and the petrochemical industry faces a dramatic decrease in demand and oversupply because of added competition from the Middle East.

Customs and Border Protection acknowledge that its preliminary findings relating to Korea are based to a large extent on information provided by LG Chem. Customs and Border Protection note however that LG Chem is the largest chemical company in Korea and is a significant exporter of PVC.

## **8.4 Are exports likely to continue or resume?**

### **8.4.1 Exporter dependence on export markets**

Customs and Border Protection noted in the continuation inquiry of 2005 that Korea continues to have a strong focus on export markets, China in particular. Customs and Border Protection in this inquiry noted from the information provided by LG Chem that:

- it had a strong focus on export markets during the 2008-09 financial year exporting to a large number of export markets, in particular India and China; and
- LG Chem has direct marketing branches established around the world including North and South America, China, Russia, Germany, Poland, Switzerland, India, Indonesia, Japan, Singapore, Taiwan, Thailand, Turkey, Vietnam and Brazil.

### **8.4.2 Global capacity**

Customs and Border Protection noted from publicly available information that the onset of the global financial crisis in 2008 resulted in global consumption falling below a growing capacity volume. The global PVC market is expected to be oversupplied by 4 million tonnes by 2014<sup>8</sup>.

### **8.4.3 Other sources of imported PVC**

Customs and Border Protection examined its import database and found the Australian PVC market was supplied by 18 countries during the 2008-09 financial year: in particular by imports from Taiwan, Thailand, Indonesia and China.

Customs and Border Protection compared the export prices from these other countries to the LG Chem export prices to third countries. C&BP considers the comparison indicated LG Chem export prices to third countries, if applicable to Australia, were unlikely to have been any more favourable on price than many other sources.

### **8.4.4 End-user preference**

AVC stated that:

- most of its PVC sales are to two customers with its remaining sales to a number of customers of reasonable size;

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<sup>8</sup> [www.chemicalonline.com](http://www.chemicalonline.com): CMAI Completes 2010 World Analysis: PVC Demand is Rebounding 1 October 2009

- its customer base is reasonably stable; and
- the disruption to its production brought about by the plant shutdown in March 2008 resulted in a loss of business to imports which it has been trying to regain since then.

#### **8.4.5 Supply channels to Australia**

There have been negligible volumes of imported PVC from Korea since measures were imposed in 2000.

Customs and Border Protection noted from its import data that:

- previous Korean exporters of PVC continue to export other products to Australia including to current importers of PVC;
- previous importers of PVC from Korea have switched sources to suppliers in countries that are not subject to measures; and
- PVC is being exported from a large number of countries and imported by a large number of importers generally in small volumes i.e. there is significant import competition from a number of sources.

#### **8.4.6 PVC global market conditions**

Customs and Border Protection examined data and commentary provided in a number of international sources about pricing, supply and demand, forecasts and activity since 2006. Customs and Border Protection noted that the market has changed since the continuation inquiry of 2005, in particular:

- In 2006<sup>9</sup>:
  - o Global PVC consumption reached 33.5 million tons;
  - o The world consumption pattern was shifting towards Asia with Asia alone accounting for 40 percent of the total consumption of PVC;
  - o China led the world in both production (with a capacity of about 9 million tons) and consumption of PVC (about 27 percent of global consumption);
  - o Massive capacity additions in China brought capacity in the Asia Pacific region up to 50 percent of the global total;

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<sup>9</sup> Source: plastemart.com: Global PVC Consumption and Capacity Being Predominantly Influenced by China

- Capacity is expected to develop to serve the booming construction markets in Asia. Capacity in developed regions is expected to remain comparatively stable whilst developing regions such as Africa and South America are expected to see higher growth;
  - The most significant developments outside Asia will be in the Middle East where major capacity developments are expected to occur to serve the local supply deficit and to develop an export position;
- In 2008<sup>10</sup>:
- Worldwide PVC demand declined by 8 percent and was expected to decrease further in 2009;
  - Raw material prices increased significantly;
  - Prior to the global financial crisis in 2008, the global market was undersupplied. When the global economy contracted capacity expansions continued because most projects were too far along to stop. Global consumption fell far behind a growing capacity volume resulting in operating rates dropping significantly. The global PVC market was expected to be oversupplied by almost 4 million metric tonnes by 2014;
- In 2009<sup>11</sup>:
- Global demand for PVC is expected to grow annually by 4.1 percent with China to become the key user of the product;
  - China will continue to be the principal driver for global PVC demand up to 2020 spurred on by the Chinese government \$600 billion investment program to develop infrastructure in interior China;
  - Chinese PVC demand is expected to grow by 8 percent annually and is expected to reach 12 million tons by 2010 and account for 44 percent of the global PVC demand by 2020;
  - Even with large capacity additions China will emerge as the largest importer of PVC in the world. PVC imports into China are forecast to be 2.3 times higher in 2009 than in 2008. Taiwan was

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<sup>10</sup> Source: chemicalonline.com: CMAI Completes 2010 World Vinyls Analysis: PVC Demand is Rebounding 1 October 2009

<sup>11</sup> Source: CENS.com: Taiwan Economic News: China Levies Anti-dumping Tax on the US, Japan, Korea and Taiwan 2 October 2009; globalmarketsdirect.com: Global PVC Market Analysis and Forecasts to 2020 18 September 2009; cbichina.com (ICIS): China Meets Flood of Methanol, PE, PVC Imports 12 April 2009

China's largest supplier of PVC in the first 7 months of 2009 followed by Japan, Korea and Hong Kong;

- The global financial crisis has resulted in the decline in the cost competitiveness of the Chinese PVC industry. Calcium carbide producers account for 82 percent of China's local PVC supply. The shift in competitiveness is the result of ethylene based production becoming far more competitive than the calcium carbide or coal based route due to the fall in oil price;
- PVC demand growth during the last 10 years in the Middle East region was the second largest after the Asia Pacific region. The demand was driven by large scale construction projects in Iran, Saudi Arabia and UAE. These countries have undertaken large multi-billion dollar projects to develop infrastructure driving the demand for PVC; and
- Demand for PVC in construction applications in developing countries, particularly China, India and Brazil will compensate for the slowdown in the traditionally large markets in North America and Europe and account for 61 percent of the global PVC demand in 2020.

Customs and Border Protection note that the majority of LG Chem's PVC sales are to export markets, in particular the growing markets in Asia, Africa, the Middle East and South America.

#### **8.4.7 Summary**

Customs and Border Protection noted the following:

- Australian importers source PVC from a number of countries;
- previous importers of PVC from Korea have formed long term relationships with suppliers in other countries;
- there are existing supply channels from Korea to Australia;
- the global PVC market has changed since the continuation inquiry of 2005:
  - global demand is continuing to shift towards Asia, in particular the markets of India and China;
  - the Middle East has the second largest growth rate; and
- the majority of LG Chem's sales of PVC are to these markets.

#### **8.4.8 Preliminary finding: likelihood of exports continuing or recurring**

Customs and Border Protection has made a preliminary finding that, if anti-dumping measures expire, it is possible that exports of PVC from Korea to Australia will recur.

### **8.5 What is the likelihood of dumping continuing or recurring?**

#### **8.5.1 Exporters' domestic sales and export sales to third countries**

In its response, LG Chem stated that it had not exported PVC to Australia during the 2008-09 financial year. Customs and Border Protection import records confirm this statement. As there were no exports of PVC from Korea in 2008-09, Customs and Border Protection examined export price to third countries data provided by LG Chem in its response. LG Chem provided quarterly third country sales data by volume and value during 2008-09.

From the data, Customs and Border Protection calculated an export price using the weighted average free on board (FOB) price of all third country sales by LG Chem.

Customs and Border Protection examined domestic sales data provided by LG Chem for the purposes of calculating a normal value. LG Chem provided a spreadsheet of its domestic sales during 2008-09. Customs and Border Protection analysed the data in the spreadsheet and found:

- A number of transactions where the quantity was zero but the value was negative. LG Chem did not provide a reasonable explanation for these transactions; and
- A number of transactions where the unit price appeared to be unreasonably high or low when compared to other transactions of the same grade in the same quarter.

On the basis of not being able to trace these transactions to source documents and therefore not being satisfied with accuracy of these transactions Customs and Border Protection decided to disregard them.

Customs and Border Protection was unable to reconcile the sales volume in the domestic sales spreadsheet to either the Sales Summary or CTMS Domestic Sales data provided by LG Chem in its response. Customs and Border Protection was also unable to reconcile the sales value in the domestic sales spreadsheet to the Sales Summary.

Customs and Border Protection was therefore not satisfied that the domestic sales spreadsheet is complete, relevant and accurate in relation to the volume and value of sales. Customs and Border Protection therefore considers that there is insufficient reliable evidence of domestic sales information.

Customs and Border Protection then considered other relevant information for the purposes of calculating a normal value<sup>12</sup>. LG Chem provided in its response domestic and export CTMS data for PVC for each month of 2008-09. Customs and Border Protection calculated a normal value per quarter using the sum of the export CTMS and domestic SG&A and profit. The amount for profit for each quarter was determined using the difference between the quarterly weighted average domestic selling price and the quarterly CTMS for domestic sales.

To ascertain the likelihood of a recurrence of dumping of PVC from Korea if anti-dumping measures expired, Customs and Border Protection calculated an indicative dumping margin for 2008-09 by comparing quarterly weighted average export prices with the corresponding quarterly weighted average normal values<sup>13</sup>. Customs and Border Protection then calculated an overall dumping margin for the 2008-09 financial year that was not negligible.

Customs and Border Protection noted that the majority of LG Chem's export sales were to the two markets of China and India. Customs and Border Protection therefore examined the impact of excluding sales to these countries on the overall dumping margin and found that the overall dumping margin remained as not negligible.

### **8.5.2 Anti-dumping action by other countries**

Customs and Border Protection in the continuation inquiry of 2005 examined semi-annual returns to the World Trade Organisation and conducted internet based research to see if Korea had been the subject of any PVC anti-dumping investigations conducted by other jurisdictions. At that time, Customs and Border Protection found that:

- Pakistan had finalised an investigation and imposed definitive antidumping duties on PVC exports from one specific exporter in Korea;
- In 2003, China imposed anti-dumping measures on PVC exports from Korea; and
- In 2001, South Africa imposed anti-dumping measures on PVC exports from Korea.

During this inquiry Customs and Border Protection noted:

- Pakistan's announcement on 24 October 2009 that it has initiated a sunset review of anti-dumping measures on PVC resin exported from Korea;

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<sup>12</sup> Under subsection 269TAC(2)(c)

<sup>13</sup> In accordance with subsection 269TACB(2)(aa)

- China's announcement on 2 October 2009 that it will continue to impose anti-dumping duties on imports of PVC from a range of countries including Korea for a further 5 years effective from 29 September 2009; and
- South Africa indicated at the end of 2008 that anti-dumping measures on PVC would be terminated.

### **8.5.3 Preliminary finding: likelihood of dumping continuing or recurring**

Customs and Border Protection noted that LG Chem's sales to third countries during the 2008-09 financial year were at prices that Customs and Border Protection assessed to be dumped by a weighted average margin that is not negligible. Customs and Border Protection also noted that even after sales to the markets of India and China were excluded the overall dumping margin was not negligible.

Customs and Border Protection acknowledges that other countries have taken, and some maintain, anti-dumping measures in relation to PVC from Korea. Customs and Border protection considers that the evidence demonstrates a propensity for Korean exporters to sell PVC into export markets at dumped prices. Customs and Border Protection therefore considers that, if anti-dumping measures expire, and if exports of Korean PVC to Australia recur, it is likely they will be at dumped prices.

## **8.6 What is the likelihood of injury continuing or recurring?**

### **8.6.1 Current state of the Australian industry**

Customs and Border Protection in the continuation inquiry of 2005 found that:

- PVC is a cyclical commodity market;
- The prevalence of USD PVC and VCM import contracts mean AVC prices are sensitive to exchange rate fluctuations; and
- The market has been affected by imports of goods from different countries at dumped prices at varying times and at differing degrees over the past 20 years.

Customs and Border Protection previously acknowledged the difficulty in concluding at which point in time AVC's profits would be unaffected by dumping. The data, however, suggests that AVC's economic condition in 2008-09 was weaker than that of preceding years.

AVC is operating at full capacity and is a significant importer of PVC from Taiwan. Claims were made by importers in the continuation inquiry of 2005 that if measures were allowed to expire and exports resumed from Korea, AVC may lose some sales volume to Korean product but it was likely the lost sales volume would be AVC's imported product rather than local product. Customs

and Border Protection noted that these claims are supported by the impact of the global financial crisis which resulted in AVC experiencing two poor quarters in which AVC's overall sales volume declined due to a loss of sales of imported product.

### **8.6.2 Other import competition**

Customs and Border Protection compared LG Chem's FOB prices for PVC exported to third countries with FOB prices of PVC sales to Australia by suppliers from countries not subject to measures during the financial year 2008-09. Customs and Border Protection noted that LG Chem's export prices were higher or lower at different times of the year but in general were not dissimilar.

Customs and Border Protection considers that any future Korean exports, even if at dumped prices, would need to compete in Australia with a range of other well-established import sources, and with the Australian PVC industry. The examination of market structure, supply channels and relative price points in 2008-09 does not suggest to Customs and Border Protection that Korean PVC would necessarily become a favourable supply option for Australian importers if anti-dumping measures applying to PVC from Korea expired.

### **8.6.3 Other causes of injury**

AVC's performance since the 2005 continuation inquiry has been adversely affected by two major incidents:

- The plant shutdown and subsequent loss of production in March 2008; and
- Global financial crisis whose impact was felt, particularly in the construction market, from September 2008.

Customs and Border Protection noted that the plant shutdown led to a loss of sales of local production over an increase in the volume of imports by some customers.

Customs and Border Protection also noted that the global economic crisis led to a reduction in the volume of imports rather than AVC's sales of local product.

### **8.6.4 Comparison of non-injurious prices and export prices**

Customs and Border Protection considers that it is not essential to calculate a non-injurious price (NIP) in a continuation inquiry. However, Customs and Border Protection accepts that the comparison between export price and NIP can be a useful indicator of whether dumped export prices are likely to be injurious to the Australian industry.

In this context, Customs and Border Protection calculated quarterly unsuppressed selling prices (USP) for PVC sales in Australia by AVC during

the 2008-09 financial year. This was done in the same manner as that explained in TM Report number 100<sup>14</sup>. Quarterly non-injurious prices were then calculated by deducting from the USP's amounts for importer expenses and profit, into-store costs, port and clearance charges, delivery expenses, customs duty, and overseas freight and insurance. Customs and Border Protection used amounts for these deductions that were established for the purposes of TM Report No. 100. Although these amounts are not contemporaneous, Customs and Border Protection has compared them with similar types of expenses that were incurred by AVCT for its imported PVC (albeit from different countries) and considers that the figures from TM Report No. 100 are not unreasonable.

Customs and Border Protection compared the quarterly weighted average NIPs for the 2008-09 financial year with the corresponding quarterly weighted average LG Chem export prices to third countries. Customs and Border Protection observed that the LG Chem export prices were, for each quarter, significantly lower than the NIPs.

Given that the LG Chem exports to third countries in the 2008-09 financial year were considered to be dumped (discussed earlier in this report), Customs and Border Protection considers that the comparison of export prices with NIPs suggests that, had the Korean PVC been exported to Australia at the level of the LG Chem third country sales prices, then such exports may have been injurious to the Australian industry. However, this would also depend on the import volumes and the relativity of Korean prices to those of other imported PVC available in the Australian market.

#### **8.6.5 Preliminary finding: likelihood of injury continuing or recurring**

In 2008-09, AVC was in a relatively weakened economic state relative to preceding years. AVC's economic condition has been largely brought about by the plant shutdown in March 2008 and the impact of the global financial crisis which began being felt in the market in September 2008.

Earlier in this section, Customs and Border Protection made preliminary findings that, if anti-dumping measures expire, it is possible that exports of PVC from Korea will recur, and if they recur it is likely that they will be at dumped prices. Having regard to the factors above, in the context of a possibility (rather than likelihood) of exports recurring, Customs and Border Protection is not satisfied that, if anti-dumping measures expire, there is a likelihood of material injury continuing or recurring.

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<sup>14</sup> In TM Report No.100, Customs and Border Protection constructed a USP having regard to AVC's VCM cost in the review period plus the difference between the VCM cost per tonne of PVC and PVC selling prices, as verified for financial year 1998-99. In this case, Customs and Border Protection used the verified VCM costs for the 2008-09 financial year and the difference between VCM costs and PVC prices for 1998-99.

