

**AUSTRALIAN CUSTOMS SERVICE
CUSTOMS ACT 1901 – PART XVB**

TRADE MEASURES BRANCH

REPORT NO. 17

**Polyvinyl chloride bottle compound
exported from
Singapore**

14 March 2000

CONTENTS

| | |
|--|-----------|
| ABBREVIATIONS | 4 |
| 1. SUMMARY | 5 |
| 1.1 BACKGROUND..... | 5 |
| 1.2 DUMPING | 5 |
| 1.3 MATERIAL INJURY | 6 |
| 1.4 CAUSAL LINK..... | 6 |
| 1.5 CONTINUATION OF MATERIAL INJURY | 6 |
| 1.6 CONCLUSION..... | 7 |
| 2. INTRODUCTION..... | 8 |
| 2.1 PURPOSE OF REPORT..... | 8 |
| 2.2 INVESTIGATION PROCESS | 8 |
| 2.3 CUSTOMS' APPROACH TO THE INVESTIGATION | 9 |
| 2.4 THE APPLICATION BY THE INDUSTRY | 10 |
| 2.5 SUBMISSIONS BY EXPORTERS | 11 |
| 2.6 SUBMISSIONS BY OTHER PARTIES | 11 |
| 2.7 PUBLIC NOTIFICATIONS..... | 11 |
| 2.7.1 Initiation..... | 11 |
| 2.7.2 Preliminary affirmative determination | 11 |
| 2.7.3 Statement of essential facts | 11 |
| 2.7.4 Public file | 11 |
| 2.7.5 Internet | 12 |
| 2.8 APPEAL PROCESS | 12 |
| 3. THE GOODS UNDER CONSIDERATION..... | 13 |
| 3.1 PRODUCT INFORMATION | 13 |
| 3.1.1 Use | 13 |
| 3.1.2 Raw materials and the manufacturing process..... | 13 |
| 3.1.3 Product information..... | 14 |
| 3.2 TARIFF CLASSIFICATION..... | 14 |
| 4. LIKE GOODS AND THE AUSTRALIAN INDUSTRY | 16 |
| 4.1 LIKE GOODS | 16 |
| 4.2 THE AUSTRALIAN INDUSTRY | 17 |
| 4.3 CONCLUSION..... | 18 |
| 5. THE AUSTRALIAN MARKET | 19 |
| 5.1 MARKET STRUCTURE | 19 |
| 5.2 MARKET SIZE..... | 19 |
| 6. THE DUMPING INVESTIGATION | 21 |
| 6.1 BACKGROUND..... | 21 |
| 6.2 EXPORT PRICE..... | 21 |
| 6.3 NORMAL VALUE..... | 21 |
| 6.4 DUMPING MARGINS..... | 23 |
| 6.4.1 Negligible dumping margins | 23 |
| 6.4.2 Negligible volume of dumped goods..... | 23 |
| 7. THE ECONOMIC CONDITION OF THE INDUSTRY | 25 |
| 7.1 INTRODUCTION | 25 |
| 7.2 APPLICANT'S CLAIMS..... | 25 |
| 7.3 PRICE TRENDS | 25 |
| 7.3.1 Price undercutting | 25 |
| 7.3.2 Price depression..... | 26 |
| 7.3.3 Price suppression..... | 28 |

| | | |
|------------|---|-----------|
| 7.4 | VOLUME TRENDS | 29 |
| 7.4.1 | Sales volume | 29 |
| 7.4.2 | Market share | 29 |
| 7.5 | PROFIT | 30 |
| 7.6 | PROFITABILITY | 31 |
| 7.7 | CONCLUSION..... | 31 |
| 8. | HAS DUMPING CAUSED MATERIAL INJURY?..... | 33 |
| 8.1 | ISSUES RAISED BY INTERESTED PARTIES..... | 33 |
| 8.2 | AVC'S CLAIMS..... | 34 |
| 8.3 | CUSTOMS ASSESSMENT | 34 |
| 8.3.1 | Customs has a limited brief | 34 |
| 8.3.2 | Price effects..... | 34 |
| 8.3.3 | Volume effects | 35 |
| 8.3.4 | Profits and profitability | 35 |
| 8.4 | CONCLUSION..... | 35 |
| 9. | THREAT OF CONTINUING MATERIAL INJURY?..... | 36 |
| 10. | ANTI-DUMPING MEASURES..... | 37 |
| 10.1 | BACKGROUND..... | 37 |
| 10.1.1 | Interim dumping duty..... | 37 |
| 10.1.2 | Undertaking..... | 37 |
| 10.2 | NON-INJURIOUS PRICE..... | 38 |
| 10.2.1 | Introduction..... | 38 |
| 10.2.2 | Calculation | 39 |
| 11. | RECOMMENDATIONS..... | 40 |
| | LIST OF ATTACHMENTS..... | 43 |

ABBREVIATIONS

| | |
|-----------|--|
| ACDN | Australian Customs Dumping Notice |
| APN | APN Compounding Pty Ltd |
| AVC | Australian Vinyls Corporation Limited (usually refers to the PVC bottle compound business) |
| CEO | Chief Executive Officer of Customs |
| CFR | cost and freight |
| CIF | cost, insurance and freight |
| Customs | Australian Customs Service |
| FOB | free on board |
| Minister | minister responsible for Customs |
| N/A | not applicable |
| NIP | non-injurious price |
| PAD | Preliminary Affirmative Determination |
| PET | polyethylene terephthalate |
| PVC | polyvinyl chloride |
| s. | section, sub-section or paragraph |
| SEF | statement of essential facts |
| SPC | Singapore Polymer Corporation (Pte) Ltd |
| The Act | <i>Customs Act 1901</i> |
| The goods | the goods the subject of the application (PVC bottle compound) |
| TRACE | Customs commercial database |
| USP | unsuppressed selling price |
| WTO | World Trade Organisation |

Terms that are italicised in the report are defined in the glossary, which is at attachment 1.

1. SUMMARY

1.1 Background

This report explains the results of the *investigation* by Customs into the alleged *dumping* of polyvinyl chloride (PVC) bottle compound from Singapore.

The investigation is a result of an application received on 20 September 1999 from Australian Vinyls Corporation Limited (AVC), which produces most of the PVC bottle compound manufactured in Australia. AVC has manufacturing plants in Melbourne and employs about 250 people.

The Australian market for PVC bottle compound is about 5,200 tonnes per annum. It is supplied by AVC and imports from the country under reference (Singapore) and other countries.

The exporter in Singapore is Singapore Polymer Corporation (Pte) Ltd (SPC).

PVC bottle compound comes in various grades in a pelletised form. It is used to produce plastic bottles by the blow moulding method. The compound is produced by processing PVC resin with ingredients (which give strength and heat resistance), process aids, lubricants and colouring pigments. This manufacturing process is referred to as compounding.

Customs initiated the investigation on 11 October 1999.

On 27 January 2000 Customs made a *preliminary affirmative determination* (PAD) and imposed *securities* on imports of PVC bottle compound from Singapore. The determination was made as Customs was satisfied, based on its investigation to that time, that dumping of the goods from Singapore had caused *material injury* to AVC. Customs considered that the imposition of securities was warranted to ensure that further injury was not caused to the Australian industry while the investigation was being completed.

On 31 January 2000 Customs placed a *statement of essential facts* in relation to the investigation on the public file.

1.2 Dumping

Dumping occurs when the *export price* of a product is less than the *normal value* of the same or similar product in the domestic market of the country of export.

Customs determined normal values using domestic selling prices of PVC compound in Singapore under s. 269TAC(1). It determined export prices under s. 269TAB(1)(a).

Customs found a *dumping margin* for SPC of about 16 per cent, using the weighted average method.

1.3 Material injury

Customs found that AVC, in 1998-99 (compared to 1997-98):

- lost sales and market share;
- suffered price undercutting and price suppression;
- suffered price depression on prices to some major customers; and
- suffered reduced profits and profitability (on sales).

Customs, therefore, is satisfied that AVC's PVC bottle compounding operation has suffered material injury due to some cause or causes.

1.4 Causal link

The interested parties claimed that several causes other than dumping could have caused material injury to AVC.

Customs, however, found that the dumped goods:

- undercut AVC's bottle compound prices causing AVC to reduce prices charged to some of its customers; and
- prevented AVC from generally raising prices to cover increased costs of manufacturing PVC bottle compound.

Also AVC lost sales and market share in 1998-99, when dumped imports increased their market share significantly.

Customs, therefore, is satisfied that dumped goods caused material injury to AVC's PVC bottle compounding operations.

1.5 Continuation of material injury

Customs found no evidence to suggest that, in the absence of measures, dumped imports from SPC would cease to cause material injury to AVC in the future. Therefore, Customs is satisfied that there is a threat of continuing material injury.

1.6 Conclusion

Customs is satisfied that:

- exports of PVC bottle compound to Australia by Singapore Polymer Corporation (Pte) Ltd from Singapore were dumped;
- such dumping caused material injury to AVC; and
- there is a threat of continuing material injury to AVC by future dumping.

Customs therefore recommends that the minister take anti-dumping action against exports of PVC bottle compound from Singapore.

Details of Customs recommendations are at chapter 11.

A glossary is at attachment 1.

A list of legal instruments for the minister's signature is at attachment 2.

The evidence relied on by Customs is at attachment 3.

A summary of findings by Customs is at confidential attachment 4.

2. INTRODUCTION

2.1 Purpose of report

The purpose of the report is to:

- present the findings of Customs investigation into the application by AVC for anti-dumping measures against exports to Australia of PVC bottle compound from Singapore; and
- recommend to the minister whether anti-dumping action should be taken against the nominated exports.

Anti-dumping measures may take the form of dumping duties or undertakings. Such measures are imposed where the dumping has caused, or threatens to cause, material injury to the Australian industry producing like goods.

2.2 Investigation process

Under s. 269TB of the *Customs Act 1901* (the Act), an Australian industry may lodge an application for dumping duties on goods exported to Australia at dumped prices, provided such dumping had caused and continues to threaten material injury to the Australian industry.

Where the Australian industry provides reasonable evidence to support its claims, Customs will undertake an investigation in accordance with the Act.

Customs invites *interested parties* to participate in the investigation, either through public notice in a national newspaper or, if the parties are known, by contacting them directly.

Customs has up to 155 days after initiation of the investigation to complete its investigation and report its findings and recommendations to the minister. The minister may extend this deadline (and the other deadlines mentioned in the following paragraphs) under certain circumstances.

Submissions from importers, exporters and other interested parties are due within 40 days from the commencement of the investigation.

From day 60 of the investigation period, Customs may impose *provisional measures* (in the form of securities) on imports of the goods if there is sufficient verifiable information available to justify action. The provisional measures provide the Australian industry with a temporary remedy from the effects of dumping pending the minister's final decision.

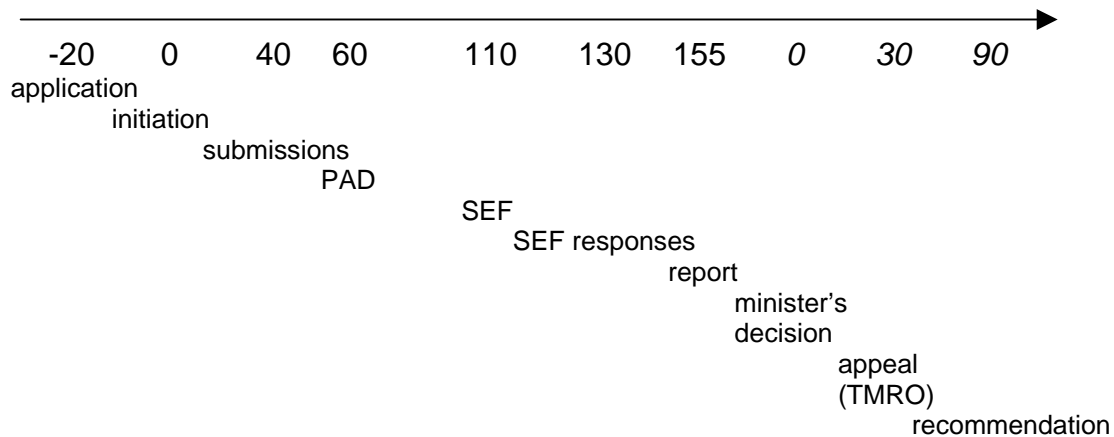
Customs must issue a statement of essential facts on or before 110 days after the initiation of the investigation. This statement outlines the facts on which Customs proposes to base its report to the minister. Interested parties then have 20 days to respond and lodge submissions on matters of concern.

After Customs has considered the submissions, it will report its conclusions and recommendations to the minister. The minister will then make a decision.

An interested party can appeal against the minister’s decision by lodging an application for a review with the Trade Measures Review Officer within 30 days of the announcement of the minister’s decision. Following commencement of the review, parties have 30 days to lodge submissions in response to the grounds of appeal. The review officer must make recommendations to the minister within 60 days of the public notification of the review.

For more information on the review process see section 2.8 (page12) of this report and the glossary at attachment 1.

A time-line (days) summarising the investigation process is shown below.



Apart from PAD, where day 60 is the earliest possible day for publishing, all other days are the statutory deadlines. The italicised days are after Customs report has been presented to the minister.

2.3 Customs approach to the investigation

The key issue before Customs is whether dumping is causing or threatening material injury to the Australian industry producing like goods.

If the answer is ‘no’, Customs cannot lawfully recommend anti-dumping action. If the answer is ‘yes’, Customs will normally recommend action.

Customs considers four subsidiary questions in deciding whether to recommend that the minister take anti-dumping action.

(i) Have the goods in question been dumped?

If the goods have not been exported at dumped prices, then dumping cannot be causing or threatening material injury.

(ii) What has been the recent economic performance of the industry?

Dumping cannot be causing injury if the Australian industry in question shows no signs of being injured. Customs examines the economic condition of the industry to identify any signs that the industry has been injured.

(iii) Has dumping caused material injury?

Customs evaluates the industry's performance to identify any other sources that may have caused injury to the industry. To recommend anti-dumping measures Customs must be satisfied that the dumping, of itself, has caused material injury to the industry.

(iv) Is there a continuing threat of material injury by future dumping?

In some (rare) cases dumping may have indeed caused, but clearly no longer threatens to cause, (continuing) material injury: in such cases anti-dumping action would not be warranted. On the other hand, dumping may not as yet have caused material injury but may threaten to cause material injury in the future. In such cases Customs recommends action.

If Customs decides that it can lawfully recommend anti-dumping action, it then considers what form (eg. dumping duties, undertaking) that action should take.

2.4 The application by the industry

On 20 September 1999 Customs received an application from AVC requesting anti-dumping measures be imposed on imports of PVC bottle compound, in pelletised form and various grades, from Singapore.

The application alleged that injury was being caused to the Australian industry by:

- price undercutting;
- price depression;
- price suppression;
- lost sales and reduced market share; and
- reduced profitability.

Customs accepted the application on the basis of the evidence provided and initiated the investigation.

2.5 Submissions by exporters

One exporter, SPC, lodged a submission containing full financial details with Customs.

2.6 Submissions by other parties

The following interested parties provided submissions to the investigation.

1. DIC International (Aust) Pty Ltd (an importer).
2. Peteron Plastics Pty Ltd (an end-user).

2.7 Public notifications

2.7.1 Initiation

Initiation of this investigation was notified publicly by ACDN No. 99/041 and by an advertisement in the *Australian Financial Review* of 11 October 1999. A copy of the public notice is at attachment 5.

2.7.2 Preliminary affirmative determination

Customs made a preliminary affirmative determination effective on and after 27 January 2000. This determination was notified publicly by ACDN No. 2000/3. A copy of the ACDN is at attachment 6.

2.7.3 Statement of essential facts

Customs placed a statement of essential facts on the public file on 31 January 2000. It requested responses from interested parties by 21 February 2000. It received only one response, from an importer (DIC).

2.7.4 Public file

A public file in relation to this investigation is held by the Trade Measures Branch office management at Customs House, 5 Constitution Avenue, Canberra, 2601.

The file includes copies of the:

- (non-confidential) application from AVC;
- non-confidential version of each submission received during the investigation;
- non-confidential versions of Customs reports on its visits to AVC, the exporter and the importer; and
- preliminary affirmative determination and statement of essential facts.

The file is available for viewing and copying by all interested parties by contacting office management staff on (02) 6275 6057.

2.7.5 Internet

The statement of essential facts, ACDNs and this report are available on Customs Internet homepage www.customs.gov.au/notices/index.htm.

2.8 Appeal process

Interested parties have 30 days from publication of the minister's decision to request the Trade Measures Review Officer to review the decision. The contact address of the officer is:

Trade Measures Review Officer
Robert Garran Offices
National Circuit
BARTON ACT 2601
Phone: +61-2-6250 6220
Fax: +61-2-6250 5914.

3. THE GOODS UNDER CONSIDERATION

The application described the goods as PVC bottle compound in a pelletised form and in various grades exported from Singapore.

3.1 Product information

3.1.1 Use

PVC bottle compound is blow moulded to make plastic bottles. These bottles are used as containers for a variety of substances such as cordial, foodstuffs, cosmetics and chemicals.

Raw material for blow moulding plastic bottles may also be obtained in a powdered form called dry blend. Dry blend, however, is not part of this investigation.

3.1.2 Raw materials and the manufacturing process

PVC bottle compound is made by processing PVC resin and other ingredients in a 'compounding' process.

The other ingredients are:

- impact modifier
- heat stabiliser
- process aids
- lubricants
- colouring pigments.

Each ingredient plays an important role in the blow moulding process and their respective proportions in a particular compound grade must be controlled within tight tolerances.

PVC resin is the major raw material. Impact modifier and heat stabiliser account for a significant part of the other raw material costs.

Process aids and lubricants are used in small quantities and therefore do not have a major impact on cost.

3.1.3 Product information

PVC bottle compound may be divided into two broad product types according to the heat stabiliser used in the manufacturing process.

- **Tin** based stabiliser is used in most PVC bottle compounds, as it is significantly cheaper than (the alternative) calcium/zinc stabiliser and is adequate for most applications.
- **Calcium/zinc** based stabiliser is used in a small number of applications, where it is preferred due to certain desired characteristics in the bottle produced (eg bottles used for holding mineral water) despite it being more expensive than the tin based stabiliser.

Customs inquiries revealed that the PVC bottle compounds exported to Australia from Singapore used tin based stabiliser.

These two broad product types may be sub-classified according to the impact strength of a particular compound. Typically, these sub-classifications are low (or normal), medium and high impact strength grades. Customs inquiries revealed that all these grades of PVC bottle compound were manufactured in Singapore.

Impact strength is measured by calculating the ability of a bottle filled with water to withstand breaking when dropped.

Impact strength is primarily dependent on the amount of impact modifier used in the compound to make the bottle. However other factors such as the shape of the bottle and positioning of its mould joints may also influence impact strength. Generally, larger bottles would require higher impact strength.

The grades of PVC bottle compound mentioned above (ie normal, medium, and high impact strength) may be further sub-classified according to features such as colour of the compound. The most commonly sold grades are clear grades.

Qualities of PVC bottle compound that are important to customers include clarity, imperfections (specks) on bottle surface, top load strength (ability to stack) and colour.

3.2 Tariff classification

PVC bottle compound is classified under sub-heading 3904.21.00 (statistical code 19) in Schedule 3 to the *Customs Tariff Act 1995*. The tariff classification is described as non-plasticised polyvinyl chloride, mixed with other substances, in primary form.

Customs notes that this classification includes other PVC compounds apart from bottle compound.

The rate of duty for the nominated country (Singapore) is 5 per cent.

4. LIKE GOODS AND THE AUSTRALIAN INDUSTRY

This chapter examines the requirements of s. 269T that an Australian industry produces like goods and that at least one substantial process in the manufacture of the goods is carried out in Australia.

4.1 Like goods

AVC, in its application, claimed that:

- it produced an extensive range of PVC bottle compounds (including medium and high impact strength grades) at its manufacturing sites in Melbourne;
- its compounds were in a pelletised form and were marketed under the brand name 'Welvic'; and
- its grades of PVC bottle compound competed with, and were like goods to, the goods under consideration.

During its investigation, Customs visited both AVC and the nominated Singaporean exporter, Singapore Polymer Corporation (Pte) Ltd (SPC). As a result of its inquiries, Customs found the following.

- AVC produced an extensive range of PVC bottle compounds.
- The goods exported to Australia by SPC and the goods manufactured by AVC both use:
 - PVC resin as the basic ingredient;
 - the same types of additives (although the amounts may vary slightly);
 - tin based heat stabiliser; and
 - similar manufacturing processes.
- Each manufacturer produces a similar range of compound grades, based on compound formulations that vary mainly according to the amount of impact modifier used for the particular compound. (In addition to low, medium and high impact grades, SPC markets a 'super' impact strength grade. Customs noted that AVC produces grades with similar formulations but includes them in its high impact range.)
- End-users are willing to switch purchases of PVC bottle compound between alternative suppliers.

The basic raw material for PVC bottle compound is PVC resin, which is a commodity product. Various ingredients are added to PVC resin to make different grades of bottle compounds (see section 3.1.2). AVC's PVC bottle compound range comprises over 25 grades, where each compound is tailor-made according to end-user specification.

Considering all of the above factors, Customs is satisfied that PVC bottle compounds manufactured in Australia have characteristics that closely resemble PVC bottle compounds exported to Australia from Singapore.

Therefore, Customs is satisfied that they are like goods.

4.2 The Australian industry

In its application, AVC claimed to produce most of the PVC bottle compound manufactured in Australia. (AVC advised that one other company, APN Compounding Pty Ltd, manufactured PVC compounds in Australia but its production of PVC bottle compound was small. Customs confirmed that APN produces small amounts of PVC bottle compound. APN did not participate in this investigation.)

AVC is an Australian company that was formed in August 1997 as a result of the amalgamation of the PVC businesses of ICI Australia Ltd (now Orica Australia Pty Ltd) and Auseon (Australian subsidiary of the US company Geon).

AVC comprises three business divisions: PVC Resin, PVC Compound and Specialty Products (Trading).

The PVC Compounds Division of AVC manufactures and supplies an extensive range of PVC compounds for use in various applications, such as PVC bottle compound, flexible wire and cable, rigid fittings, tubing and footwear PVC.

AVC expanded its compound business in October 1998 by acquiring the entire Improdex compound business from Marley Plastics Pty Ltd. At the time of acquisition, Improdex accounted for a significant share of the PVC bottle compound market.

AVC's compounds are produced at three manufacturing plants located in Melbourne.

AVC provided confidential financial information in support of its application. Following initiation of the investigation, Customs visited AVC's Compounds Division and verified the evidence provided in the application. Customs also visited the plant at Deer Park, Melbourne.

4.3 Conclusion

Based on its verification of information provided by AVC and inspection of AVC's plant at Deer Park, Customs is satisfied that an Australian industry produces like goods and that at least one substantial process in the manufacture of the goods is carried out in Australia.

Accordingly, the requirements of s. 269T(2), (3) and (4) of the Act have been met.

The like goods are not *close processed agricultural goods* as set out in s. 269T(4A) and (4B).

5. THE AUSTRALIAN MARKET

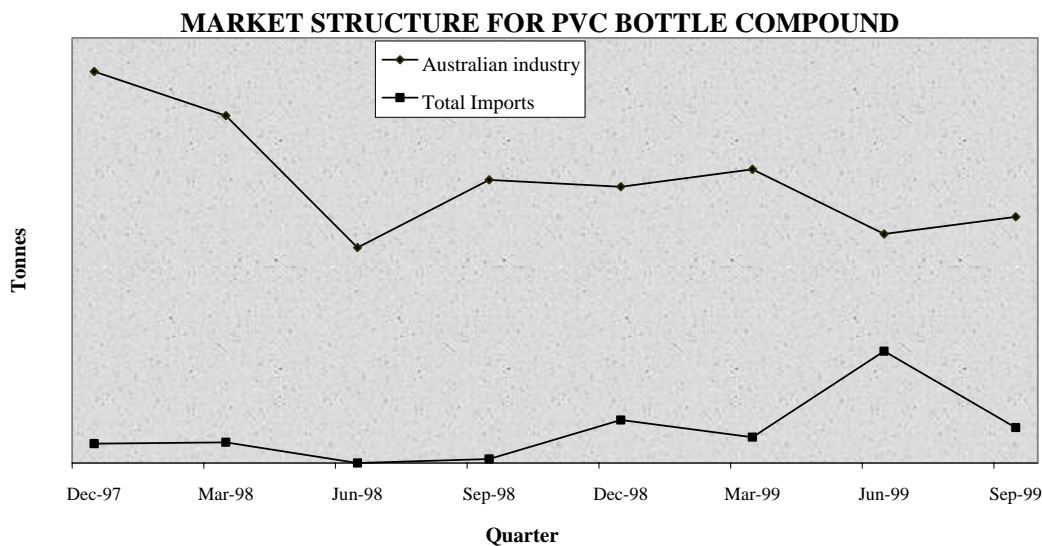
5.1 Market structure

The Australian market for PVC bottle compound is supplied by AVC, APN and by imports from a small number of countries, including Singapore.

AVC sells direct to a large number of end-users that blow mould the compound to make various types of plastic bottles.

Importers are mostly distributors who purchase the goods from overseas exporters, usually upon request (by an end-user), and sell to end-users in Australia. Most imported shipments are at least a container load in volume.

The structure of the Australian market for PVC bottle compound is shown in the graph below.



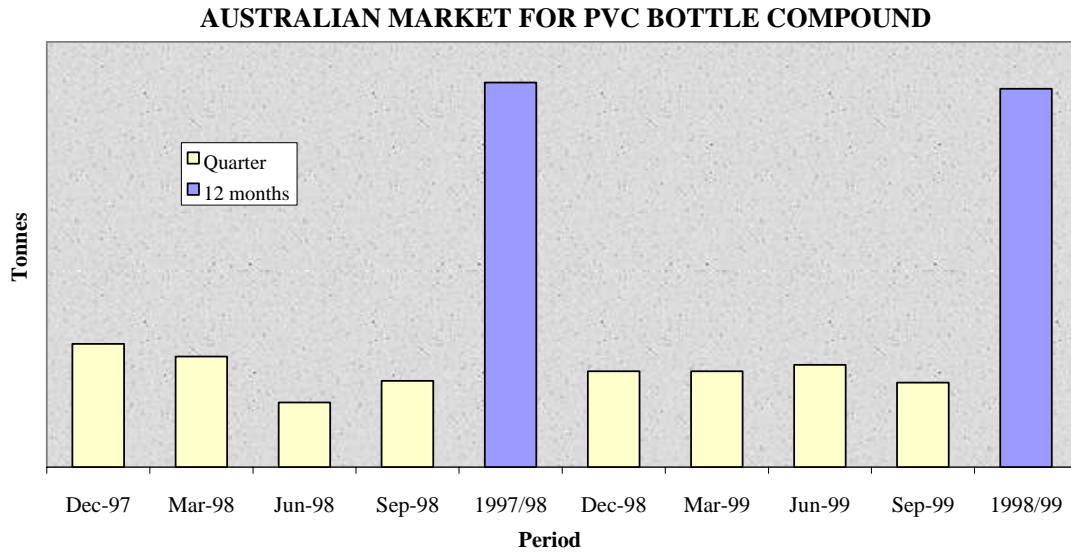
5.2 Market size

Customs estimated the size of the Australian market for PVC bottle compound using verified information on domestic sales by AVC, verified information on Australian sales by the importer of the goods from the nominated country and information on imports from other countries from TRACE.

The TRACE information was imperfect as goods apart from PVC bottle compound were also imported under the relevant tariff item. Customs was able to eliminate some of the imports under the tariff item from the description of the imported goods (that were obviously not PVC bottle compound). For the

remainder of the transactions, the relevant importer was contacted and asked to clarify the nature of its imports.

The information gathered by Customs shows that the Australian market for PVC was steady between 1997-98 (1 October – 30 September) and 1998-99. The graph below depicts the volume of the Australian market for PVC bottle compound.



Details of the Australian PVC bottle compound market are at confidential attachment 7.

6. THE DUMPING INVESTIGATION

Dumping occurs when the export price of a product is less than the normal value of the same (or similar) product in the domestic market of the country of export. This section explains the results of Customs investigation of this aspect.

6.1 Background

Customs identified that only one company had exported the goods under consideration from Singapore during the investigation period. The entire exports were to one Australian importer.

6.2 Export price

In its application, AVC identified SPC as an exporter of PVC bottle compound to Australia from Singapore. Customs contacted SPC and the company provided a submission to the investigation. Customs visited SPC and confirmed that SPC manufactured the goods and exported them to Australia.

Customs inquiries also revealed that the importer of the goods was an Australian distributor. Customs visited the importer also.

As a consequence of its inquiries, Customs is satisfied that:

- sales by SPC to the Australian importer were arms length;
- the goods were exported to Australia other than by the importer; and
- the goods were purchased by the importer from the exporter.

(All exports to Australia were CIF – cost, insurance and freight.)

Therefore, Customs determined export prices under s. 269TAB(1)(a) of the Act using the price paid by the importer less overseas freight and insurance.

Export price calculations are shown at confidential attachment 8.

6.3 Normal value

In determining normal values for SPC, Customs considered information provided by SPC in its submission and verified by Customs during its visit to SPC.

As mentioned above, SPC is the manufacturer and exporter of the goods under consideration. On the Singapore domestic market, SPC sells a range of

PVC bottle compounds and all of its sales are to end-users. Customs considers the goods sold on the domestic market to be like goods to the goods under consideration.

During the investigation period, only two grades of PVC bottle compound were exported to Australia by SPC. In its submission, SPC provided details of all domestic sales of similar (although not identical) grades to those exported. Customs noted that in some months for which there were sales to Australia no domestic sales were listed. However, during its verification visit Customs found that in those months other grades of PVC bottle compound were sold domestically. Customs considered that those other grades were like goods to the goods under consideration and were suitable, after an appropriate specification adjustment, for comparison to the exported goods.

There were five customers for these domestic sales. Customs verified the price paid by these customers. No evidence was found of any relationship, other than that of buyer and seller, between the customers and SPC. Customs was satisfied that the sales were arms length transactions.

Customs did not identify any market factor that would require a finding that the selected domestic sales were unsuitable within the meaning of s. 269TAC(2)(a)(ii) of the Act.

Customs calculated the cost to make and sell for each domestic grade for each month of the investigation period. SPC's domestic selling prices were compared to the relevant month's cost to make and sell for the particular grade. The comparison showed that all domestic sales were profitable and Customs was satisfied that the sales were in the ordinary course of trade.

Customs determined that the volume of goods sold domestically was not less than 5 per cent of the volume of exported goods. Therefore Customs concluded that domestic sales were not low volume for purposes of s 269TAC(2)(a)(i).

Considering all the above, Customs concluded that domestic sales of like goods were relevant for determining normal values. Therefore, Customs will recommend that normal values be determined under s. 269TAC(1) of the Act.

In its submission, SPC claimed adjustments pursuant to s. 269TAC(8) for differences between export and domestic sales in relation to level of trade, credit risk, quantity per shipment/delivery and packing. Customs examined the claimed adjustments and made adjustments for specifications, level of trade, volume and credit terms. In most instances the amount adjusted by Customs varied from the amount claimed by SPC.

Normal value calculations are at confidential attachment 9.

6.4 Dumping margins

A dumping margin is the amount by which the export price is less than the normal value. It is expressed as a percentage of the export price. The margin may be established on the basis of a comparison of:

- weighted averages of comparable normal values and export prices; or
- normal values and export prices on a transaction by transaction basis; or
- individual export prices and normal values over part or parts of the investigation period, and weighted average export prices and normal values over another part or other parts of the investigation period; or
- a weighted average of normal values and individual export price transactions (if the export price differs significantly between purchasers, regions, or time periods).

Customs used weighted averages of comparable transactions over the investigation to assess dumping. Customs calculated a weighted average export price and normal value, which resulted in a dumping margin of about 16 per cent.

Dumping margin calculations are at confidential attachment 10.

6.4.1 Negligible dumping margins

Section 269TDA(1) of the Act requires the CEO to terminate an investigation, in relation to an exporter, where there has been:

- no dumping by the exporter; or
- where all of the exporter's dumping margins are negligible, ie where all margins worked out under s. 269TACB of the Act, when expressed as a percentage of the export price or weighted average of export prices, is less than 2 per cent.

The results of Customs investigation show that the provisions of s. 269TDA(1) have not been satisfied.

6.4.2 Negligible volume of dumped goods

Section 269TDA(3) of the Act provides that:

If the volume of goods exported to Australia, over a reasonable examination period (whole or substantial part of the investigation period), from a particular country, that have been dumped is negligible, the CEO must terminate the investigation so far as it relates to that country.

This section defines a negligible volume of dumped goods as that which, when expressed as a percentage of the total Australian import volume, is less than 3 per cent.

The volume of dumped imports from Singapore was more than 3 per cent of the total Australian import volume (see confidential attachment 11).

Therefore, the provisions of this section have not been satisfied.

7. THE ECONOMIC CONDITION OF THE INDUSTRY

7.1 Introduction

This section reports the results of Customs consideration of the economic performance of the industry and its assessment of whether there are any signs that the industry has been injured.

7.2 Applicant's claims

In its application, AVC stated that it began to experience material injury during the first quarter of 1999. AVC claimed:

- price undercutting;
- price depression;
- price suppression;
- lost sales and reduced market share; and
- reduced profitability.

In its initiation notice, Customs notified that its investigation of dumping would cover the period from 1 October 1998 to 30 September 1999.

For the purposes of assessing material injury Customs examined the period 1 October 1997 to 30 September 1999. This allowed comparisons, where appropriate, of AVC's performance after injury was claimed to have commenced with its performance prior to the commencement of injury.

7.3 Price trends

7.3.1 Price undercutting

Price undercutting occurs where the imported product sells below the price of its Australian equivalent.

In its application, AVC supplied data on its average monthly prices to its main customers. This data was sub-classified by grades of PVC bottle compound sold. Customs verified this data during its visit to AVC.

AVC also provided market visit reports by its representatives to users of PVC bottle compound. These reports described how prices offered for imported compound were significantly below AVC's prices. Customs, however, focused on verified data.

Customs also visited the importer of the Singaporean product and obtained selling prices of imported goods.

Customs compared selling prices of SPC imports with AVC's average monthly selling prices of similar grades to its major customers. Customs found that most sales of SPC's product were at prices below AVC's average monthly selling prices for the month of sale of the imported product.

On the basis of the foregoing, Customs is satisfied that prices of imported PVC bottle compound undercut AVC's prices.

Details of price undercutting are at confidential attachment 12.

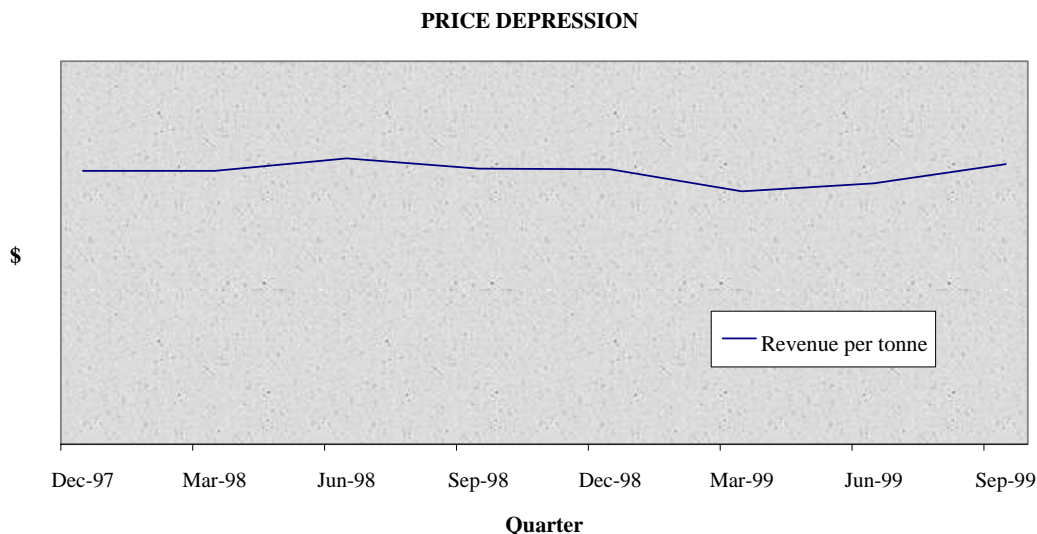
7.3.2 Price depression

Price depression occurs when the Australian industry, for some reason, lowers its prices.

AVC provided data on its domestic monthly average selling prices to support its claim of price depression.

In addition, it provided market visit reports by its sales representatives that described price movements in the market and the pressures on AVC to reduce prices. Customs, however, focused on verified data.

Customs analysed the information provided by AVC and found that AVC's average selling prices for all PVC bottle compounds remained steady across the injury assessment period (1 October 1997 to 30 September 1999). Similar trends were evident for the average selling prices of medium and high impact grade compounds. The following graph shows the trend for all bottle compounds.

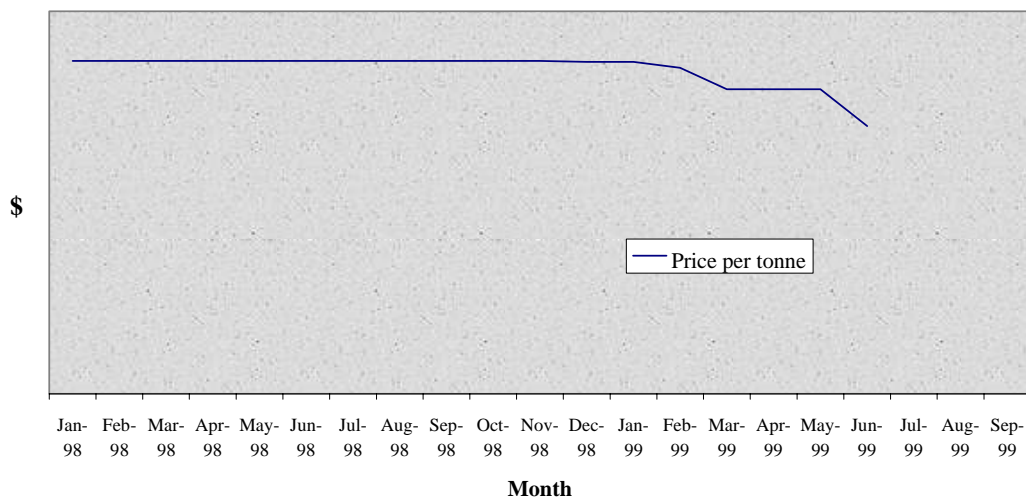


This evidence did not support AVC's claim of price depression.

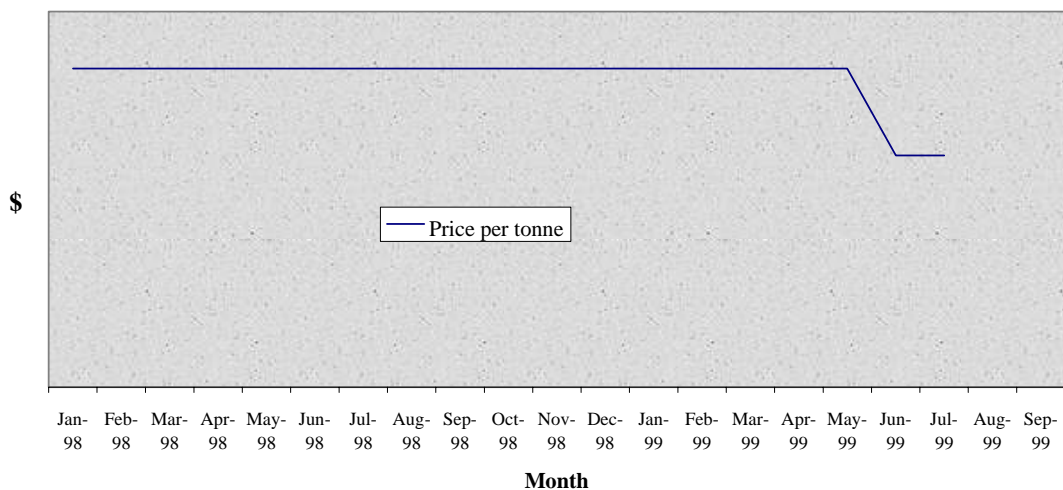
Notwithstanding the trend of steady prices for its total business, AVC was able to demonstrate that it suffered price depression in sales to a number of its main customers, particularly in the period since March 1999.

Evidence provided by AVC showed that significant price declines (up to 20 per cent) for certain customers began during the first quarter of 1999 and accelerated during the second quarter. Price trends for two of AVC's main customers are shown below.

PRICE DEPRESSION - CUSTOMER 1



PRICE DEPRESSION - CUSTOMER 2



The price depression on some customers is illustrated by the following observation.

Customs found that one relatively large customer for imported (SPC) product made a number of purchases in the second half of the investigation period. Until then, this customer had purchased AVC's product. In May, 1999 AVC

became aware that the customer was considering the purchase of Singapore product at prices well below the prices it was currently selling at. In response, AVC reduced its price to similar levels offered by SPC. The customer purchased the product from both AVC and SPC at a similar (lower) price.

Customs is satisfied that AVC suffered price depression in sales to some of its major customers.

Details of price depression are at confidential attachment 13.

7.3.3 Price suppression

Price suppression occurs when the margin between a company's costs and prices is reduced.

Customs verified data provided by AVC on its cost to make and sell PVC bottle compound. Customs used this data to calculate the quarterly weighted average cost to make and sell PVC bottle compound.

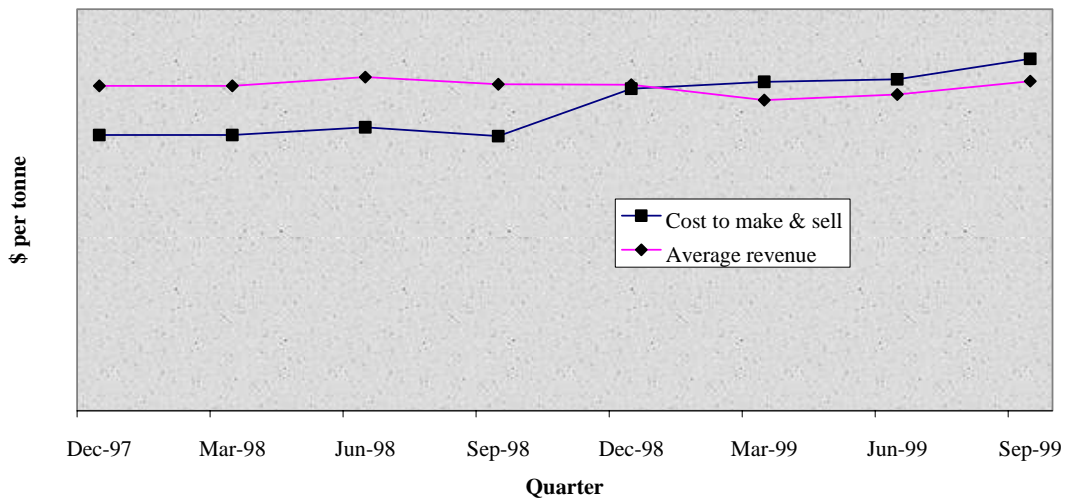
To assess price suppression, Customs compared AVC's quarterly weighted average cost to make and sell with corresponding quarterly weighted average prices.

The cost data showed that weighted average costs per unit increased substantially from early in 1999 – the weighted average cost per unit increased by about 27 per cent from the September quarter 1998 to September 1999. The increases in costs were mainly due to increases in the cost of raw materials, particularly PVC resin.

In contrast, quarterly weighted average revenue per unit remained relatively steady.

The quarterly weighted average cost and price trends are shown in the graph below.

PRICE SUPPRESSION



On the basis of the evidence, Customs is satisfied that AVC has suffered price suppression.

Details of price suppression are at confidential attachment 14.

7.4 Volume trends

7.4.1 Sales volume

AVC claimed injury from lost sales.

AVC provided sales information in its application. The information was verified by Customs during its visit to AVC. The information demonstrated that AVC's overall domestic sales declined by 15 per cent in 1998-99 compared with domestic sales in 1997-98.

Included in the information were details of losses of sales to individual customers. Customs confirmed that some customers who previously purchased from AVC were now sourcing their PVC bottle compound from other suppliers.

Customs is satisfied that AVC lost sales in 1998-99.

7.4.2 Market share

AVC also claimed injury from loss of market share.

Customs used information sourced from AVC and TRACE to test this injury claim.

The data showed that although the market was relatively steady between 1997-98 and 1998-99, AVC's share of the market declined 13 percentage points in 1998-99 relative to 1997-98.

Closer analysis showed that on a quarterly basis, AVC's market share for each quarter was lower than that in the corresponding quarter of the previous year. (This analysis was useful given the seasonal demand for PVC compound, as a result of the seasonal demand for bottles).

Customs is satisfied that AVC lost market share.

Details of volume and market share are at confidential attachment 15.

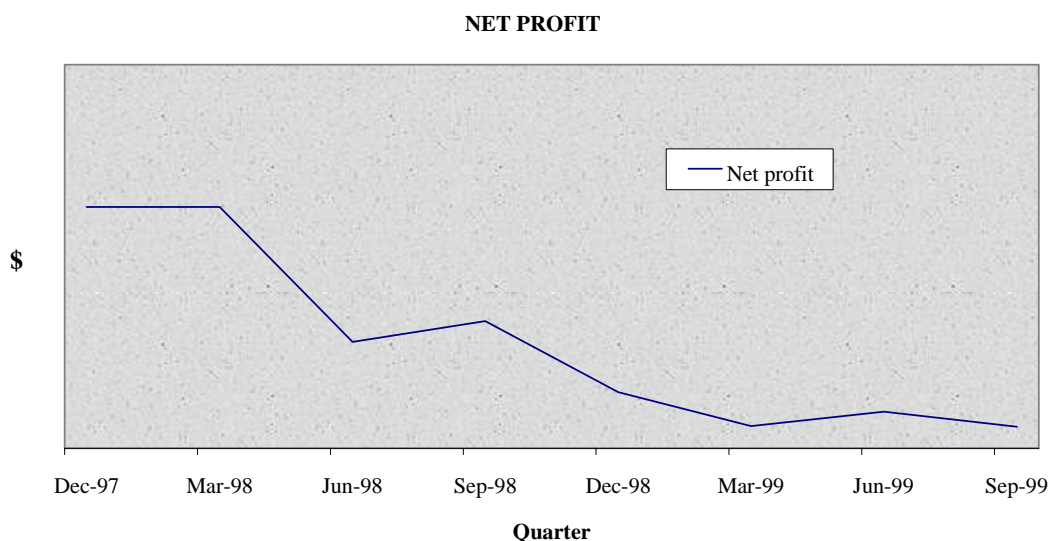
7.5 Profit

Customs calculated net profit on domestic sales for each quarter from October 1997 to September 1999. Net profit is sales revenue less the cost to make and sell the goods. Customs used information verified during its visit to AVC.

The data showed that AVC recorded a profit on domestic sales for the 1997-98 financial year.

Net profit per unit sold was stable during 1997-98 but fell considerably in the first quarter of 1998-99. Losses were recorded in each of the last three quarters in 1998-99.

AVC's overall net profit on domestic PVC bottle compound sales is shown in the graph below (for confidentiality reasons, the X and Y axes for this graph do not intersect at zero).



Customs is satisfied that AVC suffered loss of profits.

Details of profits are at confidential attachment 16.

7.6 Profitability

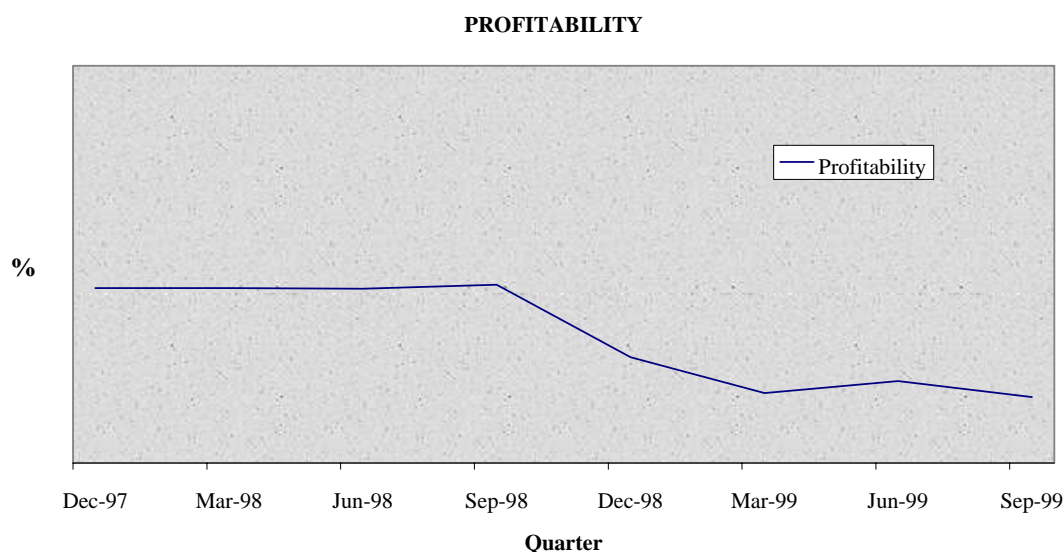
AVC claimed injury from reduced profitability.

Customs measures profitability as net profit expressed as a percentage of sales revenue. It used information verified during its visit to AVC to assess this claim.

Customs calculated profitability for AVC on domestic sales for each quarter from October 1997 to September 1999.

Customs found that profitability decreased by 18 percentage points between 1997-98 and 1998-99, with quarterly profitability per unit for each quarter in 1998-99 below the corresponding quarter in 1997-98.

The graph below highlights the trend in profitability (for confidentiality reasons, the X and Y axes in this graph do not intersect at zero).



Customs is satisfied that AVC suffered reduced profitability.

Details of profitability are at confidential attachment 17.

7.7 Conclusion

Over the period examined (ie 1997-98 to 1998-99), AVC:

- lost sales and market share;
- suffered price undercutting, price suppression and some price depression; and
- suffered decline in profits and profitability.

Customs is satisfied that AVC suffered injury from some cause or causes and that the injury was material.

8. HAS DUMPING CAUSED MATERIAL INJURY?

As noted in previous sections, Customs is satisfied that imports of PVC bottle compound from Singapore have been dumped and that AVC has suffered material injury from some cause or causes.

Customs must now determine if that injury has been caused by dumping or by other causes.

8.1 Issues raised by interested parties

The following issues were raised either in submissions to Customs or during visits to interested parties by Customs.

- It is important for the viability of end-users that they have alternative sources of supply in order to ensure continuous supply. AVC had supply problems early in 1999 that caused major problems for some end-users. As AVC is the only major manufacturer of PVC bottle compound in Australia, alternative supplies have to be sourced from imports.
- AVC concentrates on its major customers. When there is an interruption to AVC's supply of PVC bottle compound, deliveries to smaller customers are delayed so that orders for the larger customers can be completed. In addition, smaller customers receive minimal servicing from AVC – sometimes an AVC representative may not visit for more than 12 months.
- AVC's products are generally inferior (ie, a greater number of faulty bottles are produced) to imported product.
- Imports from countries other than Singapore were taking sales away from AVC because of their better quality and prices.
- Singapore imports competed with imports from other countries (as the second source of supply to end-users) and had gained market share by taking sales from them rather than from AVC.
- AVC's operations, spread over a number of manufacturing sites, were inefficient, leading to higher costs.
- PVC bottle compound faces intense competition from other plastics, particularly polyethylene terephthalate (PET). These competing plastics have lower manufacturing costs than PVC bottle compound and can be sold at a lower price, thus making it difficult for AVC to increase prices without losing business to these competing plastics.
- Since AVC purchased Impronex it is now almost a monopoly producer in Australia. Its prices, especially to smaller customers, are well above regional prices thereby threatening the viability of end-users.

8.2 AVC's Claims

As stated in section 7.2, AVC claimed that it had suffered adverse price effects, adverse volume effects and loss of profits and profitability as a result of dumping from Singapore.

AVC also claimed that some of its customers had not yet been approached with the Singaporean product. AVC was able to moderately increase prices to these customers in line with increases in costs. Such price increases helped to offset the price reductions that occurred with customers who were offered the lower priced Singaporean product. AVC expressed concern that its ability to pass on cost increases to customers would be further eroded in the future as the marketing of dumped Singaporean product became more widespread.

8.3 Customs assessment

8.3.1 Customs has a limited brief

AVC is virtually a monopoly supplier in Australia. Therefore the end-users which prefer to have an alternate source of supply (in order to maintain flexibility) would have to import. Customs accepts that this may be the case.

Customs is unable to form an opinion on the efficiency of AVC's plants (relative to overseas plants) and the allegation that AVC does not adequately service its small Australian customers.

Customs notes the claim that higher bottle compound prices would threaten the viability of down-stream processors, ie bottle manufacturers.

Customs, however, would like to emphasise that it has a limited brief: whether dumping has caused or threatened material injury to the Australian industry. It cannot deal with issues that are outside this scope.

It follows that issues such as inefficient plants, unsatisfied customers and quality issues could be considered only as far as they can be related to causing material injury.

8.3.2 Price effects

Customs notes that PVC compound was exported from Singapore at dumped prices. The dumping margin was significant. Customs also notes that the amount of the dumped goods in the market increased by more than 5 percentage points share of the Australian market between 1997-98 and 1998-99. Customs considers this volume is substantial enough to exert price pressure in the market.

SPC products first entered the market in early 1999. At about the same time the cost of PVC resin, the main raw material for PVC bottle compound, increased substantially - thereby increasing AVC's cost to manufacture PVC bottle compound. AVC was unable to raise its prices to recover these increased costs.

AVC's prices were undercut by SPC's imports in the Australian market. It suffered price depression on sales to a major customer, which imported from SPC. As stated above, AVC was unable to recover the increase in raw material costs and suffered price suppression on sales to most customers, which resulted in loss of profits and profitability.

8.3.3 Volume effects

The causal link between dumped imports and AVC's lost sales is less clear. In a particular case, an end-user switched to SPC's product from another imported product. In another case, an end-user, which switched from AVC to SPC, switched again to a third country. Some end-users also claimed that PET was replacing PVC bottle compound in many applications.

Customs notes that AVC lost not only sales, but also market share. That is, imports were gaining at the expense of AVC's products. Customs notes that the market share of imports of the goods under consideration increased by more than 5 percentage points share of the Australian market. Customs was not provided with detailed information on imports of PVC bottle compound from other countries.

Customs is satisfied, on balance, that dumped imports caused the loss in volume and market share.

8.3.4 Profits and profitability

As stated in sections 7.5 and 7.6, AVC's profits and profitability fell significantly in the first quarter of 1998-99 and did not recover in the remaining (three) quarters in 1998-99.

Customs notes that the above mentioned reduction in profits and profitability coincided with the arrival of (dumped) shipments of the goods from SPC.

8.4 Conclusion

Taking into account all of the above, Customs is satisfied that dumping of PVC bottle compound had caused material injury to AVC's PVC bottle compound business.

9. THREAT OF CONTINUING MATERIAL INJURY?

The analysis in the previous sections has shown that dumping of PVC bottle compound from Singapore caused material injury to AVC's bottle compound business.

In this section, Customs explores whether future dumping of the goods is likely and whether such dumping would result in a continuing threat of material injury to AVC.

SPC's PVC bottle compound has established its presence in the Australian market.

Customs notes that one end-user of SPC's goods switched to using PVC bottle compound from a third country. However Customs notes that several end-users could switch from AVC's goods to SPC's goods in the future.

As required by s. 269TEA of the Act, Customs examined imports of the goods until 20 February 2000. TRACE records for the period from 1 October 1999 to 13 March 2000 indicated that there were no imports of PVC bottle compound during that period. Customs considers this reduction in imports is due to the initiation of the investigation. If measures are not imposed, Customs believes it is likely that imports will return to pre-initiation levels.

There is no evidence to suggest a significant change in either prices or volumes of compound exported to Australia.

Customs found no evidence to suggest that, in the absence of measures, dumped imports from SPC would cease to cause material injury to AVC in the future.

Customs, therefore, is satisfied that there is a threat of continuing material injury to AVC's bottle compound business from dumping of the goods from Singapore.

10. ANTI-DUMPING MEASURES

10.1 Background

Section 269T of the Act defines anti-dumping measures as:

- (a) the publication of a dumping duty notice or a countervailing duty notice or both; or
- (b) the acceptance of an undertaking under section 269TG or 269TJ or of undertakings under both of the sections.

10.1.1 Interim dumping duty

Interim dumping duty is collected on each importation of goods subject to anti-dumping measures (in the absence of an undertaking).

In determining the interim dumping duty payable on any goods, the minister must ascertain an export price, a normal value and a non-injurious price.

The interim duty is based on the difference between the ascertained export price and the lower of the ascertained normal value and the ascertained non-injurious price.

An importer can apply for repayment of any interim duty paid in excess of the actual duty liability.

An affected party can seek a review of the interim duty to be paid on future shipments. Request for a review can be made 12 months or more after the interim duty has been imposed or 12 months after the minister last reviewed that rate.

10.1.2 Undertaking

The minister may defer the decision to publish a dumping duty notice and accept an undertaking that the exporter would conduct the future trade to Australia in like goods so as to avoid causing or threatening material injury to the Australian industry (s. 269TG(4) refers).

Such an undertaking price accepted by the minister is limited to the non-injurious price of the goods (s. 269TG(5) refers).

In this investigation, no price undertaking has been offered.

10.2 Non-injurious price

10.2.1 Introduction

Australia is a signatory to the WTO Anti-Dumping Agreement, which states:

It is desirable ... that the [anti-dumping] duty be less than the margin [of dumping], if such lesser duty would be adequate to remove the injury to the domestic industry.

When imposing duties, s. 8(5A) of the *Customs Tariff (Anti-Dumping) Act 1975* requires the minister to 'have regard to the desirability of fixing a lesser amount of duty' if the non-injurious price (NIP) is less than the normal value.

The NIP is defined in s. 269TACA of the Act as follows:

The non-injurious price of goods exported to Australia is the minimum price necessary:

- (a) if the goods are the subject of, or of an application for, a dumping duty notice under subsection 269TG(1) or (2)—to prevent the injury, or a recurrence of the injury, or to remove the hindrance, referred to in paragraph 269TG(l)(b) or (2)(b);

In addition, s. 269TG(5) of the Act states that:

In giving a notice, and in considering the terms of any proposed undertaking, the Minister must have regard to the desirability that any price increase to which the undertaking relates is limited to an amount such as the total price of the goods is not more than the non-injurious price of the goods.

Anti-dumping and countervailing duties are based on free on board (FOB) prices in the country of export. Therefore, a non-injurious price, or NIP, is normally calculated in FOB terms for the country of export.

The usual method is to first determine an 'unsuppressed selling price' (USP). A USP is the price that the Australian industry would realistically be able to achieve for the goods in a market unaffected by dumped imports.

In determining a USP, Customs first preference is to look to the Australian marketplace for guidance. Customs looks for prices of the locally produced goods at a time when the market was not affected by dumping. If this procedure is not possible, Customs looks at the Australian industry's current cost to make and sell. To this is added an estimate of the profit (if any) that would be achieved by the industry in a market not affected by dumping. In estimating this profit, Customs again looks at the market for guidance.

To calculate the NIP, post free on board exportation costs such as overseas freight, costs incurred in Australia and an amount for importer's profit are deducted from the USP.

10.2.2 Calculation

As AVC claimed that material injury commenced in 1998-99, Customs used the average price of PVC bottle compound in 1997-98 as the starting point.

Customs, however, noted that the PVC resin prices increased considerably in 1998-99. Therefore the average price found above was adjusted by the amount of increase in raw material costs (of which PVC resin is the major component). Customs considers the resulting price as the suitable USP.

Customs found that the NIP was higher than the ascertained normal value. Hence anti-dumping measures would be based on the ascertained normal value.

Customs NIP calculations are at confidential attachment 18.

11. RECOMMENDATIONS

On 27 January 2000 Customs made a preliminary affirmative determination and imposed securities on imports of PVC bottle compound from Singapore. The determination was made as Customs was satisfied, based on its investigation to that time, that dumping of the goods from Singapore had caused material injury to AVC. Customs considered that the imposition of securities was warranted to ensure that further injury was not caused to the Australian industry while the investigation was being completed.

Section 269TG(1) of the Act provides that the minister may take action against dumped goods that have already been exported to Australia and like goods exported after Customs has published a preliminary affirmative determination. This action is normally limited to the latter situation.

Section 269TG(2) of the Act provides that the minister may take action against like goods that may be exported to Australia in the future at dumped prices. This applies where such goods have already been exported to Australia at dumped prices and have been causing or are causing or are threatening material injury to an Australian industry producing like goods. This action may be imposed on like goods exported to Australia after the date of publication of an appropriate price.

Customs is satisfied that exports to Australia of PVC bottle compound from Singapore Polymer Corporation (Pte) Ltd of Singapore were dumped and that these have caused material injury to the Australian industry.

Customs is also satisfied that future exports of PVC bottle compound from Singapore may be at dumped prices.

Customs will therefore recommend the minister take anti-dumping action under ss. 269TG(1) and (2) of the Act against exports of PVC bottle compound from Singapore.

Customs recommends that the minister be satisfied that:

- pursuant to s. 269TACB(4) of the Act, the weighted average of export prices of PVC bottle compound over the investigation period is less than the weighted average of corresponding normal values over that period for Singapore Polymer Corporation (Pte) Ltd of Singapore;

Customs recommends that the minister direct that:

- pursuant to s. 269TAC(8) of the Act, the price paid for like goods sold by Singapore Polymer Corporation (Pte) Ltd of Singapore be adjusted for differences between domestic and export sales in specification, quantity purchased, credit terms and level of trade; and

- pursuant to s. 8(5) of the *Customs Tariff (Anti-Dumping) Act 1975*, interim dumping duties in respect of PVC bottle compound the subject of a notice under s. 269TG(1) or (2) of the Act be ascertained by reference to a measure of the quantity (in tonnes).

Customs recommends that the minister determine:

- pursuant to s. 269TAAD(4) of the Act, the amount to be the cost of production or manufacture of like goods of PVC bottle compound for Singapore Polymer Corporation (Pte) Ltd in Singapore and the amount to be the administrative, selling and general costs associated with the sale of those goods; and
- pursuant to s. 269TACB(1) of the Act, by comparison of the weighted average of export prices and the weighted average of normal values of PVC bottle compound, that exports of those goods by Singapore Polymer Corporation of Singapore were dumped.

Customs recommends that, pursuant to s. 269TG(1) of the Act, the minister:

- be satisfied that in respect of PVC bottle compound exported from Singapore by Singapore Polymer Corporation (Pte) Ltd the amount of the export price is less than the amount of the normal value and because of that material injury to the Australian industry producing like goods has been caused (or in the case where a security has been taken under section 42 – material injury to the Australian industry producing like goods might have been caused); and
- declare, by public notice, that s. 8 of the *Customs Tariff (Anti-Dumping) Act 1975* applies to those goods where a security has been taken under s. 42 and like goods that were exported to Australia from Singapore after Customs made a preliminary affirmative determination, but before publication of the notice.

Customs recommends that, in accordance with s. 269TG(2) of the Act, the minister:

- be satisfied that in respect of goods exported from Singapore by Singapore Polymer Corporation (Pte) Ltd the amount of the export price is less than the amount of the normal value and the amount of the export price of like goods that may be exported to Australia in the future may be less than the normal value and because of that material injury to the Australian industry producing like goods has been caused; and
- declare, by public notice, that section 8 of the *Customs Tariff (Anti-Dumping) Act 1975* applies to like goods that are exported to Australia from Singapore after the date of publication of this notice.

Customs recommends that the minister agree, on grounds of confidentiality, that the tables attached to the legal instruments under ss. 269TG(1) and (2) of the Act not be published.

To give effect to these instruments, Customs recommends that the minister sign the attachments.

LIST OF ATTACHMENTS

| No. | Title | Page of report |
|-----|--|----------------|
| 1 | Glossary | 7 |
| 2 | List of legal instruments | 7 |
| 3 | Evidence relied upon by Customs | 7 |
| 4* | Summary of Customs findings | 7 |
| 5 | Initiation notice | 11 |
| 6 | Preliminary affirmative determination notice | 11 |
| 7* | Details of the market | 20 |
| 8* | Export prices | 21 |
| 9* | Normal values | 22 |
| 10* | Dumping margins | 23 |
| 11* | Volume of dumped shipments | 24 |
| 12* | Price undercutting | 26 |
| 13* | Price depression | 28 |
| 14* | Price suppression | 29 |
| 15* | Sales volume and market shares | 30 |
| 16* | Profits | 31 |
| 17* | Profitability. | 31 |
| 18* | Non-injurious price | 38 |

* confidential attachments.