



**INVESTIGATION 335**

**CONTINUATION OF ANTI-DUMPING MEASURES  
CLEAR FLOAT GLASS EXPORTED FROM THE PEOPLE'S  
REPUBLIC OF CHINA, REPUBLIC OF INDONESIA AND  
KINGDOM OF THAILAND**

**VISIT REPORT - AUSTRALIAN INDUSTRY**

**CSR VIRIDIAN LIMITED**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

**May 2016**

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## **1 BACKGROUND**

On 2 December 2015, in accordance with subsection 269ZHB(1) of the *Customs Act 1901*<sup>1</sup> (the Act), a notice was published on the Anti-Dumping Commission (the Commission) website inviting interested parties to apply to the Commissioner of the Anti-Dumping Commission (the Commissioner) for the continuation of the anti-dumping measures applying to clear float glass (CFG) exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand).

On 1 February 2016, CSR Viridian Limited (Viridian), the sole Australian producer of CFG, lodged an application for the continuation of the measures, which was within the applicable legislative timeframes.<sup>2</sup>

The background to the initiation of this continuation inquiry is contained in Consideration Report 335. For further information please refer to the Electronic Public Record (EPR).<sup>3</sup>

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<sup>1</sup> A reference to a division, section or subsection in this report is a reference to a provision of the Act, unless otherwise specified.

<sup>2</sup> In accordance with subsection 269ZHB(1)(b).

<sup>3</sup> The EPR is available at <http://www.adcommission.gov.au>.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Australian Industry

Viridian is the sole manufacturer of CFG in Australia accounting for 100% of the total Australian production of CFG.

### 2.2 Like goods sold on the domestic market

Viridian stated that CFG manufactured at its Dandenong plant, Victoria, is identical to the goods under consideration (GUC) exported to Australia from China, Indonesia and Thailand.

Viridian explained that CFG sold in Australia (both Australian made and imported) is of international quality – sometimes referred to as western quality - which is characterised by the amount of distortions and imperfections in the glass.

Viridian stated that international quality CFG can also be separated into different grades. It explained that some customers and end-uses require a higher quality of glass beyond the 'normal' international quality, such as CFG for laminating.

Viridian explained that CFG used in the construction industry is regulated by two standards:

- AS 1288 (glass in buildings); and
- AS 2208 (safety glass in buildings).

Viridian explained that the thickness of glass used in construction is determined by these standards, which take into account wind loading and whether the application requires safety glass or not.

Viridian explained that, in recent years, there has been a shift in usage within the building industry from 3mm to 4mm CFG, due to a tightening of building standards.

#### 2.2.1 Physical likeness

Viridian stated that the CFG it produces has the same physical likeness to the GUC exported to Australia from China, Indonesia and Thailand.

Viridian explained that it manufactures CFG in thicknesses of between 3mm to 12mm.

As discussed above, Viridian advised that the quality of the GUC subject to the application is 'international quality', which is the same quality as the CFG manufactured by Viridian.

### **2.2.2 Commercial likeness**

Viridian stated that the CFG it produces has the same commercial likeness to the GUC exported to Australia from China, Indonesia and Thailand.

Viridian explained that it competes directly with overseas manufacturers of the GUC and its customers are able to easily switch suppliers of CFG.

Viridian also advised that the CFG market is highly price sensitive and CFG is a homogenous product.

### **2.2.3 Functional likeness**

Viridian stated that the CFG it produces has the same functional likeness to the GUC exported to Australia from China, Indonesia and Thailand.

Viridian explained that both the CFG it manufactures and the GUC can be further processed into laminated, double glazed, soft coated or toughened products, and can be used for the same end-uses, such as for windows or door panels.

### **2.2.4 Production likeness**

Viridian stated that the CFG it produces has the same production likeness to the GUC exported to Australia from China, Indonesia and Thailand.

Viridian explained that the manufacture of CFG uses a float process, which was first invented by Sir Alastair Pilkington in 1952.

## **2.3 Like goods – preliminary assessment**

From information gathered during the visit to Viridian and in responses from exporters, the Commission observed that locally produced goods and imported goods:

- are alike in physical appearance;
- compete directly with each other in the Australian market;
- have comparable or identical end-uses; and
- are manufactured in a similar manner.

The visit team is satisfied that:

- the CFG produced by Viridian are 'like goods' to the imported goods;
- the like goods are wholly manufactured in Australia by Viridian; and
- there is therefore an Australian industry which produce like goods in Australia.

## 3 VERIFICATION OF SALES

### 3.1 Verification of Australian sales to audited financial statements

The visit team verified the completeness and relevance of Viridian's sales spreadsheet by reconciling it to audited financial accounts in accordance with Anti-Dumping Notice (ADN) No. 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

The visit team did not find any significant variances or issues.

### 3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Viridian's sales spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

#### 3.2.1 Rebates

Prior to the visit, Viridian identified some incorrectly stated rebates in its sales spreadsheet, which were amended and re-submitted. For further accuracy, the verification team traced rebate rates to the supplier agreements. The visit team was satisfied that the amended rebate figures were correct.

### 3.3 Customers

Viridian sells CFG to external unrelated customers and to various internal business units.

Viridian negotiates supply contracts with its external customers which incorporates a price list. However, Viridian also advised that these prices are regularly moderated by reference to known import offers in the market<sup>4</sup> and the volume and mix of products actually purchased. Viridian explained that there is no formal process or system which guides the price negotiation, but it considers that the final prices agreed reflect what the market is willing to pay.

Prices to Viridian's internal business units are set by reference to prices being obtained from external customers, but which are also moderated by the volume purchased and the mix of products. This approach enables Viridian's business units to compete in downstream markets.

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<sup>4</sup> Evidence of import offers are in **Confidential Appendix 1**.

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To assess Viridian's claims, we compared the prices paid by Viridian's internal and external customers by reference to the volume of CFG products and the mix of CFG products purchased. We selected the eight largest volume external customers and compared them against the eight largest volume internal customers (combined, these sixteen customers represented 72% of total sales volume<sup>5</sup> in the inquiry period).<sup>6</sup> In analysing the volumes and the mix of CFG products, we found that the unit values of external and internal sales were comparable.

### 3.4 Verification – summary

The verification team is satisfied that the sales listing is complete, relevant and accurate.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

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<sup>5</sup> Based on square metres

<sup>6</sup> 1 January 2015 to 31 December 2015

## 4 COST TO MAKE AND SELL

### 4.1 Verification of costs to audited financial statements

The visit team verified the completeness and relevance of Viridian's cost to make and sell spreadsheet by reconciling it to audited financial accounts in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The visit team did not find any discrepancies or issues reconciling the cost to make and sell spreadsheet to audited financial statements.

### 4.2 Verification of costs to source documents

The visit team verified the accuracy of Viridian's cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The visit team did not find any discrepancies or issues reconciling data in the cost to make and sell spreadsheet to source documents.

### 4.3 Cost to make and sell – summary

The visit team considers that Viridian's cost to make and sell data in Confidential Appendix A6 is a reasonably complete, relevant and accurate reflection of the cost to make and sell for CFG.



## 5 ECONOMIC CONDITION OF THE INDUSTRY

### 5.1 General market condition

Viridian advised that the industry has experienced strong demand for CFG. A key driver for clear float glass is residential and commercial building construction.<sup>7</sup> The following graph illustrates the trend since the measures were imposed. The graph shows that the building construction trend has experienced consistent growth from December 2011 to September 2015.

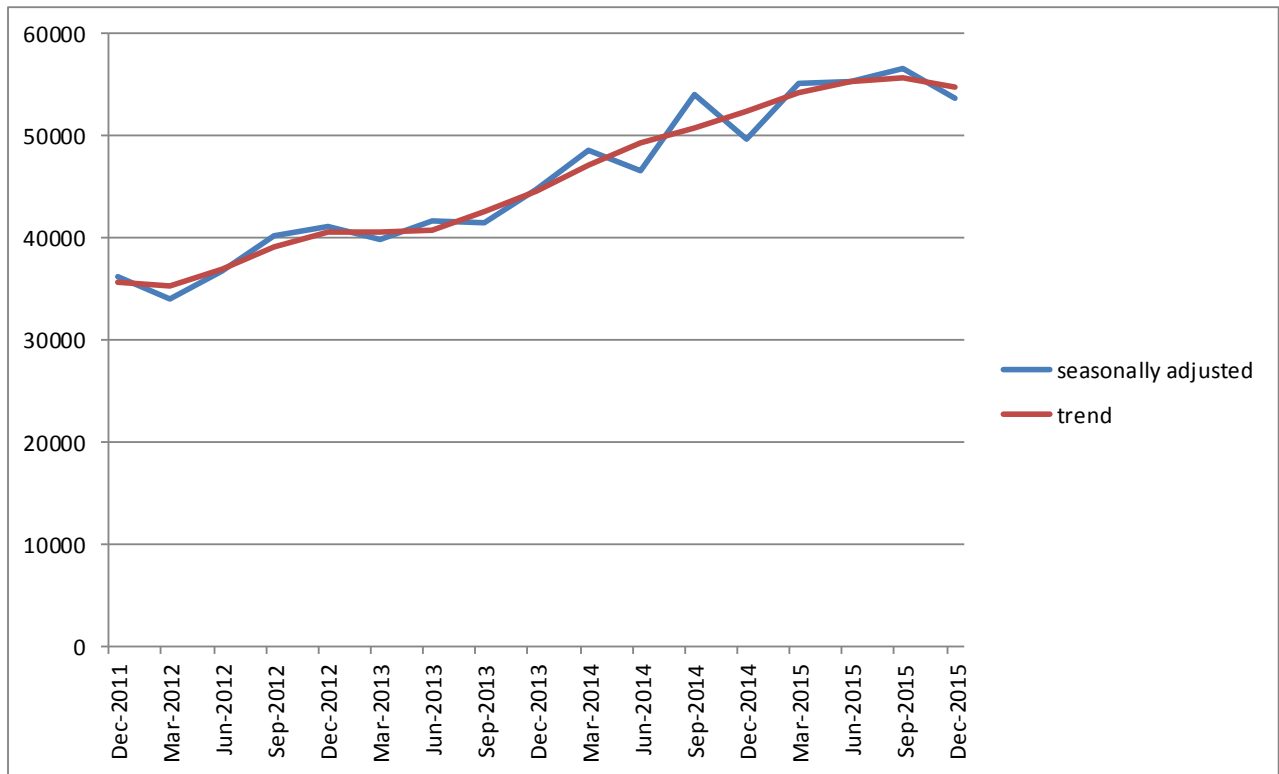


Figure 1: Dwelling units commenced, total sectors, total type of building, total type of work

Viridian believes that the trend is at its peak and stated that there is a lag of 12-18 months between the start of building construction approvals and the time that CFG is required for those constructions. Viridian further advised that although the building construction trend has been strong, for them, the real demand factor is attributed to the housing sector.

<sup>7</sup> Source: ABS Cat No 8752.0 Building Activity, Australia: TABLE 33. Dwelling Unit Commenced; Total Sector; Total type of building (Type of work).

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The graph below relates to the housing sector.<sup>8</sup> It shows that the housing sector trend has experienced moderate growth since December 2011; however, it started to flatten out in June 2014 and slightly decrease towards the end of 2015.

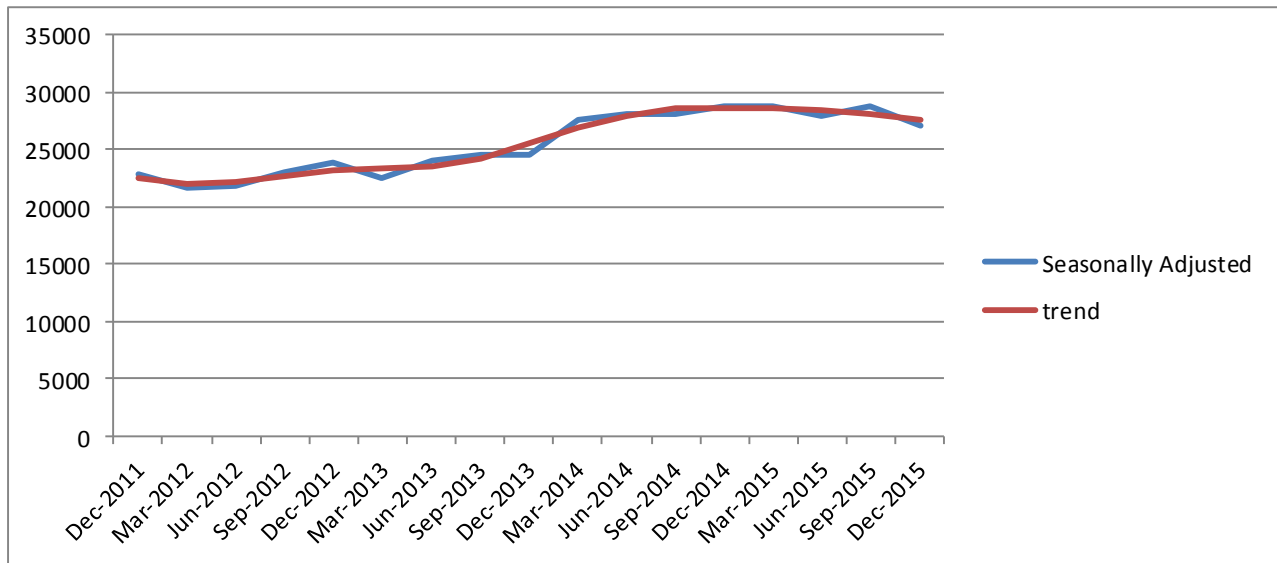


Figure 2: Dwelling units commenced, total sector, houses, new.

## 5.2 Viridian's performance

The anti-dumping measures were applied to CFG exports following the publication of a dumping duty notice for CFG exported to Australia from China, Indonesia and Thailand on 17 October 2011.<sup>9</sup> The trends below are based on calendar year 2012 to 2015.

The period from 17 October 2011 to 31 December 2011 is omitted as it represents less than three months of data.

### 5.2.1 Volume trends

Viridian's production and sales volumes of CFG from calendar year 2012 to 2015 are illustrated below. Both trends are in tonnes and there is a correlation between the two. A slight downturn is noted in sales from 2014 to 2015; however over the four year period, the overall trend is slightly up. In comparison, production levels have decreased over the four year period. This was attributable to: ramping up production in 2012 and the first half of 2013 in preparation for the Ingleburn shutdown<sup>10</sup>; a decrease in demand from 2014 to 2015; a production interruption at the Dandenong site in 2015; and lost market share due to price competition from imports.

<sup>8</sup> Source: ABS Cat No 8752.0 Building Activity, Australia: TABLE 33. Dwelling Unit Commenced; Total Sector; Houses; New.

<sup>9</sup> Australian Customs Dumping Notice No. 2011/50 refers.

<sup>10</sup> In 2013, the manufacturing facility at Ingleburn (NSW) was decommissioned and all manufacturing is now undertaken in Dandenong (Vic).

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There is a significant difference between production and sales volumes. The difference is attributed to goods that are subject to further processing and Viridian's accounting treatment of those goods. This difference was accounted for in the verification process as set out in **Confidential Appendix 1**.

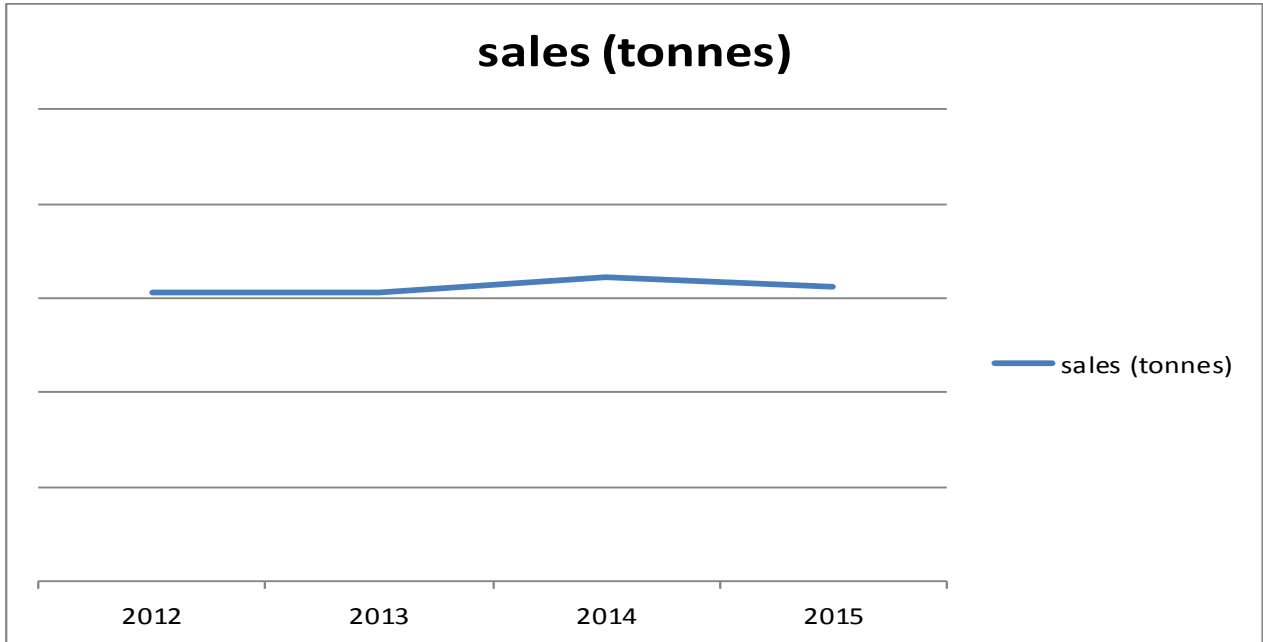


Figure 3: Viridian's sales in tonnes

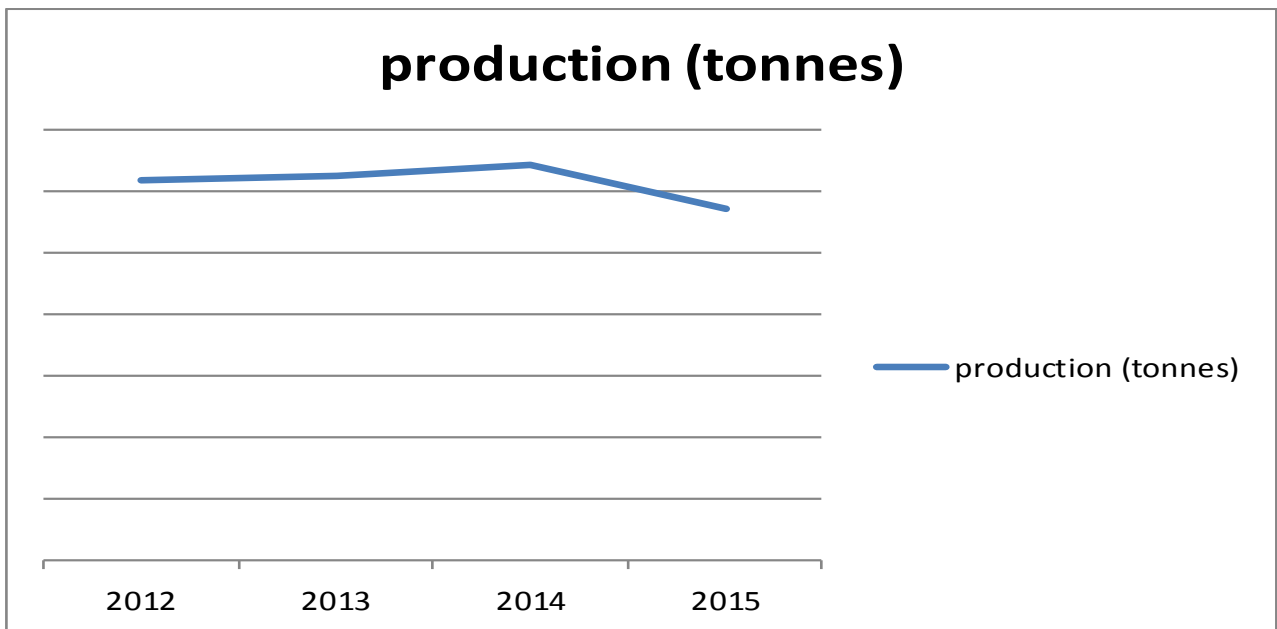


Figure 4: Viridian's production in tonnes

### 5.2.2 Import trends

Since the imposition of measures on 17 October 2011, Viridian has imported CFG in 2011 and 2012; however, the volumes imported are less than 0.1% of total imports respectively.

### 5.2.3 Price and Cost Trends

Viridian’s unit sales price and unit cost to make and sell (per tonne) for relevant thicknesses of CFG is shown below for all external and internal sales.

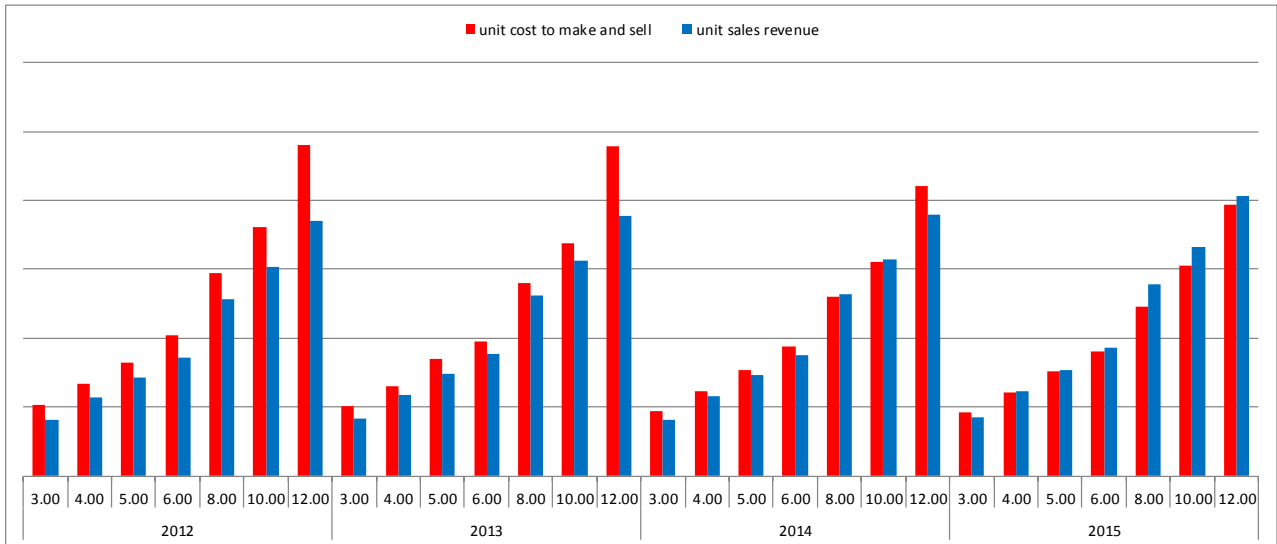


Figure 5: Unit sales price and unit costs for varying thicknesses of CFG

At an aggregate level, unit sales price and unit cost (per tonne) to make and sell is summarised as follows:

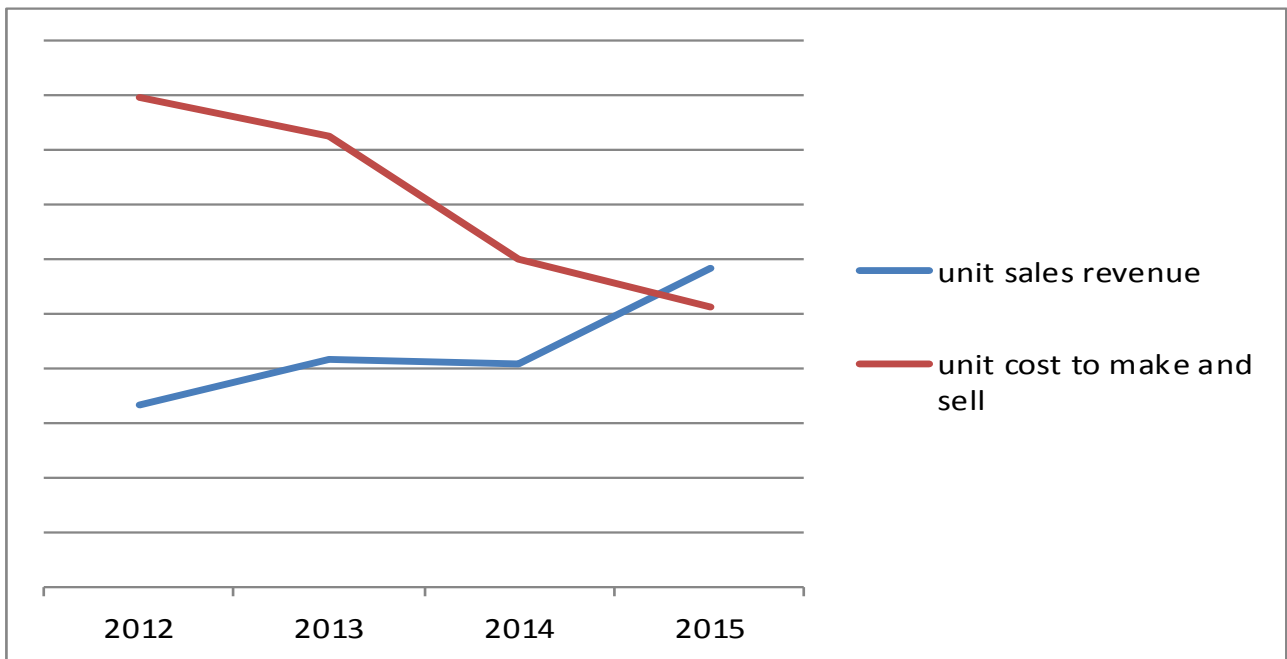


Figure 6: Unit sales price and unit costs on an aggregate level

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A reduction in unit costs is attributable to the decommissioning of the Ingleburn manufacturing plant in 2013. Consolidating manufacturing into one site reduced fixed costs substantially. In addition, Viridian restructured its business into five business units to focus on delivering higher value products to key market segments.

### 5.2.4 Profit and Profitability Effects

Profit and profitability has improved consistently over the four year period as demonstrated by Figure 7 below.

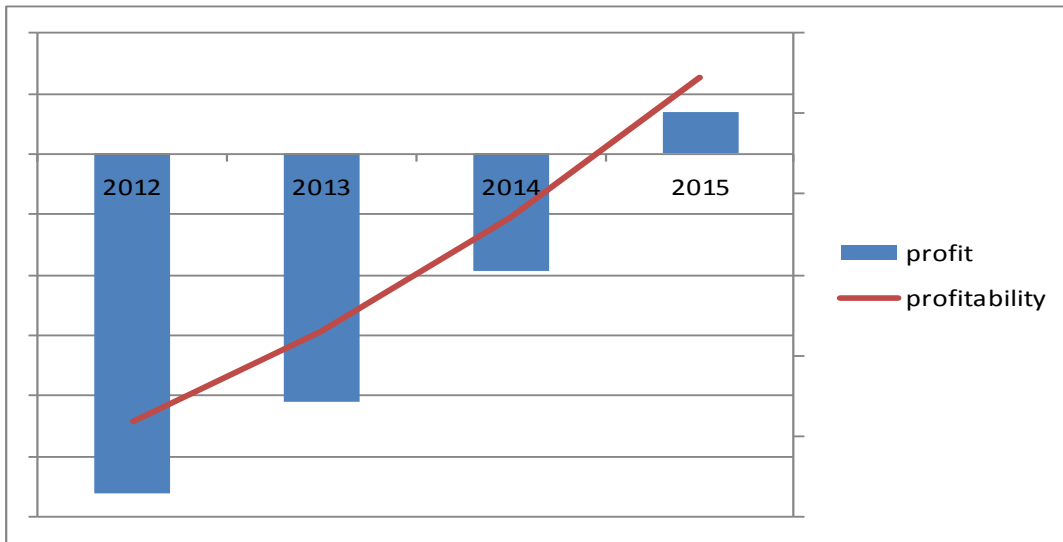


Figure 7: Viridian's profit and profitability

### 5.3 Factors Other Than Dumping

Viridian advised the following in relation to other economic factors:

- the decommissioning of the Ingleburn site cost \$30m and resulted in 170 job losses in 2013;
- Viridian invested \$12m into the laminating line consolidating 3 production lines into one which secured internal demand for CFG;
- Viridian invested \$2.2m in a new warehouse management system in 2015;
- since 17 October 2011, Viridian has spent \$503k on 3 float liner trailers; and
- scheduling to complete a rebuild of the CFG production line between 2020 and 2025 at a cost of \$70m (today's value).

### 5.4 Conclusion

Viridian's restructuring initiatives have improved the trading performance of the company and it expects to realise the full benefits of these initiatives in financial year ending 31 March 2016.

## 6 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES

Viridian advised that China has excess capacity and should the measures be allowed to expire, this capacity will be exported to Australia. According to a report published by the European Union Chamber of Commerce in China, China had a flat glass capacity of 10,750,000 tonnes as at 2014.<sup>11</sup>

The same report also states that theoretical capacity has increased in China. In 2013 there were 290 production lines in total of which 230 were active. As at September 2015, there were 346 production lines of which 216 were active. There is also hesitation in closing existing production lines to manage fluctuations in demand as it is time and cost prohibitive to recommence production.<sup>12</sup>

Viridian advised that CFG is similar to a commodity product distinguishable by price. Previously there may have been a quality issue, in particular with Chinese CFG; however, this is no longer the case with price being the key determinant. Viridian stated that if China dedicated just one of its processing lines to target the Australian market this would result in significant material injury to the Australian industry.

Viridian advised that exports from Indonesia and Thailand would increase should the measures expire due to the close proximity of these countries to Australia and the relatively short lead times to deliver CFG to Australia. Further, these countries have strong distribution links and are active in the Australian market.

Viridian further noted that entities in Indonesia and Thailand have a manufacturing presence in other countries, which are currently not subject to measures and are not in close proximity (or as close) to Australia but are directing some supply to Australia. The expiry of the measures would allow Indonesian and Thai manufacturers to redirect production and increase export volumes to Australia. This will result in shorter lead times and transport costs for imports, which will lead to a recurrence of the material injury that the measures are intended to prevent.

Viridian advised that the trend for glass demand has been strong over the last four years; however, in that time it has lost sales to imports. Viridian provided email evidence of a customer seeking a further price reduction in excess of that being offered by Viridian, which the customer required to divert orders that were currently going overseas. Another email advised that import orders were being placed with an importer due to the difference in prices being offered between the importer and Viridian. A further email from the same customer advised that they are currently sourcing CFG at prices 15% to 23% cheaper than Viridian's pricing (supplier country is unknown) and also stated that they can source Chinese CFG 30% cheaper than Viridian's prices.

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<sup>11</sup> European Union Chamber of Commerce in China, 2016, *Overcapacity in China*, <http://www.europeanchamber.com.cn/en/publications-overcapacity-in-china>

<sup>12</sup> It takes 6 months to recommence production and costs approximately USD 7.5m.

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Accordingly, Viridian considers that price competition between itself and imported products not subject to measures is already tight. If the measures are removed and dumping by other exporters from China, Indonesia and Thailand recur, Viridian anticipates that further price competition and price undercutting would be likely to cause it injury.

These case examples, with supporting documents, are contained in **Confidential Appendix 1**.

## **7 UNSUPPRESSED SELLING PRICE & NON-INJURIOUS PRICE**

The level of dumping duty imposed cannot exceed the margin of dumping, but a lesser duty may be applied if it is sufficient to remove the injury.

The calculation of the non-injurious price provides the mechanism whereby this lesser duty provision is given effect. The non-injurious price is the minimum price necessary to prevent the injury, or a recurrence of the injury, caused to the Australian industry by the dumping.

The Commission generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

The Commission's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, the Commission then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

Viridian did not express a view on the appropriate period in which to calculate an unsuppressed selling price during the verification visit. This issue will be addressed in the Statement of Essential Facts.



**8 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Verification work program
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