Viridian Submission on Market Situation in the People's Republic of China for CFG

April 2016

MARKET SITUATION

1. Introduction

In Viridian's Application for Continuation of Anti-dumping Measures Viridian referred to evidence suggesting that there was a market situation in China. Consideration Report No.335 noted:

> The applicant alleges that Government of China influence in the raw materials market has caused artificially low pricing for CFG in China. However, the Commission considers that the supporting evidence provided by the applicant is not current and does not reflect prices currently paid for CFG, nor what impact the alleged government subsidies may have on those prices. Accordingly, the Commission considers that the applicant has not provided sufficient evidence to support its claim that there is a particular market situation in China which would make prices for CFG in the Chinese domestic market unreliable for the purpose of calculating a normal value; in the absence of further information, the Commission will not examine the market situation allegation during the inquiry. However, the Commission notes that it is still required to consider whether the raw material costs recorded by exporters in their accounts are competitive market costs for the purposes of subsection 269TAAD(4) and section 43 of the *Customs (International Obligations) Regulation 2015*.

2. Viridian Comment

2.1 In the above extract it is noted that: "...The Commission considers that the supporting evidence provided by the applicant is not current...".

Viridian has expanded and updated the GOC policies and implementing instruments relating to GOC policies for the flat glass industry.

Also from the extract:

> "... and does not reflect prices currently paid for CFG."

Viridian submits that in alleging a prima facie market situation it is not relevant what the prices paid for CFG are.

The above extract also notes "...What impact the alleged government subsidies may have on those prices".

2.2 Viridian's application discussed a possible market situation because of GOC policies aimed at controlling and influencing the glass industry (using similar instruments found in the aluminium and steel industries) as well as GOC influence on key inputs such as energy.

2.3 The alleged market situation was independent of the existence of subsidies. In fact, as found in other market situation investigations, subsidies are irrelevant when the effect of the market situation is to distort the costs of inputs. In that case a benchmark approach is required because there is not a subsidy per se. The difficulty in examining the extent of the distorted input in examining market situation was explained in a recent investigation when the Commission observed:

> Although it is for the Commission to establish the nature and consequence of the "market situation", including an evaluation of whether there is an impact on domestic prices, it is considered that the pricing effect does not necessarily have to be quantified.[1]

2.4 Prior to the Consideration Report, the Commission advised the applicant that the Commission's view was that the supporting information to the Application for Continuation was outdated. Specifically, the Commission referred to the EPI Briefing Paper[2] which looked at subsidies to the Chinese glass industry from 2004-2008. The Briefing Paper was dated October 8, 2009 and the applicant referred to the Paper's subsequent inclusion in an Oxford University Press Publication in 2013. It was also noted that the EPI paper is extensively quoted and is regarded as an extensive study on the effect of the GOC on a number of sectors. The Commission apparently sees some merit in that Briefing Paper, presumably on the basis that the subsidies and Government influence suggested in that document are unlikely to have changed and reflect the Commission's knowledge of a market situation in China affecting other industries.

2.5 In the extract (previous page) from the Consideration Report it is suggested that the applicant needs to demonstrate that "...There is a particular market situation in China which would make prices for CFG in the Chinese domestic market unreliable for the purpose of calculating a normal value". This Paper will provide both relevant and reliable evidence to support the argument that domestic selling prices of CFG are unsuitable for normal values because of the influence of the GOC on the flat glass (most of which is float glass) industry and the influence of the GOC on the costs of major inputs into the price of CFG.

2.6 The cost of the major inputs to CFG (heavy oil and soda ash) contributes to 65 percent of the cost of manufacturing glass in China.[3]

2.7 With this in mind it is recorded that in the 2015 Review of Certain Aluminium Extrusions the Commission recorded the difficulty in establishing the market situation found for primary aluminium with the downstream aluminium extrusions market.[4]

> The cost of primary aluminium has been found to contribute between 70% to 80% of the cost of aluminium extrusions. Therefore it is considered that this influence has

[1] REP 276, 18 January 2016 pg 69
[2] EPI Briefing Paper, supplied with the Application for Continuation
[3] EPI Briefing Paper, pg 18
[4] REP 248 pg 86

resulted in aluminium extrusions prices which are lower than what would have been the case if the relevant markets operated without GOC influences and interventions.

The Commission considers that the extent of the impact of these GOC influences on supply is extensive, complex and manifold, and their resulting impact on the price of aluminium extrusions **is not able to be easily quantified**. The Commission considers that the quantification of price effects is not necessary in assessing the suitability of prices for normal value under section 269TAC(1). However, available information and the Commission's analysis indicates that these influences and interventions are likely to have had a material impact on the domestic price of aluminium extrusions in the investigation period, such that prices of aluminium extrusions in that market are no longer suitable for determining normal value under section 269TAC(1).

The Commission, therefore, considers that GOC influences and interventions in the Chinese aluminium industry have created a 'market situation' in the domestic aluminium extrusions market, as set out under section 269TAC(2)(a)(ii). (emphasis added)

2.8 In the same way the impact of the GOC on the flat glass industry is not expected to be easily quantified – but recognising that the GOC influence on downstream activities of the flat glass industry is not the subject of this paper.

2.9 In Silicon PMP[5] the Commission in its Terms of Reference to its consultant also indicated that there was some difficulty for the Commission (and indeed the applicant) to estimate the price of major upstream raw materials if any significant distortions in the relevant markets found were removed. Also in TER239[6] the Anti-dumping Commission referred to the evidence to support claims of a market situation,

Does not need to be conclusive or irrefutable.
Must be relevant, and reasonably reliable, and **unless rebutted**, would be reasonably supportive of a finding that domestic selling prices are unsuitable for normal value. (emphasis added)

2.10 The Paper now examines the GOC influence on the glass industry based on the Commission's approach to the GOC influence in other investigations.

3. GOC Influence

3.1 As an introduction, the importance of the flat glass industry was noted in a 2013 World Bank publication.[7] It was noted that:

Since 2007, sectors targeted by the State Council as "controlled industries" included iron and steel, textiles, aluminium, coal chemicals, flat glass, caustic soda, cement, solar poly-silicon, shipbuilding, chemicals, solar, and wind power. In such sectors,

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[5] Alleged dumping of certain crystalline silicon photovoltaic modules or manuals exported from the People's Republic of China, TER239 6 October 2015, pg 77

[6] IBID pg 80

[7] China 2030 Building a Modern, Harmonious, and Creative High-Income Society – The World Bank and Development Research Center of the State Council, The People's Republic of China: 2013. http://www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf

new entry can be restricted, capacity expansion projects might not be approved, companies can face prohibitions on financing through corporate debt and initial public offerings, and outdated production capacity can be targeted for elimination.

3.2 The excess capacity and influence of the GOC was highlighted in a Prospectus issued by the China Construction Bank Corporation in May 2014.[8]

The Prospectus noted:

> In accordance with national policies aimed at limiting the over-development of certain industries with excess capacity, including wind power equipment, steel, cement, coal chemicals, poly-silicon, flat glass and shipping among other industries, the Bank carefully manages its exposure to these industries and has adopted a strict policy towards extending loans to these industries in order to reduce its loan exposure and risks associated with loans to these high-risk industries.
>
> The Bank has reduced its loans to major industries with excess capacity, including iron and steel, plate glass and coal chemical industries. The Bank has closely followed the changes to the PRC Government's macro-economic policies and has reviewed and adjusted its credit policies in a timely manner. Further, the Bank has imposed higher standards for extending loans to customers from such industries. At the same time, the new loans the Bank extends to industries with overcapacity are mainly directed towards key projects that are in line with the PRC Government's industrial policies.
>
> Notwithstanding the credit measures the Bank has put in place, in the event the PRC Government issues policies to further restrict such industries or there is deterioration in the production and operation of the Bank's customers from industries with overcapacity, the quality of the Bank's loans will suffer which will in turn have an adverse effect on its business, financial position and results of operations, and may negatively affect its ability to service the bonds and to satisfy its other obligations under the bonds.

3.3 The concern of the Chinese financial institutions was also reported in the European Chamber of Commerce Study on overcapacity:

> As an indication of the scale of the problem, in 2014, the five major State-owned banks all prepared for likely defaults on loans issued as part of the stimulus package to local governments and companies in industries characterised by major overcapacity. This resulted in all five selling subordinated bonds or preferred shares in order to strengthen their balance sheets and meet Basel III requirements that are being phased in through to the end of 2018.[9]

3.4 The European Chamber Paper also identified:

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[8] http://www.deutsche-boerse-cash-market.com/blob/1579698/849cee8f9227caf9d1f9535e56c4052e/data/China_Construction_Bank_Corporation_Niederlassung_Frankfurt_Frankfurt_am_Main.pdf

[9] European Union Chamber of Commerce in China: Overcapacity in China: 2016, pg 8, supplied to Commission with email dated 24 March 2016

> Starting in August 2013, the industry began to recover as a result of a slight demand increase and a decreased number of market participants. In 2014 and 2015, leading companies in the industry also upgraded 73 lines from float white production to high-end products like coloured, solar and ultra-thin. Major mergers of significance to industry consolidation also took place with the previously-mentioned merger of Kibin with Zhejiang Glass and China Triumph Group reportedly acquiring a large number of small industry players,...
> However, overcapacity is still a major issue. While in 2013, there were 290 production lines in total, of which 230 were running, by September 2015, these numbers were 346 and 216 respectively. Furthermore, while more sophisticated and speciality glass production is a more profitable and less competitive market segment, too many companies still remain focused on low-end flat glass productions. Due to the pressure on profits created by overcapacity many of these companies lack the capital necessary to move up the value chain.[10]

Viridian understands China Triumph Group is a SIE.

3.5 The applicant has identified various GOC influences and interventions that have affected the market for flat glass in China.[11] These have been identified in the form of:

> The GOC's broad, macro-economic policies and plans that outline aims and objectives for the flat glass industry as set out in the twelfth Five-Year Plan (FYP); and
>
> Implementing measures that go towards executing the aims and objectives of the twelfth FYP and any other pressing Government concern.[12]

4. Five Year Plan 2011-2015

4.1 As previously noted in investigations by the Commission, at the Central Government level, the GOC develops and issues FYPs establishing a social and economic blueprint for Chinese policies. The GOC creates a set of targets and guidelines covering various social, economic and environmental issues that outline China's developmental direction. The first of these national FYPs was issued in 1953, and subsequent FYPs have been issued periodically since this time.

4.2 The Commission has reported that the GOC's National Development and Reform Commission (NDRC) lead the development of these FYPs. The NDRC's website provides a detailed and comprehensive list of the NDRC's functions. The Commission has noted, among other things, the following NDRC functions:

> To coordinate and address major issues in economic operation and adjust economic performance;

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[10] IBID pg 29-30

[11] Some guidance has been taken from REP248

[12] In the Application it was noted that the twelfth Five Year Plan (2011-2015) was announced in May 2011. In November 2015 a "draft" of China's thirteenth Five Year Plan was made available and the final outline is expected in March 2016.

To set and adjust the prices of important commodities that are regulated by the state;

To push forward strategic economic restructuring; to organize the formulation of comprehensive industrial policies, coordinate key issues in the development of primary, secondary and tertiary industries as well as balance and coordinate industrial plans, major policies and plans for the national economic and social development;

To maintain the aggregate balance and overall control of important commodities; and

To formulate plans for the overall volume of import and export of important agricultural products, industrial products and raw materials, supervise the implementation of these plans and adjust them in accordance with the performance of the national economy.

4.3 Once the NDRC submits a draft FYP, it is debated and given final approval by the Central Committee of the Communist Party of China (CPC).

4.5 The investigation period is calendar year 2015 and accordingly the twelfth Five Year Plan provisions for the flat glass industry will be examined for the purpose of the market situation argument.

4.6 Improve and Promote Manufacture – The Heading of Chapter 9 in the Twelfth FYP[13]

The first subheading of Chapter 9 refers to "promoting the restructuring of key industries".

Flat glass is a key sector in the building material industries and Section 1 of Chapter 9 mandates that the smelting and building material industries should:

Control overall volume expansion strictly;
Optimise variety structure;
Make new progress in product R&D;
Integrate resource utilisation;
Conserve energy;
Reduce omissions based on domestic demand;
The building industry should extend green buildings;
Focus on advanced building techniques and materials;
Strengthen the elimination of backward production capacity;
Suppress and channel of excess capacity.

4.7 Section 2 of Chapter 9 refers to optimising the productivity layout of key industries in light of regional functional positioning, and in consideration of such factors as energy resources, environmental capacity and market space. It also refers to guiding the clustering of production factors and creating a number of advanced manufacturing bases with international competitiveness based on key stake projects.

[13] http://www.britishchamber.cn/content/chinas-twelfth-five-year-plan-2011-2015-full-english-version

4.8 The FYP refers to "key fields of development of manufacturing" and in the building materials section the FYP requires:

Focus on the development of photovoltaic glass;
Ultra-thin substrate glass;
Develop new building materials;
Develop products that meet green building requirements.

4.9 Chapter 10 (Foster and Develop Strategic Emerging Sectors) refers to focusing on the development of "key technologic equipment for efficient energy conservation".

5. Implementing Measures

5.1 The applicant has identified a series of GOC measures that it considers go towards meeting at least some of the objectives mentioned in the references to building materials in the GOC macroeconomic policies.

5.2 Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to the Approval of the Government (2014 version Guo Fa [2014] No.53) [14]

This Circular refers to increasing efforts in "streamlining administration and delegating powers to lower levels". The Circular aims to encourage transformation to the Government's investment functions so as to allow the market to "play a decisive role in resource allocation" and to improve the "macro-control" of investment projects. In this regard Article 3 of the Circular refers to industries with serious overcapacity such as plate glass which shall be strictly governed by the guiding opinions of the State Council on resolving the conflict of rampant overcapacity (Guo Fa [2013] No.41). Article 3 requires that Local Governments and Authorities shall not register any project for expanding capacity.

Article 11 refers to foreign investment restrictions on real estate projects.

5.3 State Council on Serious Excess Capacity to Resolve Conflicting Guidance (Guo Fa [2013] No.41) [15]

This directive was referred to in the 2014 Circular. It aims to instruct regional authorities to address the serious overcapacity and to promote industrial adjustment. The directive notes:

To actively and effectively resolve serious excess capacity in the flat glass industry;
At the end of 2012 the capacity utilisation of the flat glass industry was only 72% and was significantly lower than the international level;
Elimination of backward production to include a further reduction in flat glass of around one million tonnes;
Attract foreign investment;
Provision of flat glass products including the use of windows and doors to meet energy efficiency standards;
Encourage the use of low-E insulating glass;

[14] http://www.fdi.gov.cn/1800000121_39_4829_0_7.html
[15] http://www.gov.cn/zwgk/2013-10/15/content_2507143.htm

Support upgrading existing production lines to increase the proportion of high quality float glass;
Development of functional glass;
Develop the processing of flat glass;
Plate glass to be subject to five policy measures to improve industry management – industry planning, policies, standards and constraints, planning and implementation of industrial transformation and upgrading of planning;
To improve and standardize pricing policy for inputs such as energy.

5.4 Opinions on Promoting the Flat Glass Industry Structure Adjustment (National Development and Reform Commission, November 2015) [16]

This opinion refers to the NDRC's regulation of the flat glass industry. The opinion refers to:

Strictly control new projects and to develop and publish "flat glass industry market access conditions";
Strive to control total capacity in flat glass;
Control capacity in central and western areas and control capacity in the eastern coastal areas;
Accelerate the improvement of flat glass technology to meet the requirements of building energy products;
Encourage enterprises to focus on the development of high quality float;
Accelerate low cost expansion through mergers and acquisitions;
Eliminate capacity;
The NDRC notified provisional departments in 2006 of problems in the flat glass industry;
Excessive growth of production capacity led to declining efficiency of this sector;
In 2004-2005 a total of 47 float glass production lines came on-stream with the ability to add 140 million weight cases[17] (7 million tonnes);
2006 additional capacity of 20 production lines and 70 million weight cases (3.5 million tonnes);
In the first nine months of 2015 the industry has been in a net loss;
New capacity, increased competition as well as increased prices for heavy oil, soda ash, electricity, transportation and other costs, profit margins are being squeezed;
Production capacity is still more than 50 million weight cases (2.5 million tonnes);
Ordinary float glass oversupply;
Some high end uses and need to import special varieties of glass;
Low industry concentration – average size of only 6.83 million weight cases (342,000 tonnes);
The large glass top four foreign multi-nationals concentrated 41% of the world's more than 50% of flat glass and glass processing production;
A few companies indulge in unfair competition with the production of "non-standard products" which has disrupted normal competition with "small glass" and "low float" price shock leading to a problem in the market.

[16] B4.1
[17] Weight case equals 50kg

5.6 Flat Glass Industry Access Conditions (5 May 2014) [18]

To regulate investment behaviour, prevent blind investment and redundant construction, promote structural adjustment, reduce energy consumption, to achieve coordinated and sustainable development, in accordance with national laws and industrial policies, the development of flat glass industry access conditions.

Flat glass production projects must meet the national industrial policy and industrial planning in line with overall land use planning, land supply policy and land use standards.

Flat glass manufacturers to gradually withdraw from certain areas.

Promote rational distribution of production. Focus on existing lines through upgrading. New development is limited to high quality float glass production.

Encourage the use of natural gas as a fuel.

Strictly limit a new ordinary float glass project and eliminate backward production.

Special varieties of high quality float glass for the electronics industry, the solar industry and low-E high quality float glass.

Energy consumption limits.

Penalties for new or renovated flat glass projects that do not meet the entry conditions.

The NDRC publish a list of flat glass manufacturers meeting the entry conditions.

5.7 Industry and Information Technology Ministry to Resolve Overcapacity (12 February 2014)[19]

To implement the "State Council on serious excess capacity to resolve conflicting guidance" and accelerate the cement, plate glass and other building materials industry to resolve serious excess capacity the Ministry issued a "...Two Industry Overcapacity Contradictions Work Plan". To the end of 2017 it will have eliminated flat glass production capacity by 33 million weight cases (1.7 million tonnes) which will then improve the industry capacity utilisation to 80 percent and improve the average profit margin to not less than the average profit margin in the manufacturing sector.

5.8 Twelve Ministries Together to Cement Plate Glass "Slimming" (9 April 2014) [20]

This news release revealed that in order to resolve the cement, flat glass industries' serious excess capacity conflicts, an inter-departmental working unit comprised of twelve departments was established. The twelve Ministries are the Ministry of Industry and

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[18] B4.2
[19] B4.3
[20] B4.4

Information Technology, NDRC, Ministry of Finance, Human Resources and Social Security, Ministry of Land and Resources, Ministry of Environmental Protection, Housing and Urban Construction, Industry of Commerce, SAIC, AQSIQ, Safety Supervision Bureau and Statistics. The release also notes that Jingsu, Hebei, Xinjiang and other provinces have been approved for structural adjustment of the flat glass industry. The release notes that the Ministry in 2014 has issued policies and clear and specific tasks to resolve the overall overcapacity in flat glass.

5.9 Decision of the Central Committee of the Communist Party of China on Some Major Issues concerning Comprehensively Deepening the Reform

This document was adopted at the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China on November 12, 2013 and was apparently publicly available on January 16, 2014.[21]

The decision (which applied to the glass industry as well as other key sectors) stated that:

> "A long term mechanism will be established and improved for preventing and dissipating excess production capacity", in addition to introducing an initiative to remove price controls in order to allow markets to play the decisive role in allocating resources."

5.10 Flat Glass Industry Focus on Supporting Large Enterprises List Released (27 March 2013)[22]

> The China Building Materials Federation with China Building Glass and Glass Industry Association recently released the first batch of joint audit focusing on cultivating the flat glass industry list of large enterprise groups, namely China Southern Glass Holding Co Limited, Fuyao Glass Industry Group Co, Lutheran Group (Glass) Co Ltd, Jin Jing (Group) Co Ltd, China Glass Holdings Limited, Jiangsu Waldorf-Run Group and Shanghai Yaohua Pilkington Glass Co Ltd Group. The news release notes that in order to implement the spirit of the Central Economic Work Conference with the relevant State Ministries and the deployment of a programme of work to tackle the problem of flat glass and promote the healthy development of the flat glass large group, efforts to solve the flat glass industry disorderly development, vicious competition, China and the China Building Materials Federation and Glass Industry Association jointly organised the flat glass industry focusing on cultivating large enterprise groups.

6. Effect of FYP and the NDRC's Regulation of the Flat Glass Industry

6.1 It is noted that the NDRC's functions illustrate its position in the Chinese market. That is, a main Government body is tasked to manage and control China's macro-economy instead of allowing market forces to shape commercial dynamics and outcomes. As a "controlled industry" the flat glass sector has been targeted by the State Council for development and as a result of that intervention the flat glass industry is now at a stage where further NDRC mechanisms are deemed to be necessary to control the industry's output. Restrictions on entering the flat glass industry and other mechanisms have over-

[21] http://lawprofessors.typepad.com/files/131112-third-plenum-decision---official-english-translation.pdf
[22] B4.5

ridden normal market principles. The various interventions have been aimed at restoring profitability in the flat glass industry. The availability of loans to develop the flat glass industry has now been restricted with the State-owned banks responding to the "PRC Government's Macro-economic Policies". The flat glass specific measures suggest that competition at normal market forces are diminished or are supplanted by Government policies and measures. For example, in the "State Council on Serious Excess Capacity to Resolve Conflicting Guidance (GUO FA 2013 No.41)" further investment in high quality float glass was encouraged.

7. Whether Prices are Artificially Low for Certain Inputs

7.1 As an introduction to this section the applicant refers to recent approaches by the Commission in assessing a market situation.

In TER 239[23] it was reported:

> The Commission considers that the analysis of a particular market situation can involve the consideration of all relevant market variables in relation to the subject good in totality and that the term "a situation" for the purposes of this report defies precise definition. The Commission holds that "a situation" refers to the presence of a factor or composite factors which collectively operate to cause a degree of distortion in the market that renders arms-length transactions in the ordinary course of trade in that market unsuitable for use in determining normal values.
>
> In assessing a particular market situation the Commission considers that governments can directly or indirectly influence domestic prices through the imposition of restrictions on how prices are charged for a product. This influence can be through:
>
> Direct price regulation (floor or ceiling pricing mechanisms); and
> Indirect influence through policies that impact on the supply of the subject goods or the supply or price of major inputs used in the production of the subject goods.
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> The influence of government does not, in itself, establish the existence of a particular market situation. In assessing whether a market situation exists, the Commission needs to examine both:
>
> The effect such influence has on the market; and
> The extent to which domestic prices are distorted and unsuitable for product comparison with corresponding export prices.

7.2 In regard to the sufficiency of evidence it was noted in REP276[24]:

> The Commission considers that the issues as to whether or not a 'market situation' exists in the domestic market of an exporting country, is a matter for the Parliamentary Secretary to consider. In doing so the Parliamentary Secretary ought to be satisfied on the basis of consideration of the totality of all relevant available

[23] fn 4 pg 69
[24] fn 1 pg 69

evidence that a 'market situation' exists for the purposes of subsection 269TAC(2)(a)(ii).

It is considered that the assessment as to whether a market situation exists in a particular market constitutes a positive test. That is, before actual selling prices are rejected, the Commission needs to identify a 'market situation', and be satisfied that the 'market situation' renders the sales in that market not suitable for normal value purposes.

Although it is for the Commission to establish the nature and consequence of the 'market situation', including an evaluation of whether there is an impact on domestic prices, it is considered that the **pricing effect does not necessarily have to be quantified**. (emphasis added)

7.3 A possible consequence of there being a market situation for CFG in China is commented on in the Confidential Spreadsheet. [25]

8. Information Reasonably Available to Viridian to meet the Application Threshold for Market Situation

8.1 The EPI Paper refers to the difficulty of obtaining information in China. In a section entitled "Data" the EPI Paper reports:

Because of limitations attending the quality, completeness, and quantity of industry-level data, the analysis began with subsidies to the flat-glass sector of the Chinese glass industry, which were then extended to the entire Chinese glass and glass products industries.

Two-thirds of the sales revenues in glass come from small and medium-sized enterprises. These operations are difficult to track in China. Only the ten largest enterprises release systematic accounting data.

Official surveys of the industry were found to be flawed.

Researchers and analysts have also found subsidies to coal and electricity very difficult to measure because of the problems with the quality of energy statistics as well as the quality of accounting data. Lack of regular and rigorous industry surveys also cloud other official statistics on glass.

9. Other Market Situation Investigations by the Commission

9.1 Previous investigations into market situation have included aluminium extrusions, aluminium road wheels, certain hollow structural sections, galvanised steel, aluminium zinc coated steel, plate steel, PV panels, silicon metal and wind towers. All of these China investigations have relied on (directly or indirectly) precedents sourced from the CBSA[26] or the EU. Unfortunately a CBSA off the shelf template is not available to Viridian and so this application must rely on information reasonably available to Viridian. In this case the EPI Paper is used as a template and where possible has been updated.

[25] Attached
[26] Canada Border Services Agency

10. Low Input Prices to CFG

10.1 The conditions in 2015 in the glass industry in China are similar to that explained in the EPI Paper which referred to stagnant prices for flat glass and rapidly increasing raw material prices.

10.2 The European Chamber Paper also referred to low input prices as being a reason for overcapacity in key industries.[27]

10.3 Actual prices of inputs paid by manufacturers of CFG in China are not available to the applicant but can only be obtained during an investigation. Subsequently, the magnitude of the GOC market distortions using a benchmark approach can only be uncovered during an investigation. But as previously noted the pricing effect does not necessarily have to be quantified.

10.4 The EPI Briefing Paper refers to "subsidies" and for the purpose of alleging a market situation these "subsidies" are considered to be the best information available to the applicant to establish a prima facie position that inputs in the manufacture of CFG are not based on market prices because of the influence of the GOC (which in the methodology of the EPI Briefing Paper is referred to as "subsidies").

10.5 The following commentary on inputs to the glass industry is taken from the EPI Paper commencing at page 27. Where possible this information has been updated but for reasons stated above not all of this data is available.

10.6 In the following paragraphs it is important to note that heavy oil and soda ash contribute to 65 percent of the cost of manufacturing Chinese glass and glass products. Utilities and coal contribute another 12 percent to the cost. Labour contributes only two percent of the cost of manufacturing glass in China.[28]

10.7 The EPI Paper summarises the GOC effect on flat glass inputs in Figure T.

10.8 *Subsidies to Heavy Oil*

Subsidies for heavy oil to the flat-glass sector in China between 2004 and the third quarter of 2008 reached $3.5 billion. The increase was steepest in 2007 and 2008, when the price of heavy oil sky-rocketed. As mentioned earlier, the oil companies recorded subsidies from the central government as revenues spread out over years. Consequently, the total subsidies to heavy oil would be very difficult to discern. **Figure U** in the EPI Briefing Paper indicates the presence of some subsidies to heavy oil in each year of the period shown.

10.9 While the EPI Briefing Paper comments that "total subsidies to heavy oil would be very difficult to discern" it is the GOC involvement in the energy sector which is relevant to an assessment of the GOC distorting the price of inputs to CFG.

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[27] fn 8 pg 4
[28] EPI Paper pg 18

10.10 The US Energy Information Administration has reported:[29]

The Chinese Government's energy policies are dominated by the country's growing demand for oil and its reliance on oil imports. The National Development and Reform Commission (NDRC), a Department of China's State Council, is the primary policy making, planning, and regulatory authority of the energy sector while other Ministries such as the Ministry of Commerce, the Ministry of Land and Resources, the Ministry of Environmental Protection, and the State Oceanic Administration oversee various components of the country's oil policy.

The National Energy Administration (NEA), linked with the NDRC, is charged with approving new energy projects in China, setting domestic wholesale energy prices, and implementing the Central Government's energy policies, among other duties.

China's National Oil Companies (NOCs) yield a significant amount of influence in China's oil sector. In the 1980's, China established three major NOCs – China National Petroleum Corporation (CNPC), the China Petroleum and Chemical Corporation (Sinopec), and China National Offshore Oil Corporation (CNOOC) – to serve in various areas of the oil sector.

When international oil prices began falling in the middle of 2014 the NDRC approved twelve downward price changes. When benchmark crude oil prices recovered slightly at the beginning of 2015, the NDRC reversed course by raising the retail prices twice.

The NDRC issued guidelines in 2011 to eliminate refineries smaller than 40,000 bbl/d by the end of 2013 in an effort to encourage economies of scale and efficiency measures.

The NDRC announced policy in early 2015 allowing local refiners to gain greater access to imported crude oil if they reduced excess capacity...

Domestic price regulations for petroleum products resulted in revenue losses for Chinese refiners, particularly small ones, in the past few years when international oil prices were high.

The NDRC issues export quotas on oil products to NOCs to ensure that domestic demand for major oil products is met, with the possibility to extend the quotas if supply exceeds demand.

10.11 ***Subsidies to coal***

Subsidies for coal to the flat-glass sector in China between 2004 and the third quarter of 2008 reached $1.01 billion. The increase was steepest in 2008, when the price of coal soared. **Figure V** in the Briefing Paper indicates the presence of some subsidies to coal.

[29] US Energy Information Administration International Analysis May 14, 2015. https://www.eia.gov/beta/international/analysis.cfm?iso=CHN

10.12 The predecessor of the Commission identified coal sold at less than adequate remuneration in China.[30] Coal was determined by CBSA as having been sold at less than adequate remuneration in the Canadian silicon metal investigation. In Report 237[31] the Commission noted that the CBSA was satisfied that the GOC exercises "substantial influence" over key raw material inputs in the silicon manufacturing process, including electricity and coal. The Commission also referred to the GOC exercising control of the coal industry through "the use of policies, laws, regulations, production caps and production ceilings" to control the volume of coal produced and sold in China. Report 237 also referred to export controls on coke – a relevant factor in the cost of coal. This information as taken from a WTO Panel Report 2011 and 2012 and was considered by the Commission to be best available information. The Commission identified that coal was sold at less than fair value and obtained information from the complaint and to the CBSA. In relation to a limitation on coal exports and the GOC controlling the domestic price of coke, the Commission referred to a WTO Panel Report.

10.13 ***Subsidies to Electricity***

Subsidies for electricity to the flat-glass sector in China between 2004 and the third quarter of 2008 reached $290 million. Table 7 in the EPI Briefing Paper defined the breakdown of coal-price and provincial subsidies. The total for provincial subsidies approximated $164 million; the total for coal-price-increase subsidies reached $126 million. **Figure W** in the EPI Briefing Paper indicates the presence of some subsidies to electricity.

10.14 Report 237 noted that the CBSA was satisfied that the GOC exercises "substantial influence" over key raw material inputs in the silicon manufacturing process, including electricity. The Commission noted that the provision of preferential rates for electricity offered further advantage to domestic producers to enable domestic prices to remain low. The Commission noted that the Australian industry (in Report 237) asserted that the construction of normal value should take account of the fact that the cost of electricity reflected in the records of Chinese exporters does not reasonably reflect a competitive market cost for that input and should be substituted.

10.15 The Commission found that electricity costs have been affected by preferential rates provided by SIE electricity providers for industries in the silicon manufacture sector, and hence do not reasonably reflect competitive market costs, and should be replaced by a competitive market substitute. Because electricity prices are set or influenced by NDRDC it is reasonable to expect that preferential rates would also be provided to the flat glass sector. The Commission noted that it had made a finding of a subsidy in the form of the provision of electricity by a public body for less than adequate remuneration. The Commission determined that the most reasonable option available for a benchmark tariff rate for electricity was the "other large industry" rate as indicated on the schedule of tariff rates provided by the GOC. The Commission noted that it considered this the most reasonable benchmark as it represented a competitive market cost in China for all other industries in the relevant provinces, that is, those where the cooperating exporter conducts its manufacturing activities.

[30] Reports No.193 and 198
[31] Silicon Metal - People's Republic of China

10.16 *Subsidies to soda ash*

Discernible subsidies to soda ash in the flat-glass sector could only be gauged for the year 2006, because of murky data. In 2006, subsidies to soda ash approximated $44 million. As shown in Figure Q and Figure R in the EPI Briefing Paper, soda ash constitutes a key cost for Chinese glass manufacturers, almost all of whom use Chinese soda ash, which is considerably more expensive than the U.S. version. Additionally, the price of soda ash climbed after 2005, putting a strain on companies' operating margins. Yet, the poor-quality data on prices did not reveal this. The price paid for soda ash was gathered from industrial surveys and could have indicated the listed price rather than the actual transaction price.

10.17 In an article on soda ash and its importance to the US[32] it was reported that Chinese companies receive a nine percent value added tax (VAT) rebate on export shipments, which equates to an approximately USD35 million annual subsidy to the Chinese soda ash industry. Chinese companies are the largest competitors to the US industry. In China soda ash is mainly produced by a synthetic process. According to IMA-NA estimates synthetic soda ash is almost twice as energy intensive as naturally produced soda ash.

10.18 In a further article on Chinese soda ash[33] it was reported that China has been aggressive with its exports of soda ash and that the increase in Chinese exports is due to a combination of excess domestic capacity and a decline in local demand. Because the main market for soda ash is glass manufacturing, its consumption is linked to the construction market, which has effectively stalled in China. Nearly a quarter of all Chinese glass companies saw their profits shrink in the first half of 2015. For flat glass, Chinese production dropped by 3.9 percent in the first half of 2015 while annual demand growth declined from 11.3 percent in 2013 to 1.1 percent in 2014 and is expected to fall into negative growth in 2015, pushing the market into depression and leaving a gap in soda ash demand. Even though China already produces more soda ash than it consumes and prices are falling, production capacity continues to rise at a rapid rate. More than a million tonnes are set to be added to China's soda ash output by the end of 2015 with additional supply expected to come for instance from new production.

10.19 The recovery of the ammonium chloride market (which is a by-product of the synthetic soda ash manufacturing process) helped by a relaxation in Chinese export policies for the material and the introduction of a 5 percent flat export tax replacing a seasonable variable rate has also boosted soda ash output. This VAT rebate for not only soda ash but also for ammonium chloride has resulted in China's soda ash industry being described as "heavily subsidised"

10.20 China National Chemical Engineering Co. Ltd is a State-owned Enterprise and in association with the Zhejiang Group owns a large soda ash producer, Qinghai Alkali Co. Ltd. The soda ash is used in the production of CFG by Zhejiang.

10.21 The European Chamber Study noted that the utilisation rate of soda ash was deteriorating.[34]

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32 http://www.indmin.com/Article/3369332/Soda-ash-and-its-importance-to-the-US.html (7 August 2014)
33 http://www.indmin.com/Article/3481655/Chinese-soda-ash-Mission-creep.html (20 August 2015)
34 fn 9 pg 25

10.22 *Silica Sand*

In an OECD report on the restricted supply of raw materials[35] it was noted that China appears to be the country that most readily imposes quotas on the export of strategic raw materials. The OECD noted that exports of silica sands are banned. Based on the Commission's findings in other investigations an export ban (if this is still in place) will artificially reduce the price of an input – in this case silica sand.

In a 2013 investigation the US Department of Commerce found that silica sand required the establishment of a surrogate value.[36]

10.23 Natural Gas

In the same US Department of Commerce Investigation a surrogate value was also established for natural gas.

The natural gas sector in China is dominated by the three principal State-owned oil and gas companies: CNPC, Sinopec, and CNOOC. CNPC is the country's largest natural gas company in both the upstream and downstream sectors. CNPC accounts for roughly 77 percent of China's total natural gas production. China's natural gas prices, similar to retail oil prices, are regulated by the NDRC and have been kept below international market rates.[37]

The natural gas price is discounted to some degree to encourage use of natural gas rather than coal.

In April 2015 the Chinese Government combined the prices of the two existing tiers into one price by lowering the price for incremental demand and raising the price for the existing customer base.

The EIA reports that the combination of the two tiers resulted in a weighted average price of 2.51 Yuan/m^3 ($10.62/MMBtu).

The NDRC plans to adjust its price ceiling every six months in line with LPG and fuel oil prices. China also intends to create more market-based rates for residential customers by the end of 2015, but this directive has not been clearly defined yet.

10.24 *VAT*

It is understood that CFG sold in the domestic market is subject to a 17% VAT but exported goods are only eligible for a VAT rebate of 13%.

11. Impact of Artificially Low Input Prices on CFG

11.1 Based on the examination of input prices and the Commission's own assessment of similar inputs in other investigations, there is a strong prima facie case suggesting that actual prices of CFG would not be suitable for normal value purposes. As noted earlier, the actual effect of the distorted input prices on the selling price of CFG is difficult to quantify. But for

[35] OECD (2010The Economic Impact of Export Restrictions on Raw Materials

[36] Issues and Decision Memorandum for the Final Determination of Sales at Less than Fair Value: Silica Bricks and Shapes from the People's Republic of China. Investigation A-570-988 20 November 2013, Barcode 3165834-01 www.access.trade.gov

[37] fn 28

the purpose of alleging a market situation the evidence provided meets the Commission's evidential claim for market situation:

> Does not need to be conclusive or irrefutable.
> Must be relevant, and reasonably reliable, and **unless rebutted**, would be reasonably supportive of a finding that domestic selling prices are unsuitable for normal value. (emphasis added)
> And further, as has already been noted:
>
> > Although it is for the Commission to establish the nature and consequence of the "market situation", including an evaluation of whether there is an impact on domestic prices, it is considered that the **pricing effect does not necessarily have to be quantified**. (emphasis added)

12. Subsidy Programmes Indicating the Extent of the GOC's Assistance to Industry

12.1 The Commission has previously examined a range of subsidies for other industries falling within the twelfth Five Year Plan. It is reasonable, for the purposes of this document, to assume that these programmes would also be available to producers of CFG. Because some programmes are specific to a region those programmes may not confer a benefit to the exporters of CFG.

12.2 An indication of the programmes which may assist in the assessment of market situation – as opposed to a subsidy investigation are shown in the following summary from the Commission's previous investigations:

Program Number	**Program Name**	**Program Type**	**Countervailable in relation to the goods (Yes/No)**
1	Electricity provided by government at less than adequate remuneration	Remuneration	Yes
2	Preferential Tax Policies for Enterprises with Foreign Investment Established in the Coastal Economic Open Areas and Economic and Technological Development Zones	Income Tax	No
3	Preferential Tax Policies for Foreign Invested Enterprises– Reduced Tax Rate for Productive Foreign Invested Enterprises scheduled to operate for a period of not less than 10 years	Income Tax	No
4	Preferential Tax Policies for Enterprises with Foreign Investment Established in Special Economic Zones (excluding Shanghai Pudong area)	Income Tax	No
5	Preferential Tax Policies for Enterprises with Foreign Investment Established in Pudong area of Shanghai	Income Tax	No
6	Preferential Tax Policies in the Western Regions	Income Tax	Yes
7	Land Use Tax Deduction	Income Tax	Yes

8	Preferential Tax Policies for High and New Technology Enterprises	Income Tax	Yes
9	Tariff and VAT Exemptions on Imported Materials and Equipment	Tariff & VAT	Yes
10	One-time Awards to Enterprises Whose Products Qualify for 'Well-Known Trademarks of China' and 'Famous Brands of China'	Grant	Yes
11	Matching Funds for International Market Development for Small and Medium Enterprises	Grant	Yes
12	Superstar Enterprise Grant	Grant	Yes
13	Research & Development (R&D) Assistance Grant	Grant	Yes
14	Patent Award of Guangdong Province	Grant	No
15	Innovative Experimental Enterprise Grant	Grant	Yes
16	Special Support Fund for Non State-Owned Enterprises	Grant	Yes
17	Venture Investment Fund of Hi-Tech Industry	Grant	Yes
18	Grants for Encouraging the Establishment of Headquarters and Regional Headquarters with Foreign Investment.	Grant	Yes
19	Grant for key enterprises in equipment manufacturing industry of Zhongshan	Grant	Yes
20	Water Conservancy Fund Deduction	Grant	Yes
21	Wuxing District Freight Assistance	Grant	Yes
22	Huzhou City Public Listing Grant	Grant	Yes
23	Huzhou City Quality Award	Grant	Yes
24	Huzhou Industry Enterprise Transformation & Upgrade Development Fund	Grant	Yes
25	Wuxing District Public List Grant	Grant	Yes
26	Anti-dumping Respondent Assistance	Grant	Yes
27	Technology Project Assistance	Grant	Yes
28	Capital injections	Equity	Yes
29	Environmental Protection Grant	Grant	Yes
30	High and New Technology Enterprise Grant	Grant	Yes
31	Independent Innovation and High-Tech Industrialization Program	Grant	Yes
32	VAT Refund on Domestic Sales by Local Tax Authority	Tariff & VAT	No
33	Environmental Prize	Grant	Yes
34	Jinzhou District Research and Development Assistance Program	Grant	Yes
35	Grant for Industrial enterprise energy management centre construction demonstration project Year 2009	Grant	Yes
36	Key industry revitalization infrastructure spending in budget Year 2010	Grant	Yes
37	Provincial emerging industry and key industry development special fund	Grant	Yes
38	Environmental protection fund	Grant	Yes

39	Intellectual property licensing	Grant	Yes
40	Financial resources construction special fund	Grant	Yes
41	Reducing pollution discharging and environment improvement assessment award	Grant	Yes
42	Comprehensive utilization of resources - VAT refund upon collection	Tariff & VAT	Yes
43	Grant of elimination of out dated capacity	Grant	Yes
44	Grant from Technology Bureau	Grant	Yes

12.3 In an investigation on imports of solar glass originating in the People's Republic of China the EC also examined programmes allegedly involved in the granting of subsidies to the solar glass industry.[38] While it is recognised that solar glass is not a like good the EU finding did consider that float glass (under a different tariff item) was included if it matched the definition of the product concerned (solar glass).

12.4 As further background to the GOC involvement in the industry, these programmes that were investigated are shown below:

12.5 The Commission sent questionnaires to the GOC and the sampled exporting producers, requesting information on the following schemes that allegedly involved the granting of subsidies to the solar glass industry:

- Preferential lending to the solar glass industry:
  - Credit lines and low-interest policy loans granted by SOCBs and public development banks
  - Export credit subsidy programmes
  - Export guarantees
  - State-funded insurance for green technologies ('Green express')
  - Financial advantages from the granting of access to offshore holding companies
  - Loan repayments by Government

- Grant programmes:
  - 'Famous Brands' and 'China world Top Brands' subsidies
  - Funds for Outward Expansion of Industries in Guangdong Province

- Government provision of goods and services for less than adequate remuneration:
  - Provision of antimony
  - Provision of power
  - Provision of land use rights

- Direct tax exemption and reduction programmes:
  - Income tax exemptions or reductions under the Two Free/Three Half Programme

[38] O.J. L 142/23, 14 May 2014 Commission Implementing Regulation (EU) No 471/2014 of 13 May 2014. Imposing definitive countervailing duties on imports of solar glass originating in the People's Republic of China. Amended by Commission Regulation (EU) 2015/1394, 13 August 2015. http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1459388080958&uri=CELEX:32014R0471

- Income tax reductions for foreign invested enterprises ('FIEs') based on geographic location
- Local income tax exemptions and reductions for 'productive FIEs'
- Income tax reductions for FIEs purchasing Chinese-made equipment
- Tax offset for R&D at FIEs
- Preferential corporate income tax for FIEs recognised as High And New Technology Industries
- Tax reductions for High and New Technology Enterprises involved in designated projects
- Preferential income tax policy for enterprises in the North-East Region
- Guangdong Province tax programmes
- Dividend exemption between qualified resident enterprises

– Indirect tax and import tariff programmes:
  - VAT exemptions for use of imported equipment
  - VAT rebates on FIEs' purchases of Chinese-made equipment
  - VAT and tariff exemptions for purchases of fixed assets under the Foreign Trade Development Programme

– Other subsidies and other subsidy programmes (including provincial, city, county or district government authority programmes).

12.6 Similar and other programmes which could be relevant to clear float glass can be found in the US Countervailing Duty Investigation of Crystalline Silicon Photovoltaic Cells (2012).[39] CBSA also examined subsidies in Certain Voltaic Modules and Laminates originating in or exported from the People's Republic of China.[40]

13. State Controlled Investment in CFG

13.1 In 2011 the NSG Group released a report on the flat glass industry.[41] That report showed that around 220 float lines are installed in China but only around 50 of those float lines produce high quality float (or western style glass). These float lines have increased significantly since that time with some reports recording 340 lines now in place. There has been no update of the number of high quality float lines. This is the best information available to the applicant and is sufficient for the purposes of demonstrating the State investment in CFG. It is expected that this investment would have increased in high quality float lines given the objectives of the twelfth FYP and the GOC implementation.

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[39] Investigation C-570-980 Public Document 06: meh October 9, 2012 available from access.trade.gov-issues, Bar code 3100574-01

[40] Statement of Reasons June 18, 2015. http://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/menu-eng.html

[41] NSG Group and the Flat Glass Industry 2011.
http://www.nsg.com/~/media/NSG/Site%20Content/Temporary%20Downloads/Japanese/NSGFGI_2011%20EN2.ashx
This Study also referred to in a report 13 January 2014.
For a Study on Composition and Drivers of Energy Prices and Costs in Energy Intensive Industries: The Case of the Flat Glass Industry.
https://www.ceps.eu/publications/composition-and-drivers-energy-prices-and-costs-energy-intensive-industries-case-flat

High Quality Float Capacity in 2010

Company	Capacity %	Float Lines	State Investment
Xinyi Holdings	24	12	Unknown
China Southern Glass Holding	24	8	Yes
Fu Yao Group	6	3	Unknown
Saint-Gobain Hanglass	6	3	Unknown
Zhejiang Glass	5	2	Unknown
AGC Flat Glass (Dalian)	4	2	Unknown
China Glass Holdings	4	2	Yes
SYP	4	2	Unknown
AVIC Sanxin	4	2	Yes
JSYP	2	1	Unknown
China Yaohua Glass Group	2	1	Yes
Taiwan Glass	24	11	Unknown

13.2 This means that in 2010 around 39 percent of CFG production in China was controlled or influenced by the GOC.

13.3 Note that because this information is based in 2010 it is merely indicative. However, the State investment in the CFG industry is unlikely to have lessened from those companies studied in the above table. This is because the investment in CFG is substantial and there has historically been a large investment in CFG by the GOC.

14. Snapshot of High Quality Float Glass Companies

14.1 The purpose of this "snapshot" is to update as far as possible the information from the NSG Study and to also demonstrate the significant investment by the GOC in the manufacture of high quality float glass CFG. Whether or not this investment affects the pricing of CFG in the domestic market could only be ascertained during an investigation.

14.2 Luoyang Glass Company Limited (not in the above Table)[42]
According to the company's website it is a well known float glass manufacturer with an annual production capacity of 26 million standard cases. It is controlled by the State-owned China National Building Material Corporation which is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

14.3 China Triumph International Engineering Co Ltd [43] (not in the Table)
This company specialises in installing high quality float glass lines. According to its website its clients include Shanghai Yaohua Pilkington, CSG, Taiwan Glass Group and Xinyi Glass. China Triumph Engineering Co Ltd is part of the State-owned China National Building Material Company Limited.

[42] B4.6
[43] B4.7

14.4 CSG Holding Co Ltd [44]

According to the company's website it is a manufacturer of flat glass, architectural and energy-saving glass, and low-E glass. It has production bases in Dongguan, Tianjin, Wujiang, Zingdu and other places. In the summary of Annual Report 2014 (March 2015) a diagram of the ownership structure shows that the company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shenzhen Municipality.

14.5 China Glass Holdings Limited (CNG) [45]

According to the company's website CNG is China's leading float glass and the largest reflective glass manufacturer. In March 2016 CNG recorded a profit warning with the Hong Kong Stock Exchange for the year ended 31 December 2015. The company reported that:

> The loss recorded by the Group in the year of 2015 was mainly attributable to the following reasons:
>
> (i) The macro-economic slowdown had caused a decrease in the downstream demands and an intensification of competition in the glass industry, which lowered the selling price and gross profit margin on the main products of the Group, float glass products for construction use, throughout the year of 2015; and
> (ii) The amount of impairment on the Group's assets write-off and/or provisions for doubtful debts and receivables during the year 2015 of approximately RMB120 million.

The main shareholders of the company are controlled and influenced by the GOC.

14.6 Yaohua Glass Corporation [46]

This company is majority owned by Hony Capital which is controlled by the GOC National Council for Security Fund and Legend Holdings controlled through the GOC's Chinese Academy of Sciences. CAS was shown as a controlling shareholding in the Legend Holdings Corporation Global Offering Prospectus (2014). The local government of Qinhuangdao, where Yaohua Glass is based, owns 30 percent of the company and 60 percent is controlled by Hony. According to the company's website the company has 15 float glass manufacturing lines (apparently high quality float).

14.7 AVIC Glass [47]

AVIC Sanxin is a manufacturer of premium glass. AVIC (Aviation Industry Corporation of China) is a Chinese State-owned Aerospace and Defence Company.

14.8 Zhejiang Glass Company [48]

Is one of the five largest float glass manufacturers in China. According to the company's website it currently operates five flat glass production lines. The company has integrated upstream by investing into a 900,000-tonne per year soda ash production line in Qinghai Province in Western China. Most of the company's glass production is distributed to the

[44] B4.8
[45] B4.9
[46] B4.10
[47] B4.11
[48] B4.12

construction sector. In its 2007 Financial Report the company reported that it was investing RMB1.2 billion in soda ash and the remaining RMB2.4 billion to be invested in making new glass production lines in Xhejiang.

In April 2015 Kibin and Zhejiang Glass merged to form a company with approximately 4.5 million tonnes of working production capacity. [49]

14.9 Shandong Glass Group [50] (not in Table)

This is a State operated corporation which states that it is the second largest manufacturer of float glass in China with eight lines for high quality float glass.

15. Prima Facie Assessment of Market Situation

15.1 Some of the key indicators in this assessment include:

- CFG (being the major part of the flat glass industry) is a controlled industry.
- Entry into the CFG industry can be restricted, capacity expansion might not be approved, companies can face prohibition on financing.
- Preferential lending to controlled industries.
- NDRC policies override market forces to shape commercial dynamics and outcome.
- State Council Guidance demonstrates intervention and controlling input costs.
- Low input prices controlled/influenced by GOC contribute to excess capacity.
- Impact of large GOC owned/influenced CFG lines on domestic price of CFG.
- Large scale CFG production suggesting deeper involvement of GOC in ownership/control.[51]

15.2 The applicant believes that there is sufficient evidence to enquire into the alleged market situation in China for CFG.

6 April 2016

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[49] fn 8 pg 29
[50] B4.13
[51] See confidential attachment to Continuation application