Appendix 6

NON-CONFIDENTIAL

PVC distribution model

Export Distribution model

The Applicant does not have production in China, South Korea or Mexico and thus do not have first hand knowledge of the market structure. However, the Applicant understands that the PVC export market is largely based on a trader distribution model whereby traders in countries of origin purchase PVC from local producers for export.

Producers only use traders for sales destined for export markets. Domestic market sales do not go through traders. This largely because:

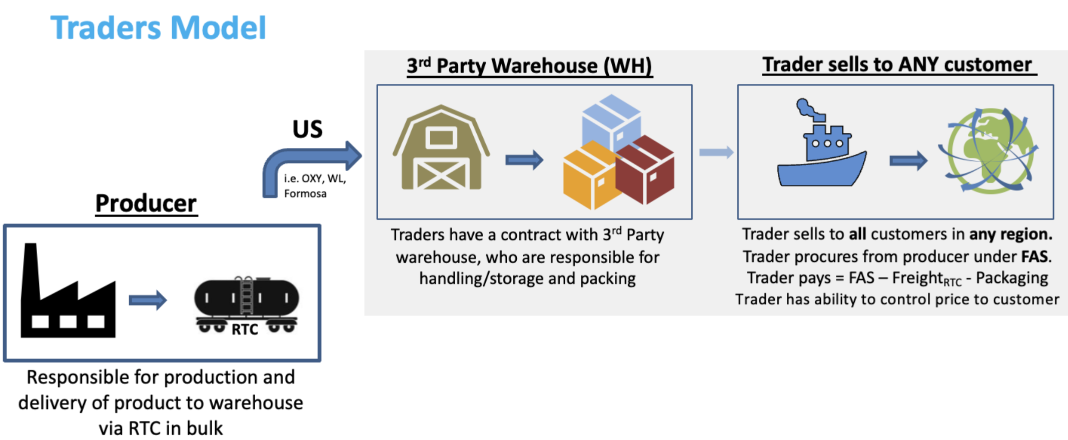
i) If traders were to receive prices at ex-works and then sell into the market at domestic prices, traders would make over a $500 margin that the domestic producer could have made. Producers ensure that goods sold to traders at ex-works prices cannot be sold domestically. If the trader sold domestically, the producer would refuse to sell to that trader going forward.

ii) If a trader or producer were to sell into the domestic market at export prices (around half that of the domestic price) it would erode the domestic price margin they have created in the market. This would hurt the producer, so there is no incentive for them to do this.

In addition, it is the Applicant's understanding that generally, contracts are in place between producers and traders to ensure that the product is exported out of the domestic markets and is not sold on the domestic markets.

Trader distribution model for export

The following flowchart sets out this trader distribution model:



Producers load rail cars or road trucks depending on distance, volume and transport availability, and sell product to traders. Producers sell their exports to traders on an ex-works basis and the rest of the export price is determined by traders who export on a FOB port basis.

There is usually an intermediate 3rd party warehouse used and paid for by the traders. The rail car goes to the 3rd party. At this location the cargo is unloaded, stored and bagged. The trader is then able to sell/distribute the cargo to any customer.

According to Applicant market intelligence, traders will take ownership of risk or liability of the product they export. They develop a customer base for the product whereas the supplier has limited control over activities such as pricing, markets, customers, branding and promotion.

This trader distribution model is adopted by most Chinese, South Korean and Mexican producers. Thus, the Applicant considers that exports to the UK are predominantly via the trader distribution model explained above.

Traceability

Product is sold by the producer to the trader in bulk via rail car. Bulk material is unloaded into silos at the warehouse and then filled into plain bags of different sizes. These plain bags only have the grade name and Lot number on it. Lot number is an identification number assigned to a particular quantity or lot of material from a single manufacturer. The trader will not change the grade name/brand name on the bag in fear that they cannot get the quality guarantee from the supplier. The grade name and lot number are also present on the COA issued by the supplier for each rail car Lot. This allows the traders to trace product back to the supplier in the case of customer complaints on product quality etc. Country of origin can also be used to trace back to supplier.