



## Australian Industry Verification Report

### Verification & Case Details

<b>Initiation Date</b>	2 February 2021	<b>ADN:</b>	2021/010
<b>Case Number</b>	575		
<b>The goods under consideration</b>	Clear float glass		
<b>Case type</b>	Continuation inquiry		
<b>Countries subject to measures</b>	The People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand)		
<b>Australian Industry</b>	Oceania Glass Pty Ltd		
<b>Verification location</b>	Remote verification		
<b>Inquiry Period</b>	1 January 2020 to 31 December 2020		

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

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## **PREFACE**

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the Commission's verification team.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).<sup>1</sup>

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<sup>1</sup> Reference to any sections in this report relate to provisions of the *Customs Act 1901* (Cth), unless specifically stated otherwise.

## **1 COMPANY BACKGROUND**

### **1.1 Corporate structure and ownership**

The original applicant to the measures, CSR Viridian Limited, was sold to Crescent Capital Partners (CCP) on 31 January 2019. Following the sale CCP initiated a demerger, which resulted in CSR Viridian Limited splitting into two separate legal entities; Oceania Glass and Viridian Glass Pty Ltd (Viridian Glass).

Oceania Glass Pty Ltd (Oceania Glass) is a privately-owned company focused on the bulk manufacture and distribution of glass for use by glass processors and window and door fabricators. Oceania Glass's glass manufacturing operations are based in Dandenong, VIC and it also operates two merchandising businesses located in Springvale, VIC and Ingleburn, NSW.

Viridian Glass is involved in the processing of glass which involves the manufacture of double glazing, custom lamination, cut to size product and custom decorative solutions.

### **1.2 Related parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

#### **1.2.1 Related customers**

Oceania Glass sells to two related customers; Viridian Glass and Viridian Glass Limited Partnership (Viridian NZ). As per section 5.2, sales to Viridian Glass are considered arms length. Sales to Viridian NZ have been treated as export sales.

## 2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS

### 2.1 Manufacturing in Australia

Oceania Glass is the only operator of a float glass manufacturing line in Australia. It is therefore the only manufacturer of like goods in Australia.

#### 2.1.1 Production process

The clear float glass (CFG) produced by Oceania Glass is manufactured using the float process, as described below.

Raw materials (such as soda ash and sand) are first melted together in a large furnace. The molten glass is then floated on a 'bath' of molten tin. The floating of the molten glass on tin gives the glass an evenly formed width and height.

After the molten glass is formed, it is cooled in a controlled environment, and cut into large stock sheets.

The production process results in a degree of non-conformant glass, called cullet. Cullet is eventually fed back into the process at the raw materials stage to be used for new glass production.

### 2.2 Verification of model control codes

In relation to CFG, there is only one primary physical characteristic which gives rise to distinguishable differences in price, nominal thickness.

Table 1 lists the acceptable tolerances for the nominal thickness of CFG.

Nominal thickness (mm)	Acceptable tolerances (mm)	
	Minimum	Maximum
3	2.80	3.50
4	3.51	4.50
5	4.51	5.50
6	5.51	7.00
8	7.01	9.00
10	9.01	11.00
12	11.01	12.30

Table 1: Acceptable nominal thickness of CFG

Accordingly, the Commission proposed the following model control code (MCC) structure in the initiation notice.

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Category	Sub-category	Identifier	Sales data	Cost data
Nominal thickness	3 mm	3	Mandatory	Mandatory
	4 mm	4		
	5 mm	5		
	6 mm	6		
	8 mm	8		
	10 mm	10		
	12 mm	12		

**Table 2: Proposed MCC structure**

Oceania Glass did not propose any amendments to the proposed MCC structure.

Table 3 below provides detail on how the MCC categories were determined and verified to source documents.

Category	Determination of the sub-category
Nominal Thickness (mm)	Verified through the purchase order and invoice, and production and accounting records.

**Table 3: MCC sub-category determination**

Oceania Glass sold goods with the following nominal thicknesses during the inquiry period (1 January 2020 to 31 December 2020):

- 3 mm;
- 4 mm;
- 5 mm;
- 6 mm;
- 8 mm;
- 10 mm; and
- 12 mm.

### 2.3 Like goods

Like goods are defined under section 269T(1) of the Act as:

*goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

The verification team considers that the CFG manufactured by Oceania Glass is identical to, or has characteristics closely resembling, the goods exported to Australia, as it:

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- shares similar physical characteristics, being clear (transparent), flat, rectangular or square in shape and traded with a nominal thickness of 3 to 12 mm;
- is produced using the same raw material inputs and manufacturing processes;
- competes in the same market sectors, is interchangeable and uses similar distribution channels; and
- has similar end-uses, including window and door applications, as well as being able to be further worked into alternate products through laminating, coating, and other value-add processes.

### 2.4 Preliminary like goods assessment

The verification team is satisfied that:

- CFG manufactured by Oceania Glass is like to the goods;<sup>2</sup>
- at least one substantial process of manufacture of like goods is carried out in Australia (by Oceania Glass);<sup>3</sup>
- the like goods were, therefore, wholly or partly manufactured in Australia by Oceania Glass;<sup>4</sup> and
- there is an Australian industry, consisting solely of Oceania Glass, which produces like goods in Australia.<sup>5</sup>

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<sup>2</sup> Section 269T(1).

<sup>3</sup> Section 269T(3).

<sup>4</sup> Section 269T(2).

<sup>5</sup> Section 269T(4).

### 3 AUSTRALIAN MARKET

#### 3.1 Background

The Australian market for CFG is supplied by the sole domestic manufacturer representing the Australian industry, Oceania Glass, imports from the countries subject to measures (China, Indonesia and Thailand) and imports from countries not subject to measures.

Imported CFG supplied to the Australian market is sourced from numerous countries, however in recent years the highest volumes originate from Malaysia, Indonesia and the United Arab Emirates (UAE).

Anti-dumping measures are currently applicable to all imports from China (except from the exporter, Xinyi Ultrathin Glass (Dongguan) Co Ltd), Indonesia and Thailand.

CFG is considered a commodity product and customers are able to readily change supplier.

#### 3.2 Market structure

The market structure for CFG in Australia consists of:

- domestic manufacturers of CFG (consisting solely of Oceania Glass);
- importers of CFG;
- downstream domestic glass processors;
- downstream domestic glass fabricators; and
- importers of processed or fabricated glass.

Oceania Glass sells to domestic glass processors and fabricators. Once the glass has been subject to processing or fabrication, it is no longer considered the goods.

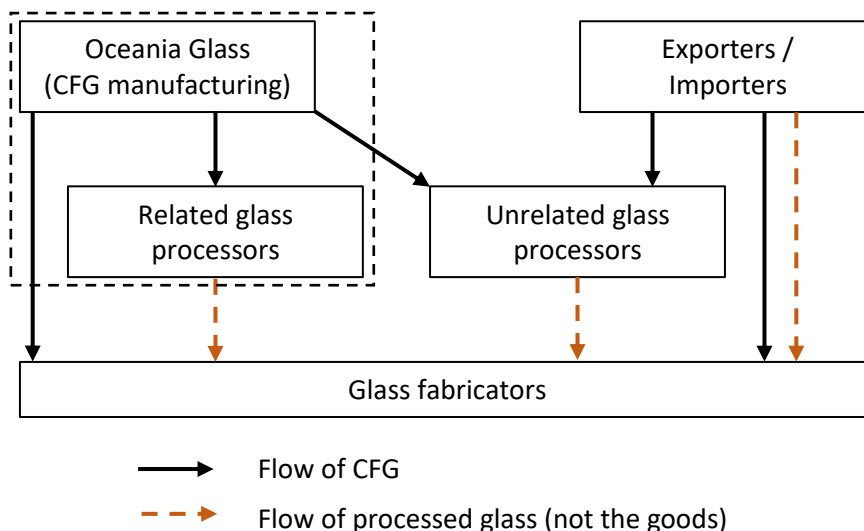


Figure 1: Australian market structure for CFG



### **3.2.1 Supply and distribution**

Oceania Glass distributes its CFG through three avenues; direct distribution to the customer from the Dandenong factory, transport to distribution centres and transport to merchandising stores.

Oceania Glass's distribution and merchandising centres are located at the following:

- Dandenong, VIC (manufacturing site);
- Ingleburn, NSW (distribution centre);
- Port of Brisbane, QLD (distribution centre);
- Bibra Lake, WA (distribution centre);
- Springvale, VIC (merchandising); and
- Ingleburn, NSW (merchandising).

Oceania Glass uses a combination of transportation modes that allow for cost minimisation and high utilisation of the fleet. The transport modes include sea-freight to WA and the use of 'Floatliners' for road transport. Oceania Glass owns a substantial fleet of custom-built containers specifically for transporting glass. It uses a third-party freight provider to transport these containers.

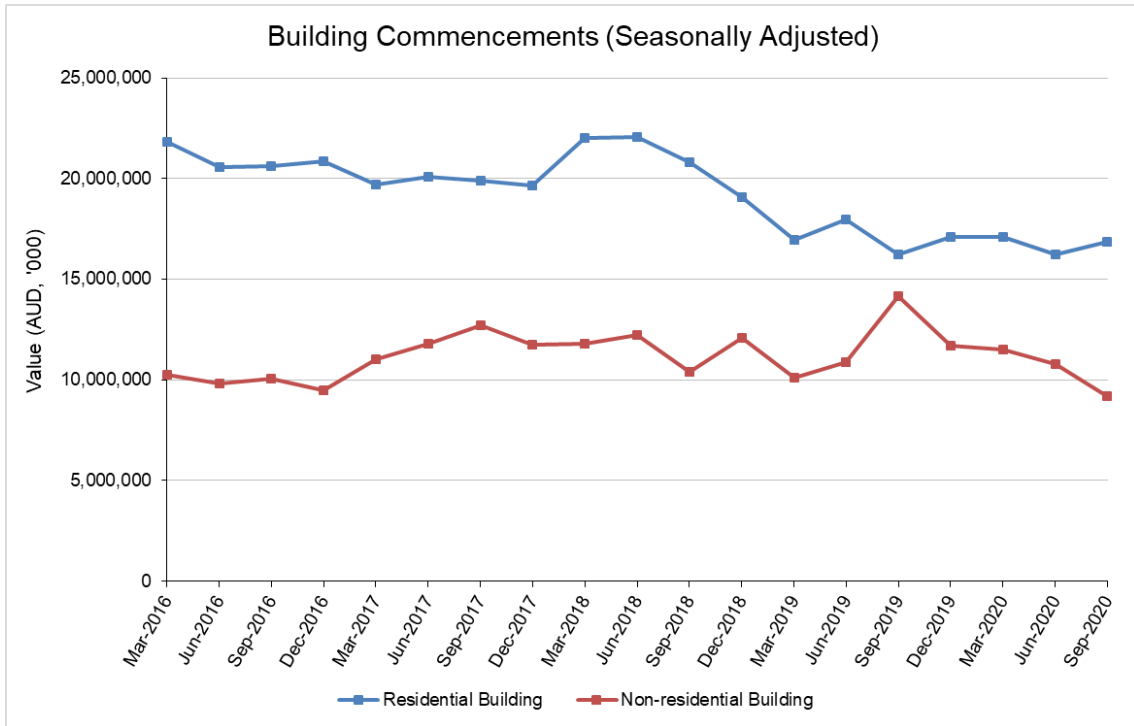
For merchandising deliveries Oceania Glass uses its own drivers and vehicles.

### **3.2.2 Demand**

Oceania Glass indicated that demand for CFG is driven by activity in the residential (e.g. housing) and commercial (e.g. retail and offices) building construction sectors. There are a number of measures of activity in these sectors, including building commencements. To assess the demand factors, the Commission has examined data relating to building commencements and dwelling approvals available from the Australian Bureau of Statistics (ABS).

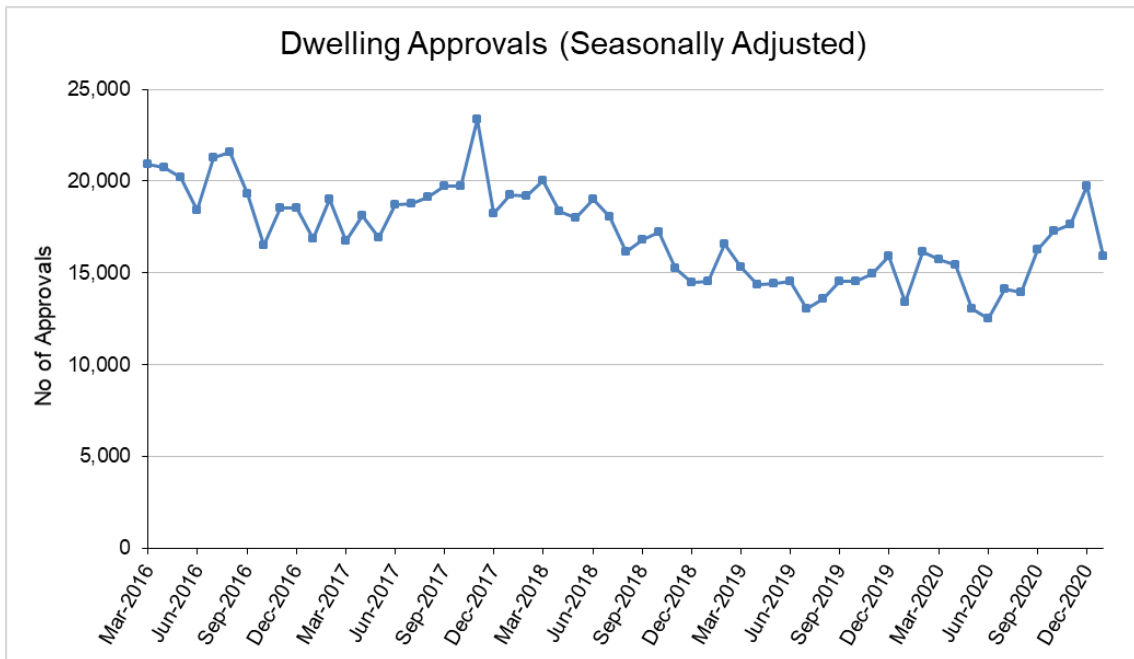
Figure 2 shows the value of building commencements for residential and non-residential buildings. Residential includes buildings such as houses and apartments, all of which utilise CFG in their construction. Non-residential includes buildings such as retail and office buildings, however it also includes other building such as warehouses, which may not have as high a demand for CFG as the other categories. The value of residential building commencements has decreased slowly into 2018, before decreasing into 2020. Non-residential construction has remained at broadly consistent levels since 2016. The Commission considers that the decrease in residential building commencements has a greater impact on the demand due to the higher requirement of CFG for this type of building.

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**Figure 2: Australian building commencements**

The dwelling approvals data shown in Figure 3 indicate that there is a potential for a recovery of the residential building sector. Dwelling approvals have fallen, however they have slightly recovered in mid-2020, although there is a dip in Jan-2021. The Commission considers that this indicates that demand for CFG may increase in the future if the residential building sector recovers.



**Figure 3: Australian dwelling approvals**

### **3.3 Pricing**

Due to the homogenous nature of CFG, price is the primary negotiating factor in the Australian market. As a commodity, there is very little differentiation between suppliers, going so far that in the absence of inline markings it is not possible to trace the origins of the CFG.

Oceania Glass considers that the following features and characteristics affect price:

- demand and supply across the Asian region and globally;
- construction activity across residential and commercial sectors;
- environmental regulation that is increasingly mandating minimum performance of glass, particularly in respect of thermal performance;
- natural gas costs;
- current strength of AUD v USD; and
- freight costs.

In terms of price setting practices, Oceania Glass determines its prices using an import price parity model, which is significantly influenced by lower-priced imports. Development of such a model is possible due to the relative transparency of pricing within the Australian market, with importers offering price lists in order to establish new customers and supply lines into Australia.

Oceania Glass charges a slight premium for its merchandising sales, which covers additional expenses associated with operation of the merchandising centre.

### **3.4 Market size**

The Commission has estimated the size of the Australian market for CFG using the domestic sales data from Oceania Glass and data sourced from the Australian Border Force (ABF) import database. The information sourced from the ABF import database was determined using the relevant tariff codes for CFG, 7005.29.00 and 7006.00.00<sup>6</sup>, and additional filtering to remove imports that are not the goods.

#### Estimate of imports from Thailand

CFG imported under the tariff code 7006.00.00 is not required to be declared in any particular unit of measure. As a result, the verification team has estimated the volume of imports from Thailand under tariff code 7006.00.00 using the following methodology:

1. Calculate the unit value in AUD per square metre (sqm) for goods imported from Thailand under tariff code 7005.29.00 for each year of the analysis period; and
2. Divide this value by the value in AUD for goods imported from Thailand under tariff code 7006.00.00 for each year of the analysis period, to arrive at an estimate import volume in sqm.

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<sup>6</sup> 7006.00.00 relates to imports from Thailand only.

Figure 4 below depicts the Commission’s estimate of the Australian market size for CFG from 1 January 2017 to 31 December 2020, using the approach outlined above.

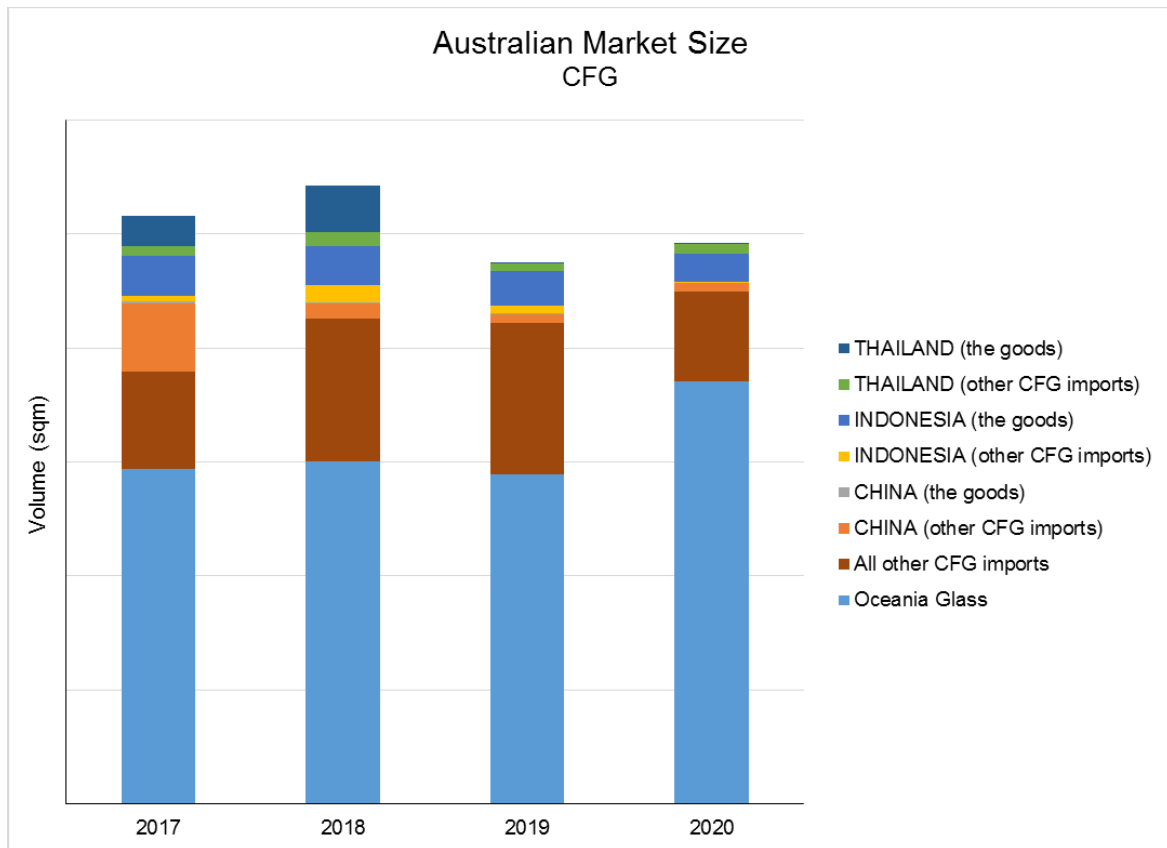
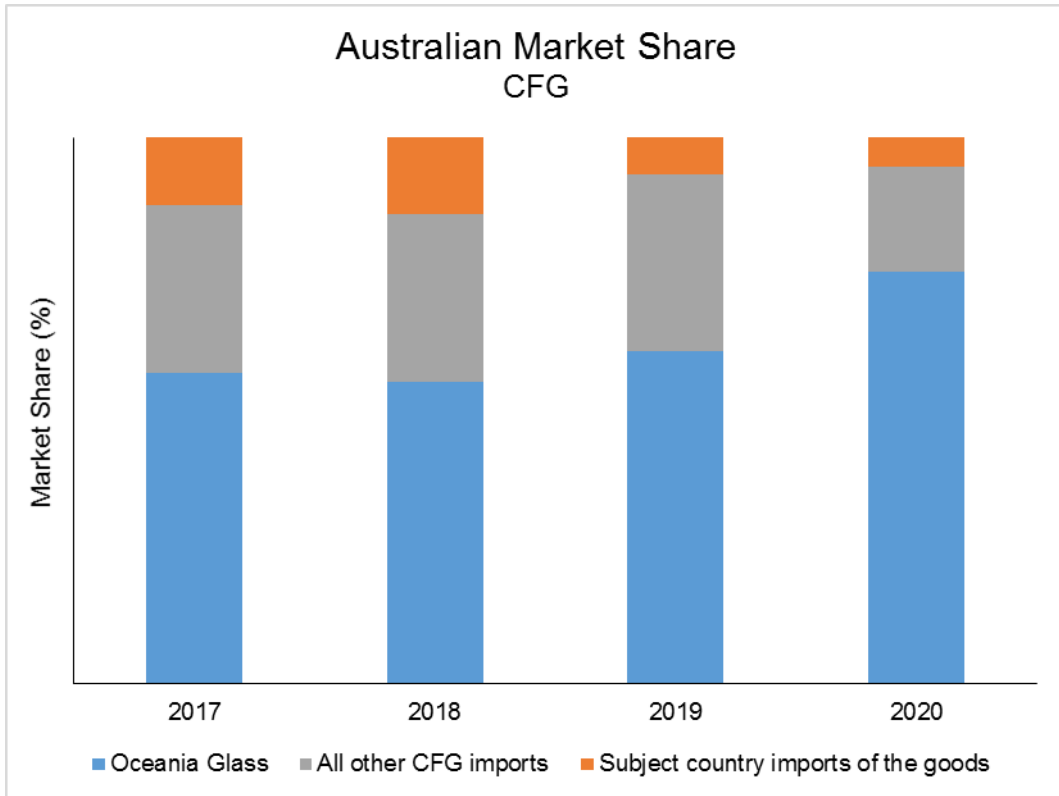


Figure 4: Australian market size

The market depicted in Figure 4 shows that the overall size of the Australian market for CFG has decreased since 2017. This decrease appears to be due primarily to a decrease in imports of CFG, as the Australian industry has increased its overall Australian sales volume since 2017.

This trend can be observed clearly in Figure 5, which demonstrates that the market share of subject countries imports of the goods (includes Thailand (the goods), Indonesia (the goods) and China (the goods) from Figure 4 above), and all other CFG imports have decreased overall.



**Figure 5: Australian market share**

## **4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE**

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of Oceania Glass’s Australian sales listings by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- The most recently audited financial statement (for the year ending 31 March 2020) was reconciled to the trial balance for the same period.
- Oceania Glass’s financial accounting period is 1 April to 31 March, and the inquiry period is 1 January 2020 to 31 December 2020. Oceania Glass therefore generated the trial balance for the remainder of the inquiry period (i.e. 1 April 2020 to 31 December 2020). The company then combined this with the trial balance for the period 1 January 2020 to 31 March 2020 to create a consolidated trial balance for the inquiry period.
- The consolidated trial balance was reconciled to Oceania Glass’s sales turnover (all products) for the same period, as per its sales reports.
- Oceania Glass’s domestic sales data – both value and volume – was also reconciled to its sales reports.
- Oceania Glass’s sales reports can be disaggregated by a range of filters, such as colour, coating and substance, which enabled it to identify sales of like goods. The verification team confirmed the accuracy of this process and did not identify any other streams of revenue in the domestic sales listing that did not fall within the category of like goods.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### **4.1 Exceptions during verification of sales completeness and relevance**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
<b>1</b>	The appendices provided by Oceania Glass in its application provided data up to September 2020, however, the inquiry period is 1 January 2020 to 31 December 2020.	Oceania Glass provided an updated version of its appendices which included sales data up to and including December 2020.

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<b>2</b>	Oceania Glass submitted its domestic sales listing in two datasets – for the periods April 2019 to March 2020 and April 2020 to December 2020. For the first period, Oceania Glass had only included external sales in the dataset.	In order to complete the upwards sales reconciliation, the verification team requested that Oceania revise this data to include all domestic sales of like goods, including sales to related entities. Oceania Glass provided revised data.
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**Table 4: Exceptions during verification of completeness and relevance of sales data**

### **4.2 Import sales by applicant**

Oceania glass did not import the goods during the inquiry period. This was verified by reviewing the ABF import database.

### **4.3 Export sales by applicant**

Oceania Glass exported like goods during the inquiry period. This information, as reported by the company, was verified as part of the upwards sales reconciliation outlined above.

### **4.4 Sales completeness and relevance finding**

The verification team is satisfied that the sales data provided by Oceania Glass, including any required amendments as outlined in the exception table above, is complete and relevant.

## **5 VERIFICATION OF SALES ACCURACY**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of Oceania Glass's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### **5.1 Exceptions during verification of sales accuracy**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
<b>1</b>	Oceania Glass did not report the delivery terms for any of its domestic sales.	The verification team requested this data from Oceania Glass and a revised copy of its domestic sales listing was submitted.
<b>2</b>	Inland transport costs were not reported for any of its sales, yet several of the invoices showed a transport cost to the customer. The verification team raised this with Oceania Glass who explained that these costs are captured under "distribution costs" in a separate cost to make and sell (CTMS) spreadsheet.	The verification team requested a revised domestic sales listing that allocated inland transport costs as direct selling expenses for each of Oceania Glass's sales. Oceania Glass provided this information.
<b>3</b>	The verification team was unable to reconcile the payment terms reported in the domestic sales listing to the source documents provided for all but three sales selected for downwards verification.	Oceania Glass submitted a revised domestic sales listing and the verification team was able to complete this reconciliation.

**Table 5: Exceptions during verification of accuracy of sales data**

### **5.2 Related party customers**

The verification team observed that Oceania Glass sold CFG to related customers. The verification team analysed the prices for unrelated and related customers and did not find evidence of price differentiation between related and unrelated customers and consider the sales to related customers to be arms length.



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The verification team is satisfied that Oceania Glass's selling prices for CFG to related customers are arms length and can be relied upon in the assessment of the economic condition of the Australian industry.

### 5.3 Sales accuracy finding

The verification team is satisfied that the sales data provided by Oceania Glass, including any required amendments as outlined in the exception tables above, is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the verification team considers Oceania Glass's sales data suitable for analysing the economic performance of its CFG operations from 1 January 2020 to 31 December 2020.

<b>6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE</b>
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Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the CTMS information provided by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the CTMS data as follows:

- Oceania Glass calculated the cost of production using the cost of goods sold (COGS) from the specific float plant cost centre. Oceania Glass provided a reconciliation of that float plant cost centre to the overall company profit centre.
- The COGS for the relevant cost centre was reconciled to the cost of production for all products manufactured under that cost centre.
- The cost of production of the goods under consideration was reconciled to the cost of production for all products.

The verification team verified the relevance and completeness of the SG&A data by tracing the SG&A amounts to relevant accounts in the detailed trial balance.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### **6.1 Exceptions during verification of completeness and relevance of CTMS data**

No.	Exception	Resolution
1	Oceania Glass’s SG&A allocation contained an amount for freight which represented the direct transport costs from the last point of storage to the customer. The verification team considered this a direct selling expense, not a SG&A expense.	Oceania Glass submitted a revised SG&A allocation which removed these freight costs. As outlined in section 5.1, a revised domestic sales listing allocating this cost as a direct selling expense was also provided.

**Table 6: Exceptions during verification of completeness and relevance of CTMS data**

## **6.2 CTMS completeness and relevance finding**

The verification team is satisfied that the CTMS data provided by Oceania Glass, including any required amendments as outlined in the exception table above, is complete and relevant.

## 7 VERIFICATION OF CTMS ACCURACY

### 7.1 Cost allocation method

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Table 7 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are allocated to the CFG based on production quantity.
Labour	Direct labour costs are allocated to the CFG based on production days consumed.
Manufacturing Overheads	Manufacturing overheads are allocated to the CFG based on production days consumed.

Table 7: Cost calculation method

### 7.2 Verification of accuracy of CTMS data

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 7.3 CTMS verification finding

The verification team is satisfied that the CTMS data provided in the application by Oceania Glass is complete, relevant and accurate.

Accordingly, the verification team considers Oceania Glass's CTMS data is suitable for analysing the economic performance of its CFG operations from 1 January 2020 to 31 December 2020.

## 8 ECONOMIC CONDITION

### 8.1 Background

The anti-dumping measures were initially imposed by public notice on 17 October 2011 by the then Attorney-General.<sup>7</sup> This followed their consideration of the recommendations in Report (REP) 159C as a result of *Investigation No. 159C* (INV 159C, original investigation).

The original investigation and the imposition of the anti-dumping measures resulted from an application made under section 269TB of the Act by CSR Viridian Limited representing the Australian industry producing like goods to the goods subject to the anti-dumping measures.

On 8 September 2016, the then Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science varied the anti-dumping measures and took steps to secure their continuation for a further five years.<sup>8</sup> This followed consideration of the Commissioner's recommendation in REP 335 as a result of *Continuation Inquiry No. 335* (CON 335).

On 7 March 2019, the Minister for Industry, Science and Technology varied the notice in relation to the anti-dumping measures to include CFG exported from Thailand with edge working in the form of an 'arris', 'rough arris' or 'seamed' edge (removal of the sharp edges of the glass) on any number of sides or faces of the goods.<sup>9</sup> This followed consideration of the Commissioner's recommendation in REP 479 as a result of *Anti-Circumvention Inquiry No. 479*.

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 1 January 2017.

### 8.2 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by Oceania Glass and data from the ABF import database.

The figures presented have been compiled on an annual basis for years ending 31 December. This preliminary assessment is at **Confidential Appendix 1 and 2**.

<sup>7</sup> Australian Customs Dumping Notice No. 2011/50 refers.

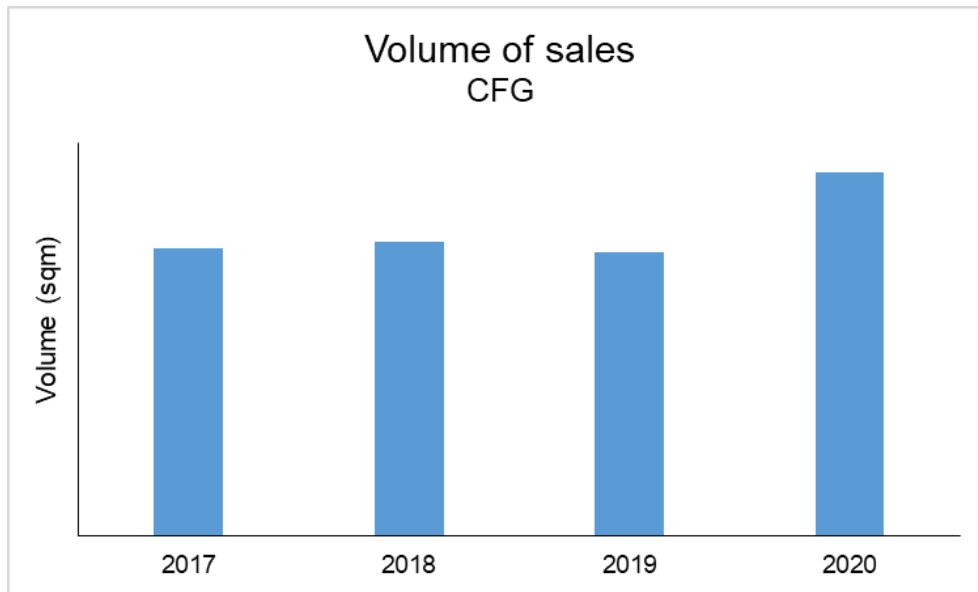
<sup>8</sup> ADN No. 2016/85 refers.

<sup>9</sup> ADN No. 2019/19 refers.

### **8.3 Volume effects**

#### **8.3.1 Sales volume**

Figure 6 below charts Oceania Glass’s sales volume in sqm across the period of analysis:

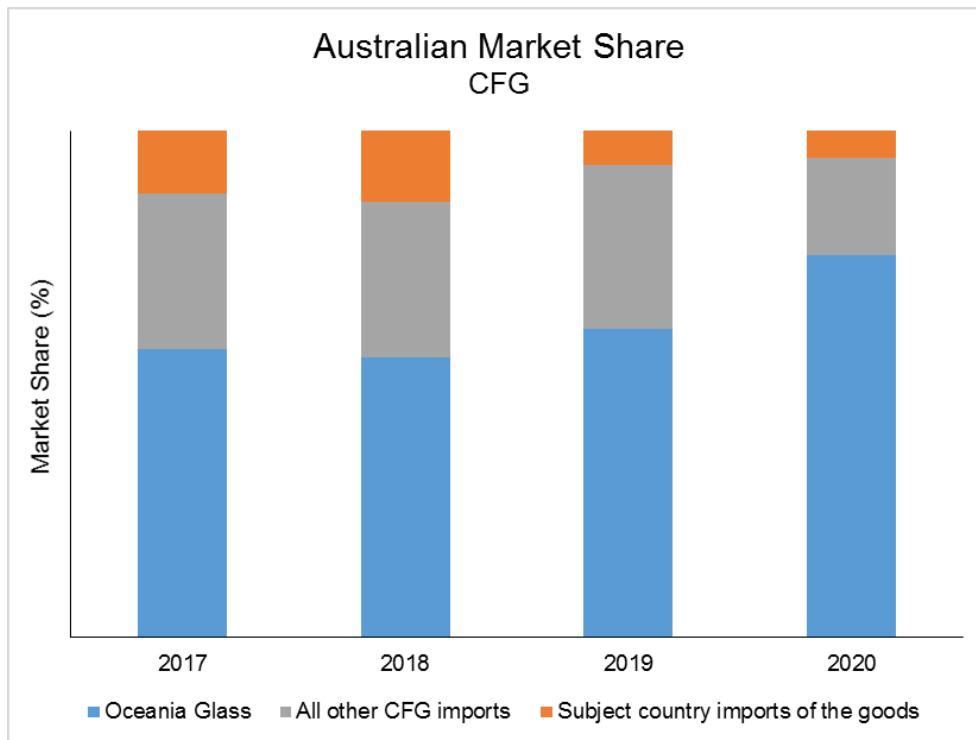


**Figure 6: Sales volume**

The chart indicates stable sales volumes until 2019 followed by a significant increase in 2020.

#### **8.3.2 Market share**

Figure 7 below charts the market share of the Australian market:



**Figure 7: Market share<sup>10</sup>**

The chart indicates that, in relation to the period of analysis:

- Oceania Glass maintained a relatively stable market share until 2019, with an increase in market share in 2020;
- subject country imports of the goods have experienced a reduction in market share throughout the period of analysis; and
- all other CFG imports experienced a growth in market share until 2019, after which time market share reduced significantly.

### **8.3.3 Conclusion – volume effects**

Based on the available information, the verification team does not consider that Oceania Glass has experienced a deterioration in its economic performance in the form of reduced sales volume or reduced market share.

## **8.4 Price effects**

### **8.4.1 Price depression**

Price depression occurs when a company, for some reason, lowers its prices.

Figure 8 below charts Oceania Glass’s per unit selling price across the period of analysis:

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<sup>10</sup> Subject country imports of the goods includes circumvention goods from Thailand exported under tariff code 7006.00.00.

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**Figure 8: Unit selling price**

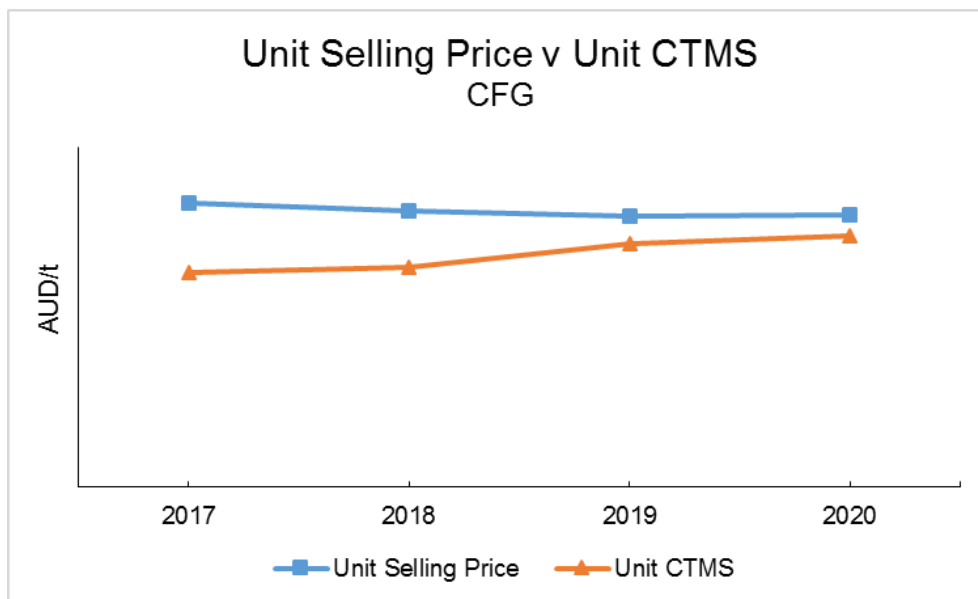
The chart indicates that Oceania Glass experienced reducing per unit selling prices from 2017 to 2019, with a stabilisation in 2020.

The verification team considers that this may be indicative of price depression.

### 8.4.2 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

To assess whether Oceania Glass has experienced injury in the form of price suppression, the verification team has had regard to Oceania Glass's per unit selling prices and CTMS. This relationship is presented in Figure 9 below:



**Figure 9: Unit price and CTMS**



Having regard to the relationship between trends in the above chart, the verification team makes the following observations:

- selling prices decreased through the period 2017 to 2019 with a stabilisation in 2020; and
- per unit CTMS increased throughout the period of analysis.

Based on the observation that Oceania Glass has not been able to increase unit selling prices despite an upward trend in per unit CTMS, and that across the period of analysis the margin between per unit selling prices and per unit CTMS had narrowed, the verification team considers that price suppression is evident.

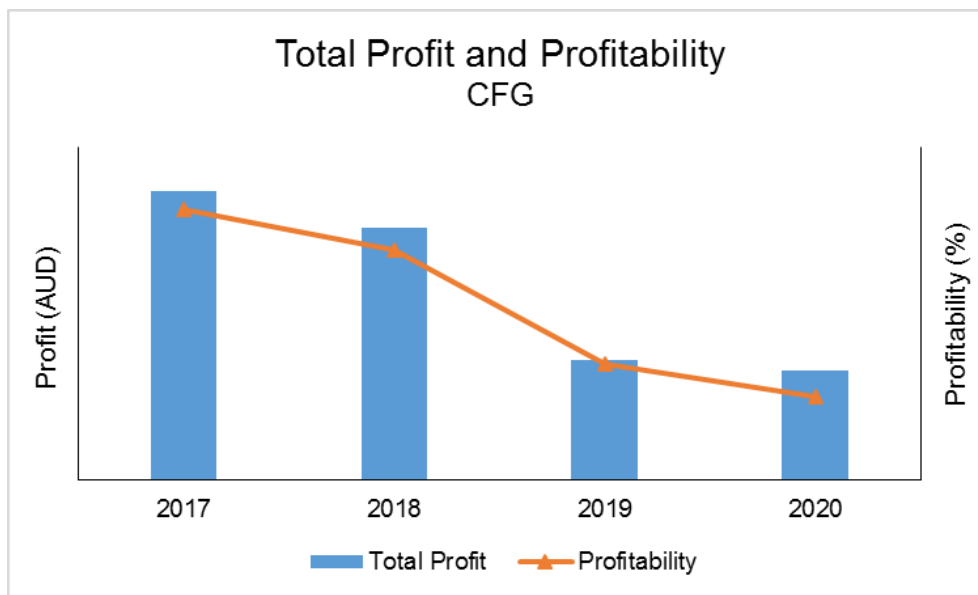
### **8.4.3 Conclusion – price effects**

Based on the available information, the verification team considers that over the course of the period of analysis Oceania Glass has experienced a deterioration in its economic performance in the form of price depression and price suppression.

## **8.5 Profit and profitability**

### **8.5.1 Profit and profitability**

Figure 10 below charts Oceania Glass’s total profit and profitability as a percentage of revenue across the period of analysis:



**Figure 10: Profit and profitability**

The chart shows that Oceania Glass experienced deteriorating profit and profitability across the period of analysis.

### **8.5.2 Conclusion – profit effects**

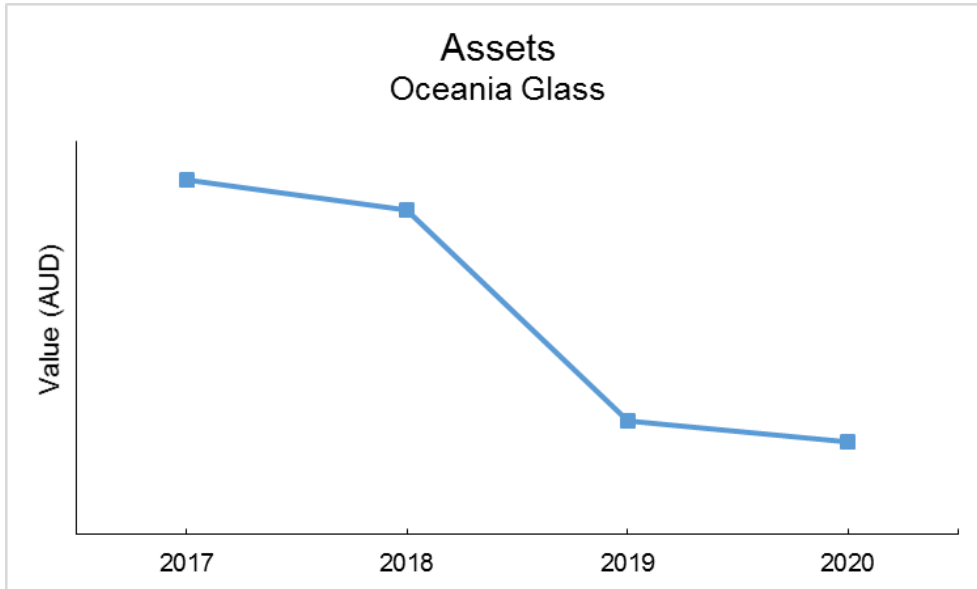
Based on the available information, the verification team considers that Oceania Glass has experienced a deterioration in its economic performance in the form of reduced profit and profitability across the period of analysis.

## 8.6 Other economic factors

Oceania Glass provided data relating to the period of analysis for a range of other economic factors.

### 8.6.1 Assets

Figure 11 below charts Oceania Glass's assets across the period of analysis:

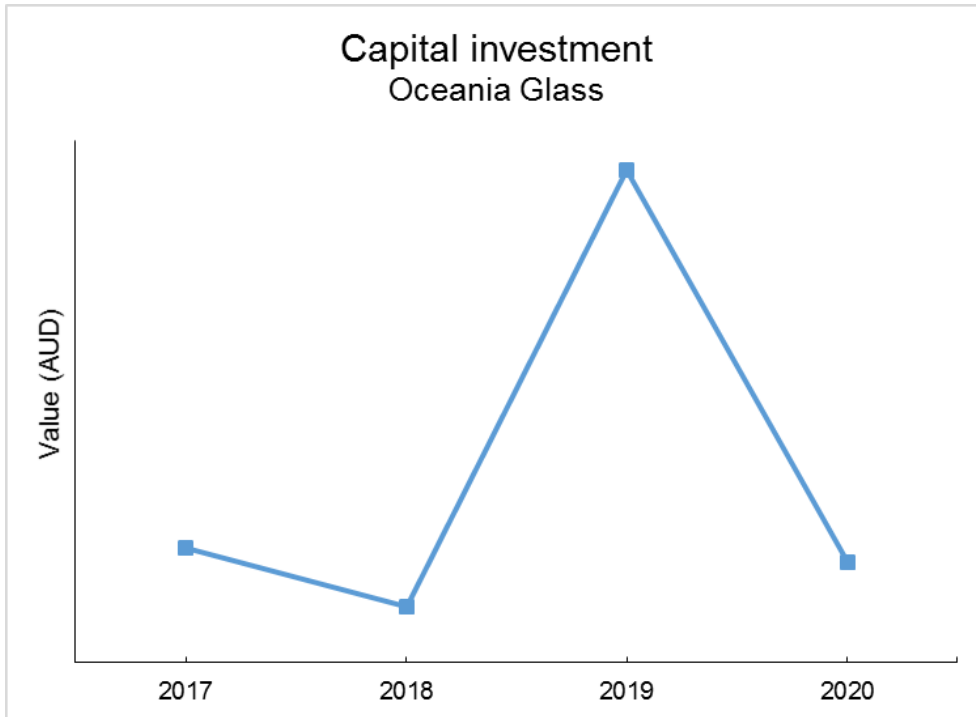


**Figure 11: Assets**

The chart indicates that the value of assets dropped significantly from 2018 to 2019. The verification team understands that Oceania Glass split from CSR Viridian Limited in January 2019 by way of an asset sale to form a new company. The assets were purchased by Oceania Glass at a reduced book value to that which was previously carried by CSR Viridian Limited.

### 8.6.2 Capital Investment

Figure 12 below charts Oceania Glass's capital expenditure across the period of analysis:

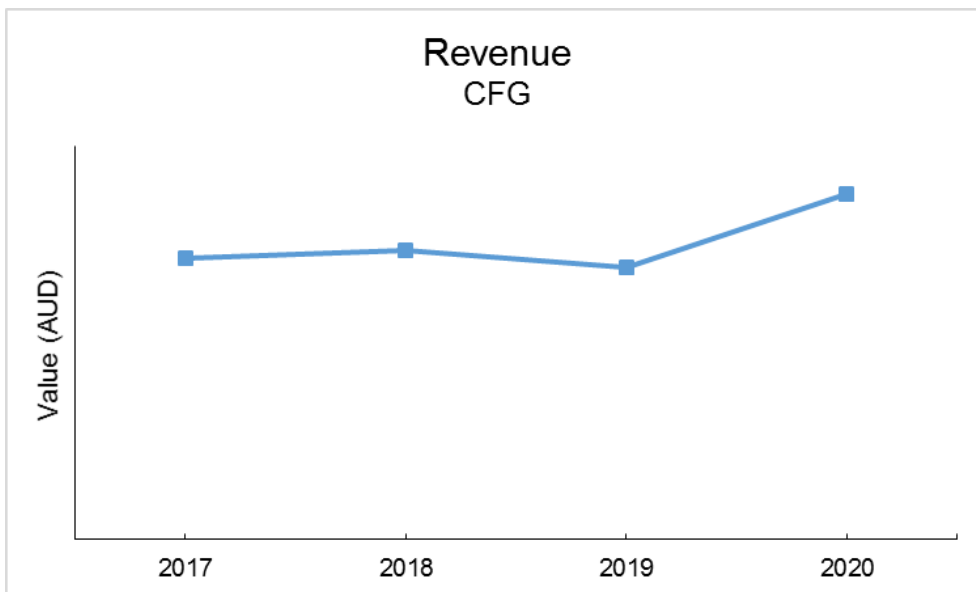


**Figure 12: Research and development expenditure**

The above chart indicates that capital expenditure spiked in 2019, following the restructure of the business. The verification team noted that the spike in capital expenditure related to a furnace sidewall overcoating project. Following this spike capital investment returned to prior year levels.

### 8.6.3 Revenue

Figure 13 below charts Oceania Glass's revenue across the period of analysis:

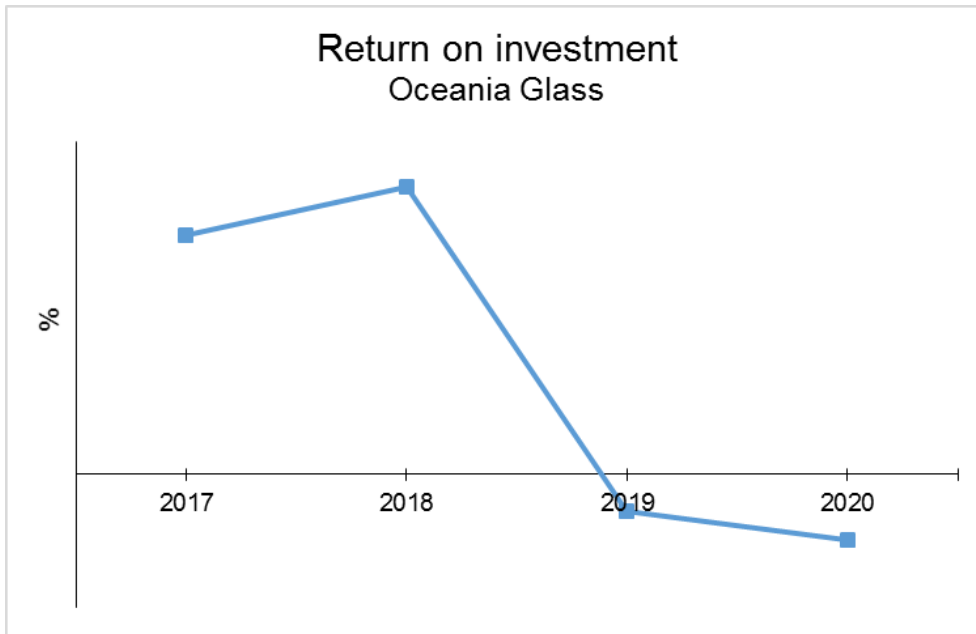


**Figure 13: Revenue**

The chart indicates that Oceania Glass experienced stable revenue until 2019. Revenue has grown in 2020.

### 8.6.4 Return on investment (ROI)

Figure 14 below charts Oceania Glass's ROI, calculated as trading profit divided by revenue, across the period of analysis. The verification team notes that ROI has been presented for the entire business as it was not possible to isolate ROI as it related specifically to the domestic sale of manufactured like goods.



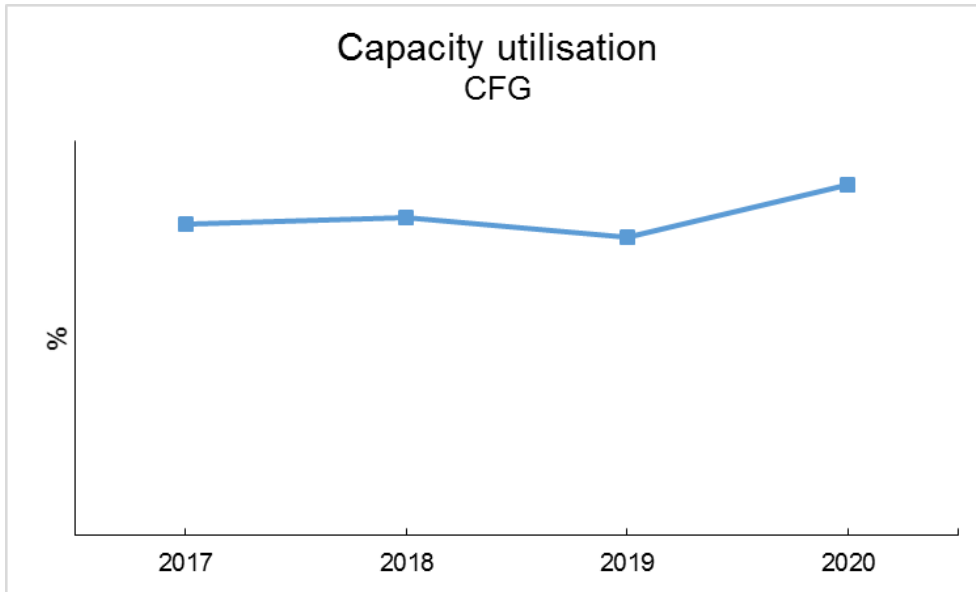
**Figure 14: Return on investment**

This chart indicates increasing ROI until 2018 after which ROI has fallen significantly such that for 2019 and 2020 ROI has been negative.

### 8.6.5 Capacity utilisation

Figure 15 below charts Oceania Glass's capacity utilisation across the period of analysis. The verification team notes that capacity utilisation has been calculated based on actual production compared against budgeted production. Due to the product mix variances the total volume of actual production in tonnes can differ.

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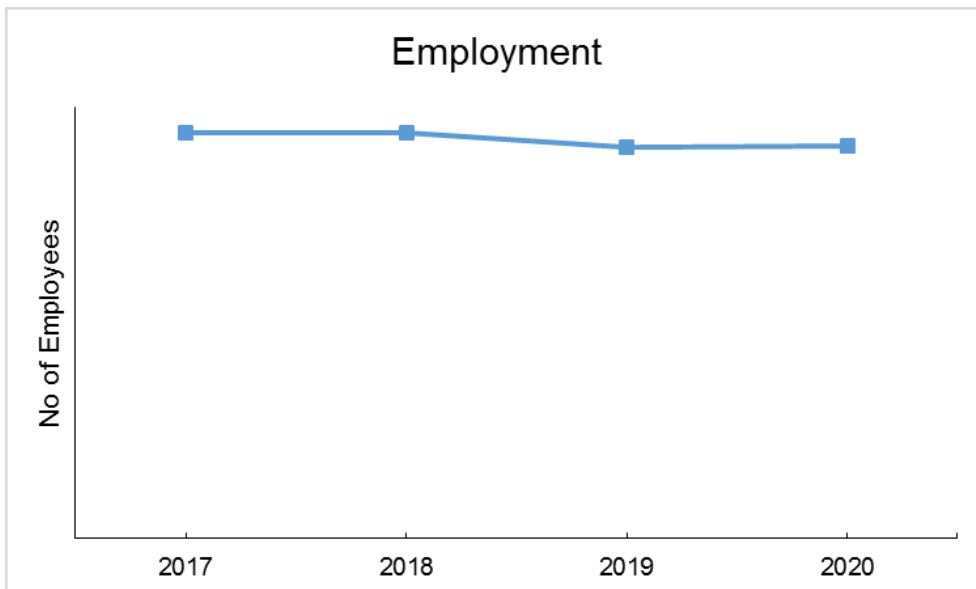


**Figure 15: Capacity utilisation**

This chart indicates a consistently high level of capacity utilisation, with capacity utilisation rising in 2020. It is noted that this movement is reflective of a change to the budgeted product mix such that an increase in capacity utilisation was possible by producing a different mix of products.

### 8.6.6 Employment

Figure 16 below charts Oceania Glass's employment numbers across the period of analysis:

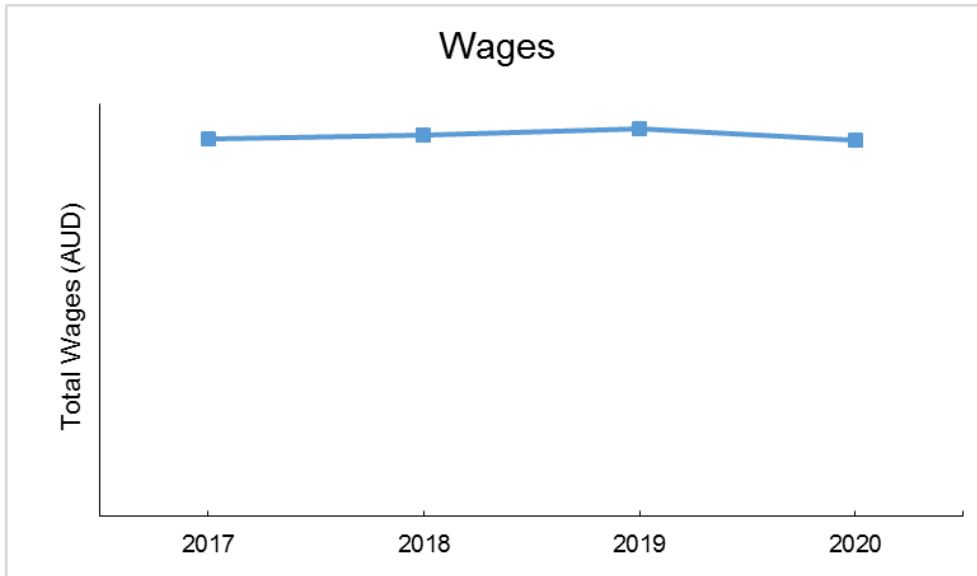


**Figure 16: Employment**

The chart indicates that Oceania Glass's employment level has been steady with a slight reduction in 2019.

**8.6.7 Wages**

Figure 17 below charts Oceania Glass’s total wages across the period of analysis:

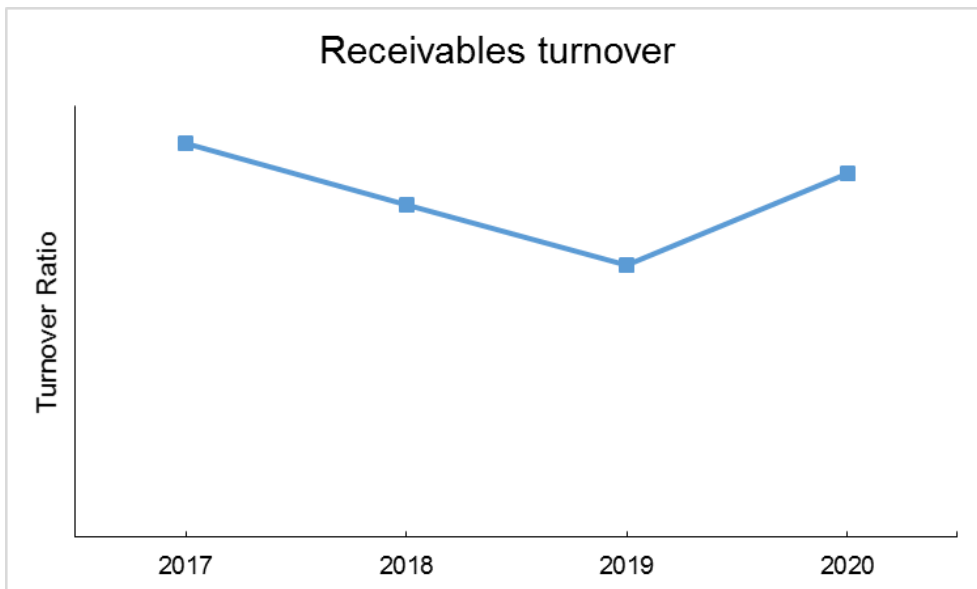


**Figure 17: Wages**

The chart indicates that wages for like good production has been relatively stable throughout the injury analysis period with a slight reduction in 2020.

**8.6.8 Receivables turnover**

Figure 18 below charts Oceania Glass’s receivables turnover across the period of analysis:



**Figure 18: Receivables turnover**

The chart indicates receivables turnover reducing from 2017 to 2019 before rising into 2020.

### **8.6.9 Conclusion – other economic factors**

Based on the verification team's analysis of the data provided by Oceania Glass in respect of other economic factors, it appears that Oceania Glass has experienced a deterioration in its economic performance in the form of:

- reduced assets;
- reduced ROI;
- reduced employment;
- reduced wages; and
- increased receivables turnover.

## **9 IMPACT OF EXPIRY OF MEASURES**

### **9.1 Background and approach to analysis**

Under the terms of section 269ZHF(2) of the Act, in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping and/or subsidisation; and
- the material injury,

that the anti-dumping measure is intended to prevent.

Accordingly, the verification team sought Oceania Glass's views on these matters, and collected evidence to support those claims. This evidence will be considered further during the course of the inquiry.

### **9.2 Continuation or recurrence of dumping**

#### **9.2.1 Analysis of dumping during the inquiry period**

Oceania Glass submitted in its application that imports of the goods from Indonesia were dumped with margins varying from 15.3% to 36.1%. Oceania Glass contend that these margins are reflective of the excess production capacity of Indonesian exporters.

Oceania Glass did not consider that exports of the goods from China or Thailand were dumped during the inquiry period.

In respect of Thailand, Oceania Glass contended that supply from Guardian Industries Corp Ltd (Guardian) were shipped as a priority or to supplement the higher supply from Guardian's affiliated facility in the UAE, and therefore were not needed to be exported at dumped prices. Oceania Glass submitted that should measures expire Guardian would be incentivised to shift supply back to Thailand at dumped prices.

In respect of China, Oceania Glass contended that the negative dumping margins estimated can be explained as a likely short-term position as demand in China for CFG increased substantially during the pandemic. Oceania Glass contend that this is a short-term position and is likely to end in 2021 at which time domestic prices in China will return to pre-pandemic levels, incentivising an increase in exports at dumped prices.

During the course of the inquiry the Commission will assess the level of dumping over the inquiry period by relying on the questionnaire responses received from cooperating exporters, the information provided by Oceania Glass in its application and information from the ABF import database.



### **9.2.2 Ongoing level of imports from countries subject to measures**

Oceania Glass submitted in its application that imports of the goods from China, Indonesia and Thailand have continued following the continuation of measures in 2016. Oceania Glass relied upon ABS monthly import data to support its claims.

The verification team analysed the ABF import database for the period of time since measures were continued and is satisfied that imports have continued from the countries subject to measures.

A detailed analysis of import volumes will be undertaken in the Statement of Essential Facts (SEF).

### **9.2.3 Maintenance of distribution links in Australia**

Oceania Glass submitted in its application that exporters from China, Indonesia and Thailand have maintained distribution links into the Australian market.

The verification team analysed the ABF import database for the period of time since measures were continued and observed that certain exporters of the goods from the subject countries have continued trading with the same Australian importers since measures were imposed, indicating that distribution links have been maintained within the Australian market.

### **9.2.4 Excess production capacity of exporters**

Oceania Glass submitted in its application that in respect of:

- China, production capacity has not altered since 2015 and there continues to be excess capacity;
- Indonesia, PT Asahimas Flat Glass Tbk (AMG) has increased production capacity and is positioned to increase supply to export markets to fill vacant plant capacity; and
- Thailand, Guardian Industries Corp Ltd (Guardian) is part of a global corporation and could adjust its production portfolio to take advantage of the Thailand plant's proximity to Australia.

A detailed analysis of exporter production capacity will be undertaken in the SEF.

### **9.2.5 Circumvention activities of exporters**

Oceania Glass submitted in its application that the circumvention activities of Guardian detailed in REP 479 are indicative that the exporter continues to place priority on the Australian market as an attractive destination for supply.

## **9.3 Continuation or recurrence of material injury**

Oceania Glass submitted in its application that it has experienced a deterioration in its profit and profitability since 2018. The verification team has considered Oceania Glass's claims in respect of profit and profitability at section 8.5.1 and concluded that Oceania Glass has experienced a deterioration in these factors across the period of analysis.

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Oceania Glass asserts that this trend in profit and profitability is indicative of the susceptibility of the industry to changes in events including the expiration of anti-dumping measures against exporters that have maintained distribution links to the Australian market.

Oceania Glass submitted that the CFG market remains highly price sensitive and as CFG is a commodity product, end-users are able to readily shift from one supplier to another in response to pricing influences. In this context Oceania Glass maintains that should measures be allowed to expire it would again encounter price undercutting as was previously established in REP 335 and that exporters currently the subject of measures would gain market share by reducing prices and displacing imports from other sources and sales by the Australian industry.

Oceania Glass submitted that it would experience further deterioration in profit and profitability as a result of lost sales volumes, further noting that maintenance of production volumes is integral in respect of a CFG manufacturing facility.

A detailed analysis of Oceania Glass's continuation or recurrence of material injury claims will be undertaken in the SEF.

**10 APPENDICES AND ATTACHMENTS**

<b>Confidential Attachment 1</b>	Verification work program
<b>Confidential Appendix 1</b>	Australian industry injury analysis
<b>Confidential Appendix 2</b>	Other injury factors