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Trade Consultants

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The Director Operations 1

Non-Confidential

Anti-Dumping Commission

27 May 2016

55 Collins Street

Melbourne VIC 3000

Australia

Attention: G Katsoulis

Dear George

Viridian has reviewed the submission on behalf of Guardian (EPR 014, available 23 May 2016) and notes the following.

1. Guardian comment

our client has distribution links in Australia (Guardian reference paragraph 3.1(c))

2. Viridian comment

Guardian has noted that it does not have any "distribution links" in Australia. Viridian understands that Guardian has a sales representative in Australia.

3. Guardian comment

Dumping is unlikely to recur because the global primary production overcapacity which existed until 2009, and which is alleged in the application to still exist,¹⁰ no longer exists. The Commissioner is bound to make his decision on the most current material available to him.¹¹ In particular, our client notes that the Applicant refers to statistics in a European Chamber of Commerce study. The study demonstrates that, contrary to the thrust of the Applicant's submission, there has been a 6% decrease in active Chinese production lines over the 2013–2015 period, despite increasing global demand (4.2)

4. Viridian comment

While some production lines have closed in China this has not materially reduced the substantial over-capacity in China. The over-capacity has contributed to the very low prices of CFG in China.

5. Guardian comment

Alternatively, dumping by our client is unlikely to recur because (4.3)

6. Viridian comment

Viridian understands that Guardian Confidential assessment [REDACTED]

7. Guardian comment

The Applicant apparently asserts that recent increases in CFG export volume from China, Indonesia and Thailand suggest that dumping is likely to continue or recur if measures expire.¹⁴ However, increases in total export volume are commensurate with a decline in domestic Australian capacity (4.4)

8. Viridian comment

Viridian notes there is not a link between the closure of Ingle burn (2013) and the increase in imports of CFG. The following table shows Viridian's sales of CFG.

Tonnes sold (approximate)

YEM2010	[REDACTED]
YEM2011	[REDACTED]
YEM2012	[REDACTED]
YEM2013	[REDACTED]
YEM2014	[REDACTED]
YEM2015	[REDACTED]

9. Guardian comment

The expiration of the anti-dumping measures would not lead, or be likely to lead, to material injury to the Applicant (5.1)

10. Viridian comment

Viridian notes that if the measures are not continued then prices for imported CFG will fall and Viridian will need to reduce its prices to maintain volumes.

11. Guardian comment

Since 2013, imports have supplemented the Applicant's limited primary production capacity in order to service growing domestic demand.(5.2)

12. Viridian comment

This is incorrect. Viridian does not Confidential business process [REDACTED]

13. Guardian comment

The Applicant has a limited primary production capacity at its single Dandenong float line. The anti-dumping measures have encouraged the Applicant to import CFG produced outside Australia to supplement its inadequate capacity. We estimate that the Applicant services less than two-thirds of the Australian market, not accounting for its New Zealand exports. This is illustrated by the immediate increase in CFG imports triggered by the Applicant's closure of its Ingleburn float line.(5.4)

14. Viridian comment

See the above table. Viridian's exports to New Zealand Confidential quantity [REDACTED] per annum.

15. Guardian comment

As the Applicant's domestic production capacity has decreased, Australian consumption of CFG has significantly increased and will continue to increase in the future. This is primarily due to a residential construction boom in capital cities on the eastern coast of Australia.(5.5)

16. Viridian comment

Viridian has plenty of spare capacity to produce CFG. Confidential assessment of business process [REDACTED]

[REDACTED]. The approximate relationship [REDACTED] and for every tonne of [REDACTED] that is produced Viridian could have made [REDACTED] CFG. Also, as mentioned in paragraph 12 above Viridian imports [REDACTED] volumes of CFG. As mentioned in paragraph 14 Viridian's export volumes to NZ [REDACTED].

17. Guardian comment

The Applicant's reduced production capacity was planned in its 2013 annual report,²⁰ which did not anticipate the subsequent construction boom and accompanying increase in demand for CFG.(5.6)

18. Viridian comment

Viridian has the capacity to increase production of CFG.

19. Guardian comment

Accordingly, anti-dumping measures will not increase the proportion of CFG which is both produced and consumed in Australia. This militates against a finding that there will be material injury: see s 269TAE(1)(c) of the Act, which qualifies s 269ZHF (5.6)

20. Viridian comment

If measures are removed it is highly likely that CFG prices will decrease. Viridian will be faced with meeting these lower prices to prevent loss of volume. It is relevant to note that if the current measures were not in place then the proportion of CFG produced in Australia would have reduced.

21. Guardian comment

the Applicant's market share position makes it the de facto price setter, and any variation in price is likely to be driven mostly by the Applicant. The Applicant has not and cannot allege that it is a price taker rather than a price setter - indeed, it enjoys an apparent 8% pricing advantage as a local manufacturer;(5.7)

22. Viridian comment

Viridian's customer comments contradict this statement. Furthermore the attempt Confidential business operation [REDACTED] also contradicts

the observation that Viridian is a price setter. As discussed with the ADC, CFG does not benefit from a premium Confidential reference to other business [REDACTED]

23. Guardian comment

the importer with the lowest prices is not currently covered by the anti-dumping measures(5.7)

24. Viridian comment

Viridian has drawn to the ADC's attention that there is Confidential source [REDACTED] that other exporters are exporting CFG from China to Australia without paying the correct duty.

25. Guardian comment

CFG prices are more likely to be depressed or suppressed if they remain in force in respect of our client. If anti-dumping measures are continued, exporters not covered by the measures are likely to take advantage of them to sell large volumes in Australia at lower Asia-Pacific prices, causing price depression or suppression (5.8)

26. Viridian comment

It is not clear what the first sentence means. Since measures have been in place Viridian does not believe other exporters have emerged apart from those from China.

27. Guardian comment

The Applicant's annual report for 2015 records a "*significant turnaround in profitability*" as well as increased sale volume and revenue.²⁴ Its application admits that prices have increased despite any alleged dumping (5.9)

28. Viridian comment

The Annual Report does not specifically cover only the like goods. In general, significant restructuring of the business has been undertaken to improve the financial result. Viridian has provided the ADC with material that suggests this position will be quickly reversed in the absence of measures.

29. Guardian comment

The Applicant acknowledged that its low delivery in full on-time (DIFOT) rates lead to loss of market share.²⁷ It is known in the market that the Applicant's low DIFOT, poor customer service and customer dissatisfaction have not improved and that this detracts from the Applicant's market share and profits;(5.10)

30. Viridian comment

Since the last investigations, and as explained to the ADC, Viridian's structure has changed. What has been stated above is more correctly questioned/addressed to the downstream business and not the supply of CFG by Viridian supply chain. DIFOT is not a measure that Viridian uses for the supply chain/key account customers. Instead Viridian Confidential benchmark [REDACTED] which is done within the downstream business.

31. Guardian comment

the lower quality of the Applicant's imported products, as compared with our client's high-quality, low-iron CFG;(5.10)

32. Viridian comment

This is not relevant as Viridian [REDACTED] CFG.

33. Guardian comment

the Applicant's downstream business competing with the customers of its upstream business;the Applicant's upstream business preferentially filling orders to the downstream business ahead of other customers; and
(iii) charging exorbitant prices in Tasmania because there is no competition in that State to moderate the Applicant's price;(5.10)

34. Viridian comment

Since the last investigation the relationship between the previously named "upstream" and previously named "downstream" has changed. The Supply chain business does not preferentially fill orders to the downstream business over the key account customers. Confidential business comment [REDACTED]

It should be noted that transport costs are very high to Tasmania.

35. Guardian comment

the Applicant's expensive business restructure in 2013. The restructure has resulted in (5.10)

36. Viridian comment

As has already been discussed with the ADC, the costs associated with the restructure have been taken at a corporate level (the business was impaired), as a result the redundancy, refurbishment, depreciation and other capital costs associated with the restructure are not factoring in to the current Viridian costs. As mentioned previously Viridian has the capacity to make more CFG

37. Guardian comment

the termination of the insulation rebate scheme (5.12)

38. Viridian comment

This is not related to Viridian. The comment could relate to the Bradford insulation business.

39. Guardian comment

a lack of energy efficient buildings in Australia (5.12)

40. Viridian comment

It is unclear what this means. It has nothing to do with CFG.

41. Guardian comment

redundancy, remediation and restructuring costs (5.12)

42. Viridian comment

These costs and other costs have been explained above.

43. Conclusion

Viridian is able to quickly respond to any clarification or requests for additional information if required.

Yours sincerely

Jules Croft