



Australian Industry Report

Case Details

Initiation Date	27 April 2021	ADN:	2021/054
Case Number	582		
The goods under consideration	Clear Float Glass		
Case type	Dumping and Subsidy Investigation		
Australian Industry	Oceania Glass Pty Ltd		
Investigation Period	1 April 2020 to 31 March 2021		

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

On 27 April 2021 the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an investigation into the alleged dumping of clear float glass (CFG, the goods) exported to Australia from Malaysia and the United Arab Emirates (UAE) and the alleged subsidisation of CFG exported to Australia from Malaysia.¹

The Commissioner decided to initiate an investigation following an application lodged by Oceania Glass Pty Ltd (Oceania Glass, the Australian industry), a manufacturer of CFG in Australia.

The Anti-Dumping Commission (the commission) has recently verified data provided by Oceania Glass as part of *Continuation Inquiry 575* (CON 575). The data Oceania Glass provided for CON 575 covers a period up until 31 December 2020. The data provided by Oceania Glass for this investigation covers a period up until 31 March 2021. As such, there is one additional quarter of data for the investigation. The commission has assessed the additional one quarter of data by comparing it to the recently verified data and considers that it is reliable.

This report details the commission's assessment of:

- the Australian market for CFG
- the economic condition of Oceania Glass

¹ Anti-Dumping Notice (ADN) No. 2021/054 refers.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

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. It also operates two merchandising businesses located in Springvale, VIC and Ingleburn, NSW.

1.2 Related parties

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 sells to two related customers; Viridian Glass and Viridian Glass Limited Partnership (Viridian NZ).

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. The commission found that Oceania Glass's sales to Viridian Glass are 'arms length' in *Continuation Inquiry No. 575*.² Sales to Viridian NZ have been treated as export sales.

² Electronic Public Record (EPR) 575, no 016.

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 CFG in Australia.

2.1.1 Production process

The 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.

A diagram of the production process is shown in Figure 1 below.

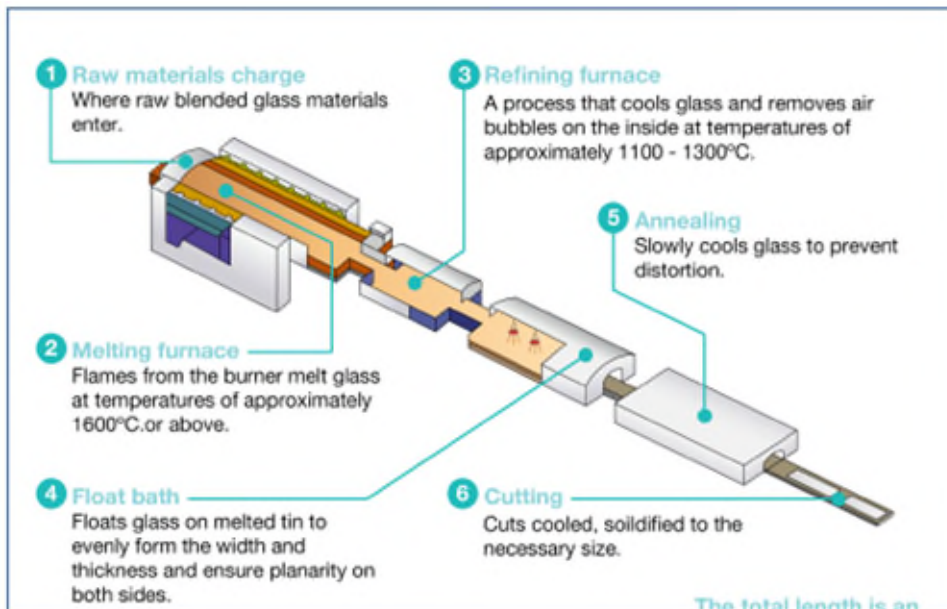


Figure 1: CFG production process³

³ EPR 582, no 001, p 13.

2.2 Model control codes

Nominal thickness is the only physical characteristic which gives rise to distinguishable differences in price. 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.

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.

Oceania Glass sold goods with the following nominal thicknesses during the inquiry period (1 April 2020 to 31 March 2021):

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

2.3 Like good assessment

This section sets out the commission's assessment of whether the locally produced goods are identical to, or closely resemble, the goods and are therefore 'like goods'. For the purposes of the findings below, the commission has relied upon information obtained from the verification of Oceania Glass's manufacturing facilities as part of CON 575, information provided by cooperating exporters of the goods and prior findings of the commission.

2.3.1 Physical likeness

The commission considers that the CFG the Australian industry produces for sale into the Australian market are physically like to the goods. They share similar physical characteristics, being clear (transparent), flat, rectangular or square in shape, and traded with a nominal thickness of 3 mm to 12 mm.

2.3.2 Commercial likeness

The commission considers the CFG the Australian industry produces for sale in the Australian market are commercially like to the goods. They are sold into the same market sectors, are interchangeable and use similar distribution channels.

2.3.3 Functional likeness

The commission considers the CFG the Australian industry produces for sale in the Australian market are functionally like to the goods. They have similar end-uses, including window and door applications, and are able to be further worked into alternate products through laminating, coating, and other value-add processes.

2.3.4 Production likeness

The commission considers the Australian industry uses the same or similar raw material inputs and manufacturing processes domestically that exporters use to produce the goods.

2.3.5 Conclusion – Like goods

Based on the above findings, the commission considers that the CFG the Australian industry manufactures, whilst not identical, have characteristics closely resembling the goods exported to Australia, as:

- the physical characteristics of the goods and locally produced goods are similar
- the goods and locally produced goods are commercially alike as they are sold to common users, and directly compete in the same market
- the goods and locally produced goods are functionally alike as they have a similar range of end uses
- the goods and locally produced goods consist of the same raw materials and are manufactured in a similar manner.

3 AUSTRALIAN MARKET

3.1 Background

The Australian market for CFG is supplied by:

- Oceania Glass, the sole domestic manufacturer representing the Australian industry
- imports from countries subject to measures (the People's Republic of China (China), the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand))
- imports from countries not subject to measures (including Malaysia and the UAE).

Imported CFG supplied to the Australian market is sourced from numerous countries. In recent years the highest volumes originate from Malaysia, Indonesia and the UAE according to the Australian Border Force (ABF) database.

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

On 2 February 2021, the Commissioner initiated an inquiry into whether the continuation of anti-dumping measures applying to CFG exported to Australia from China, Indonesia, and Thailand is justified.⁴ After considering the Commissioner's recommendations, the Minister decided not to secure the continuation of anti-dumping measures applying to all exporters from China and Thailand, and PT Muliaglass from Indonesia.⁵

As a result, on 18 October 2021, anti-dumping measures will only apply to all imports from Indonesia (excluding PT Muliaglass).

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 manufacturer Oceania Glass
- importers of CFG
- downstream domestic glass processors
- downstream domestic glass fabricators
- 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.

⁴ ADN No. 2021/010 refers.

⁵ ADN No. 2021/116 refers.

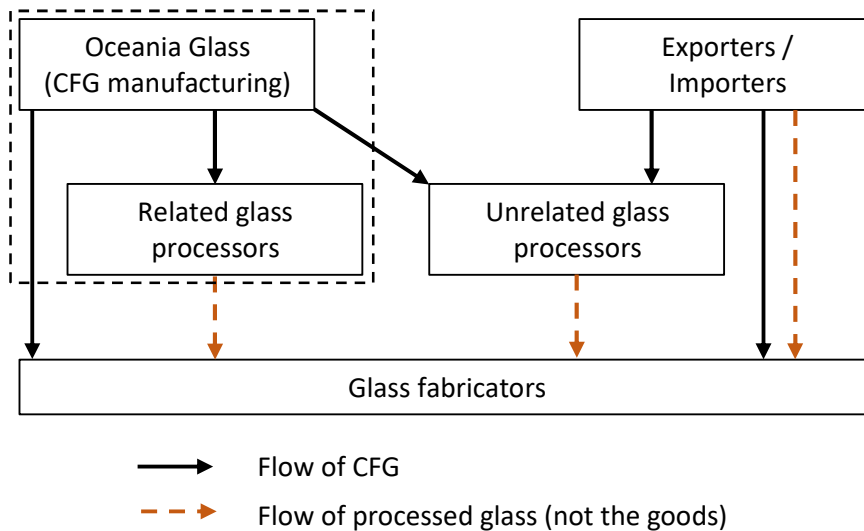


Figure 2: Australian market structure for CFG

3.2.1 Supply and distribution

Oceania Glass distributes its CFG through two avenues; direct supply to the customer via a network of distribution centres or via merchandising stores.

Oceania Glass’s distribution and merchandising centres are at these locations:

- Dandenong, VIC (manufacturing site)
- Ingleburn, NSW (distribution centre)
- Port of Brisbane, QLD (distribution centre)
- Bibra Lake, WA (distribution centre)
- Cranbourne West, VIC (merchandising)
- 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. Oceania Glass uses its own drivers and vehicles for merchandising deliveries.

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).⁶

⁶ Confidential Attachments 1 and 2.

Figure 3 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 throughout 2018, before increasing slightly into 2021, returning to levels close to 2017 values. Non-residential construction has remained at broadly consistent levels since 2016. The commission considers that the variation in residential building commencements has a greater impact on the demand due to the higher requirement of CFG for this type of building.

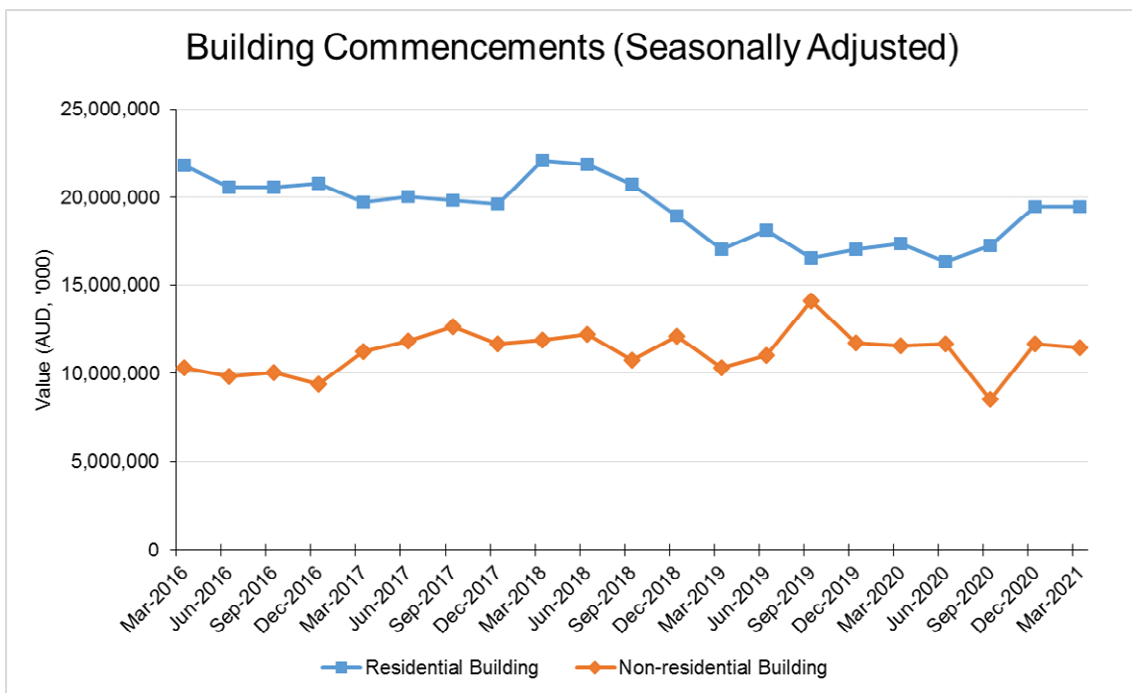


Figure 3: Australian building commencements

The dwelling approvals data shown in Figure 4 indicates that there is a potential for an overall recovery of the residential building sector. Dwelling approvals have fallen since 2018, however they have slightly recovered from mid-2020 to early-2021. Although there is a dip in mid-2021, levels remain closer to the number of approvals in 2017, prior to the decrease. The commission considers that demand for CFG may increase in the future if the residential building sector recovers.

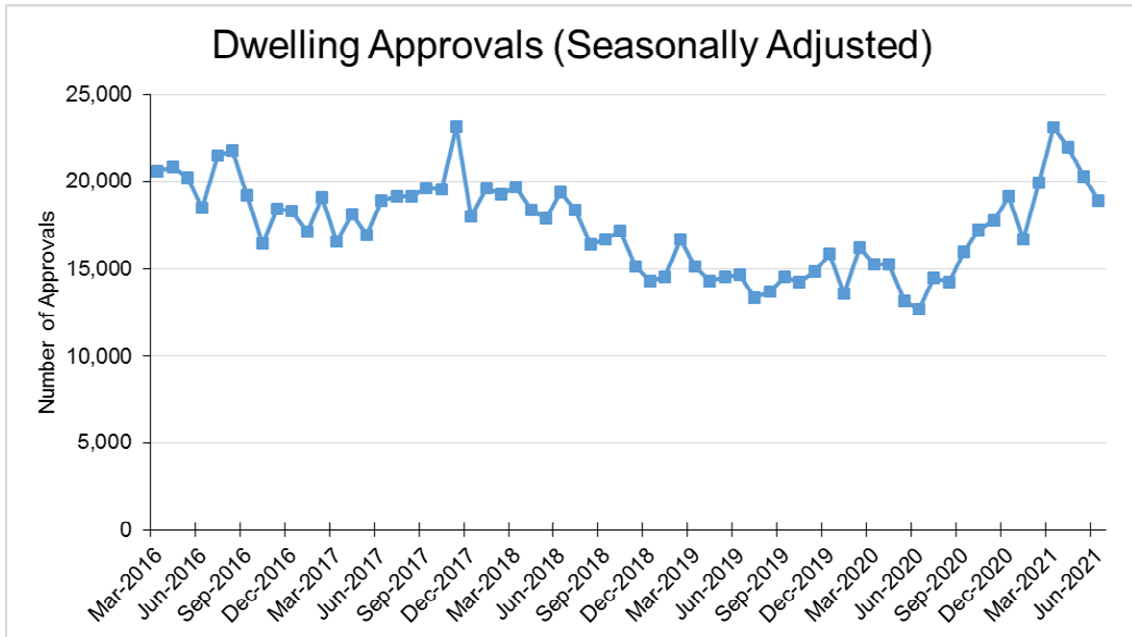


Figure 4: Australian dwelling approvals

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 difficult 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
- 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 ABF import database. The information sourced from the ABF import database was determined using the relevant tariff codes for CFG (7005.29.00) and additional filtering to remove imports that are not the goods.

Figure 5 below depicts the commission's estimate of the Australian market size for CFG from 1 April 2017 to 31 March 2021.

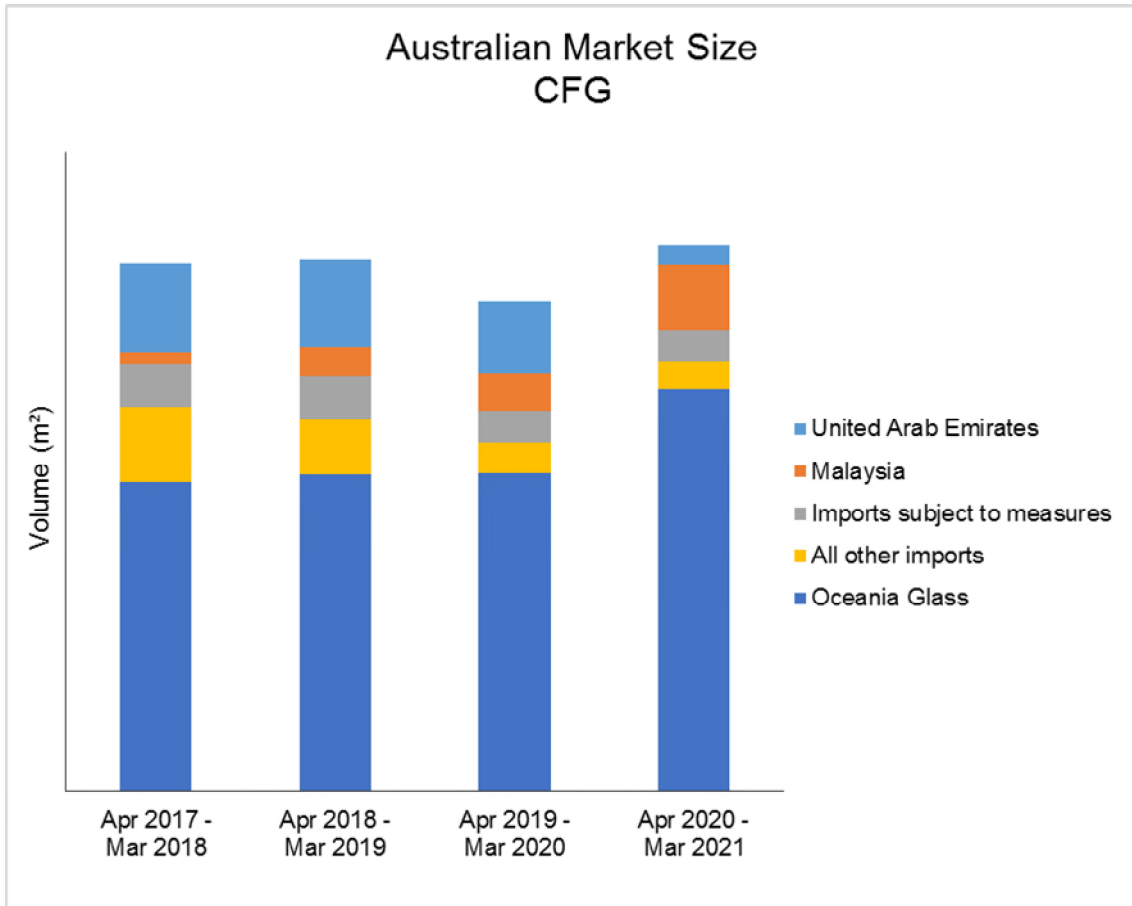


Figure 5: Australian market size

Figure 5 shows that the overall size of the Australian market for CFG has increased since 2017.

The commission's analysis of the Australian market is contained in **Confidential Attachment 3**.

4 ECONOMIC CONDITION

4.1 Applicant's injury claims

In its application, Oceania Glass claimed that the Australian industry has experienced injury in the form of:

- price depression
- price suppression
- lost profit and profitability
- reduced return on investment
- reduced attractiveness to reinvest.⁷

Oceania Glass also noted in its application that it considers the material injury to have commenced prior to the transfer of ownership in 2019, i.e. in 2017 and 2018.

4.2 Approach to injury analysis

The analysis detailed in this chapter is based on financial information submitted by Oceania Glass and data from the ABF import database. The commission considers that the information submitted is reliable and relevant to use for injury analysis purposes.

The figures presented have been compiled on an annual basis for the 4 year period ending 31 March 2021 (year ending March, YEM).

This preliminary assessment is at **Confidential Attachment 4**.

4.3 Volume effects

4.3.1 Sales volume

Oceania Glass has not claimed volume injury within its application.

Oceania Glass's total sales volumes are depicted in Figure 6, showing that they were reasonably stable across the injury analysis period before increasing in YEM2021.

⁷ EPR 582, no 001.

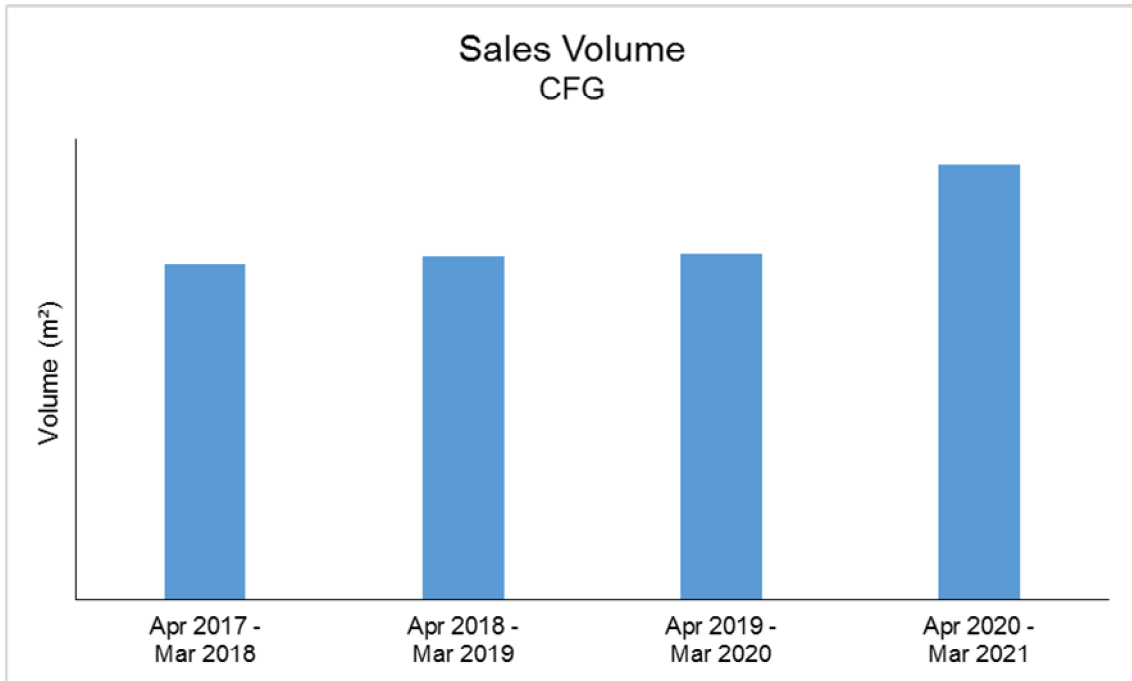


Figure 6: Oceania Glass sales volume (injury analysis period)

The commission further examined Oceania Glass’s sales volumes over the investigation period as shown in Figure 7.

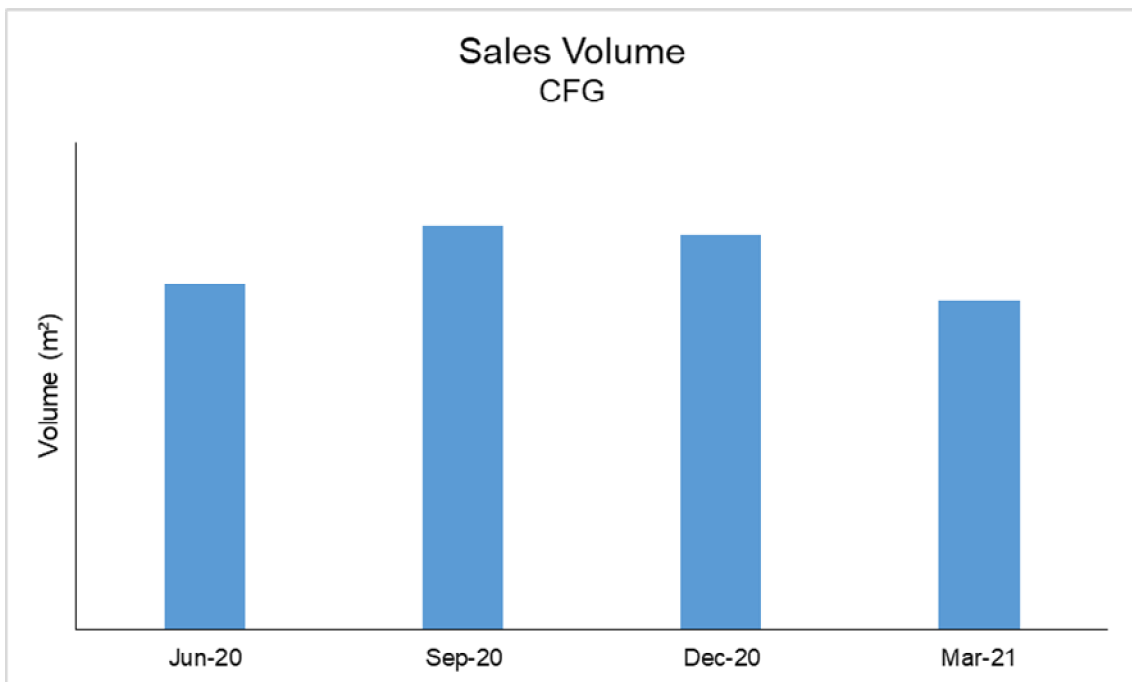


Figure 7: Oceania Glass sales volume (investigation period)

The commission observed that Oceania Glass’s sales volume increased in the first 2 quarters, then decreased in the last 2 quarters. The commission considers that this indicates that although Oceania Glass experienced an increase in overall sales volumes in YEM2021, this increase may be short-lived.

PUBLIC RECORD

The commission considers that although it appears that Oceania Glass has not experienced injury in the form of loss of sales volume over the injury analysis period, this trend is potentially reversing over the investigation period.

4.3.2 Market share

The commission's assessment of the market share held by Oceania Glass, imports from Malaysia and the UAE, imports from countries subject to measures, and imports from all other countries is set out in Figure 8.

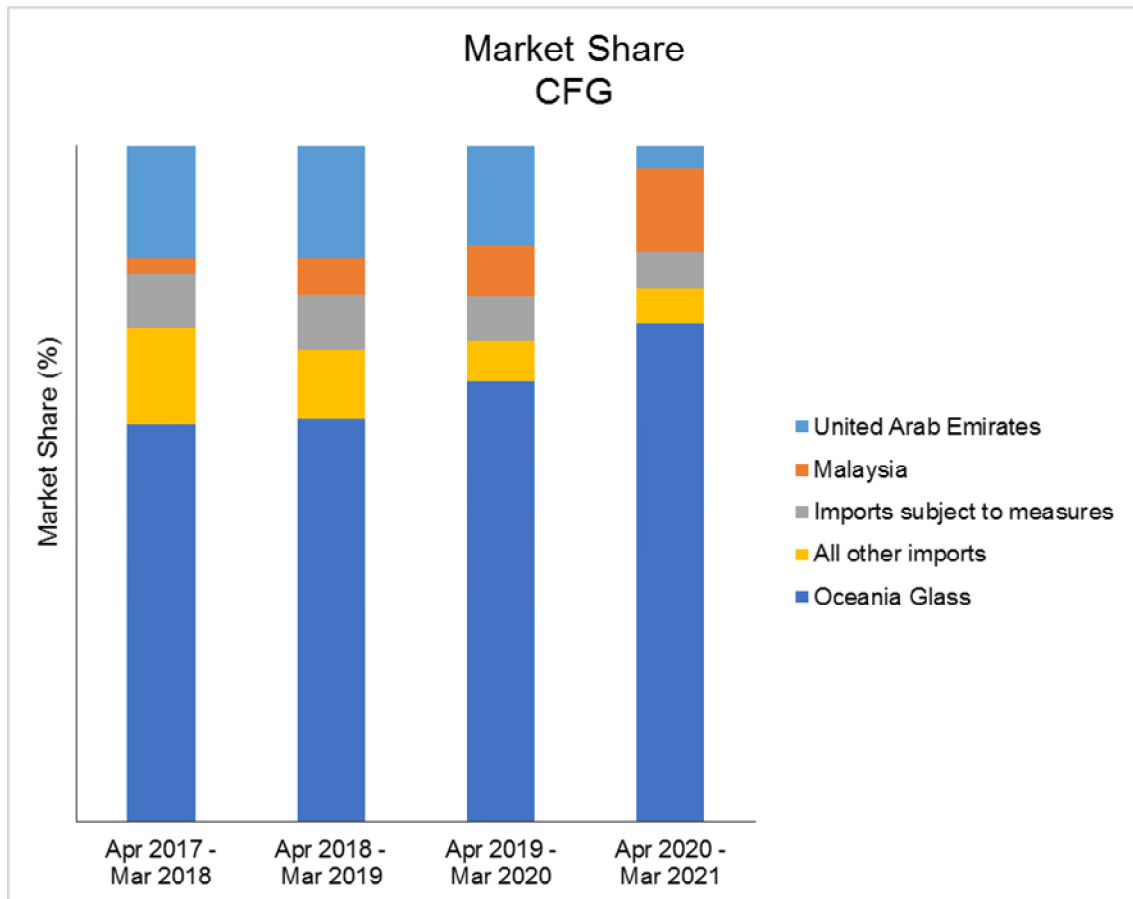


Figure 8: Australian market share (injury analysis period)

This chart indicates that, in relation to the injury analysis period:

- Oceania Glass maintained a relatively stable market share until YEM2019, with an increase in market share from YEM2020
- Malaysia's market share has increased year on year
- the UAE's market share was growing until YEM2020, but reduced significantly in YEM2021
- imports subject to measures have experienced a reduction in market share
- all other imports have also reduced.

PUBLIC RECORD

Having regard to the market share over the investigation period shown in Figure 9, the commission found:

- Oceania Glass's market share increased in the first 3 quarters, before decreasing in the last quarter
- the market share of imports increased in the last quarter, displacing the market share held by Oceania Glass
- the market share of Malaysia increased substantially in the last quarter.

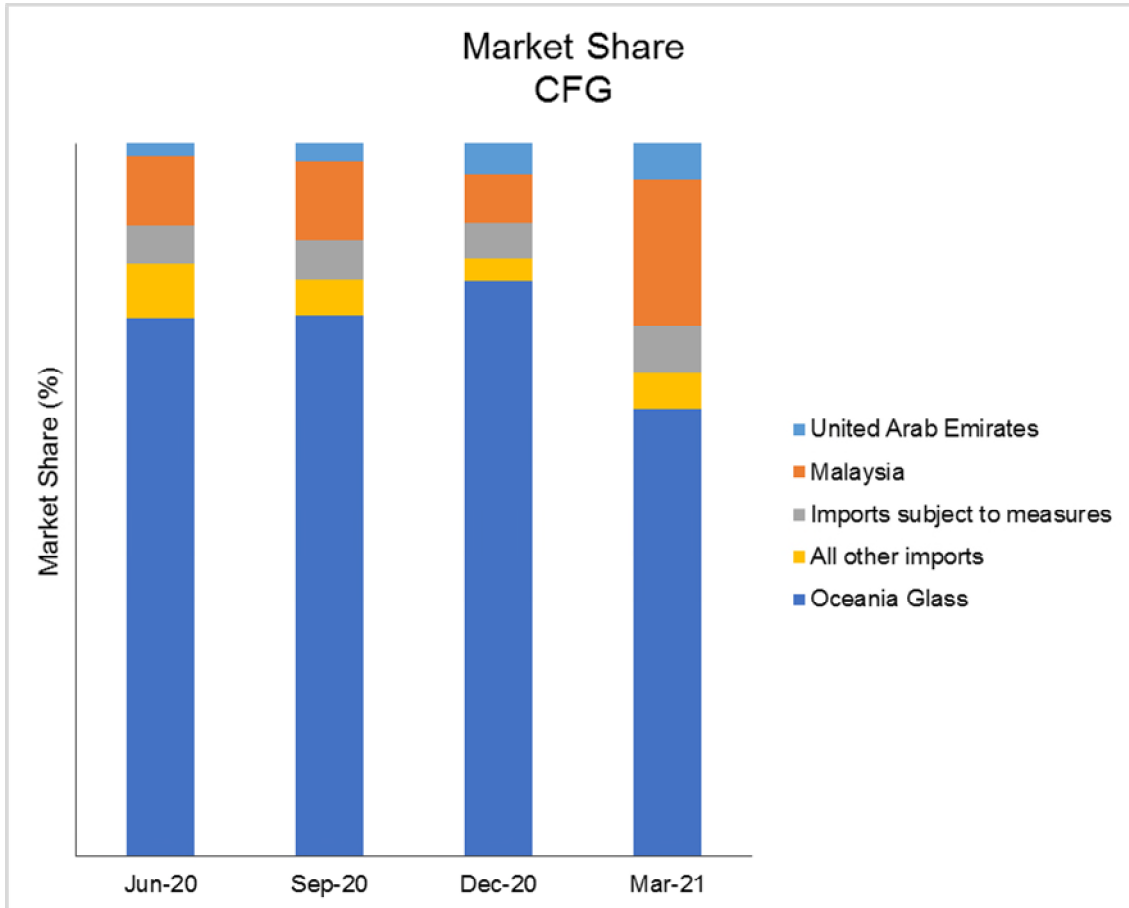


Figure 9: Australian market share (investigation period)

4.3.3 Conclusion – volume effects

This analysis indicates there was no injury suffered by the Australian industry in the form of lost sales volume or reduced market share over the injury analysis period, however these trends appear to be reversing over the investigation period.

4.4 Price effects

4.4.1 Price depression and price suppression

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

PUBLIC RECORD

Oceania Glass has claimed that price depression and price suppression has occurred due to price undercutting by the alleged dumped and subsidised goods from Malaysia and the dumped goods from UAE.

Figure 10 below shows the trends in Oceania Glass's weighted average per unit selling price and weighted average per unit cost to make and sell (CTMS).

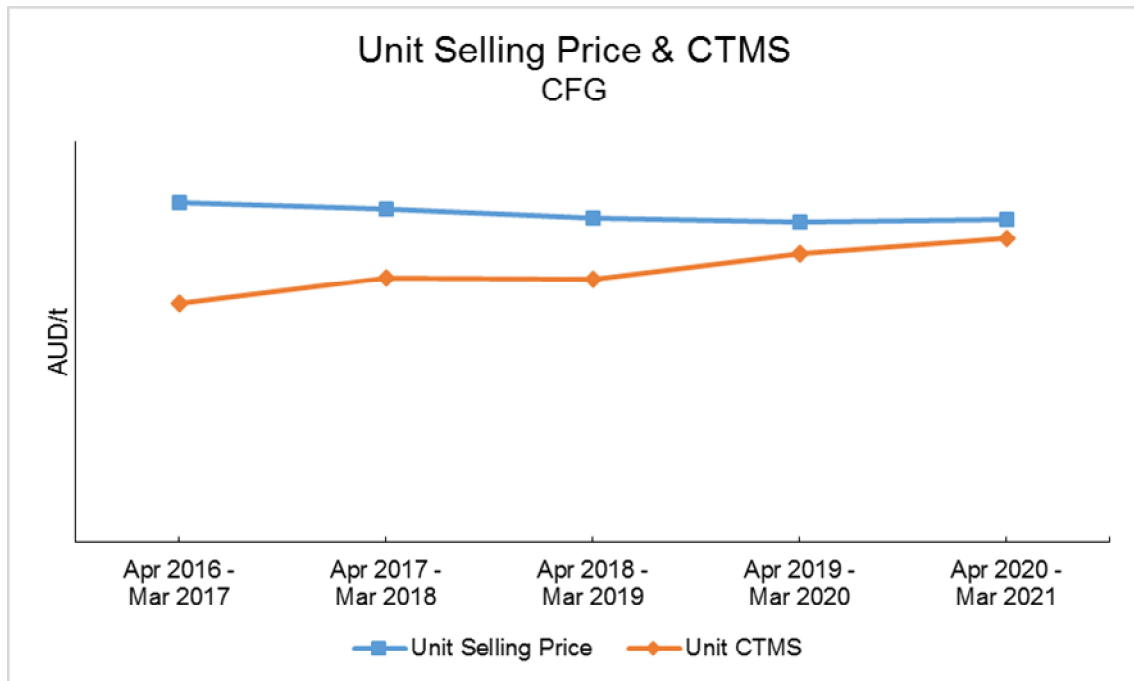


Figure 10: Oceania Glass unit selling price and CTMS (injury analysis period)

Oceania Glass experienced a reduction in selling prices per unit from YEM2017 to YEM2019, with prices stabilising across YEM2020 and YEM2021. The commission considers that this may be indicative of price depression.

Throughout this same injury analysis period the unit CTMS increased resulting in a decrease in the margin between unit selling prices and costs. The commission considers that price suppression is evident.

To further test the appearance of price suppression and depression, the commission examined the unit selling price and CTMS across the investigation period.

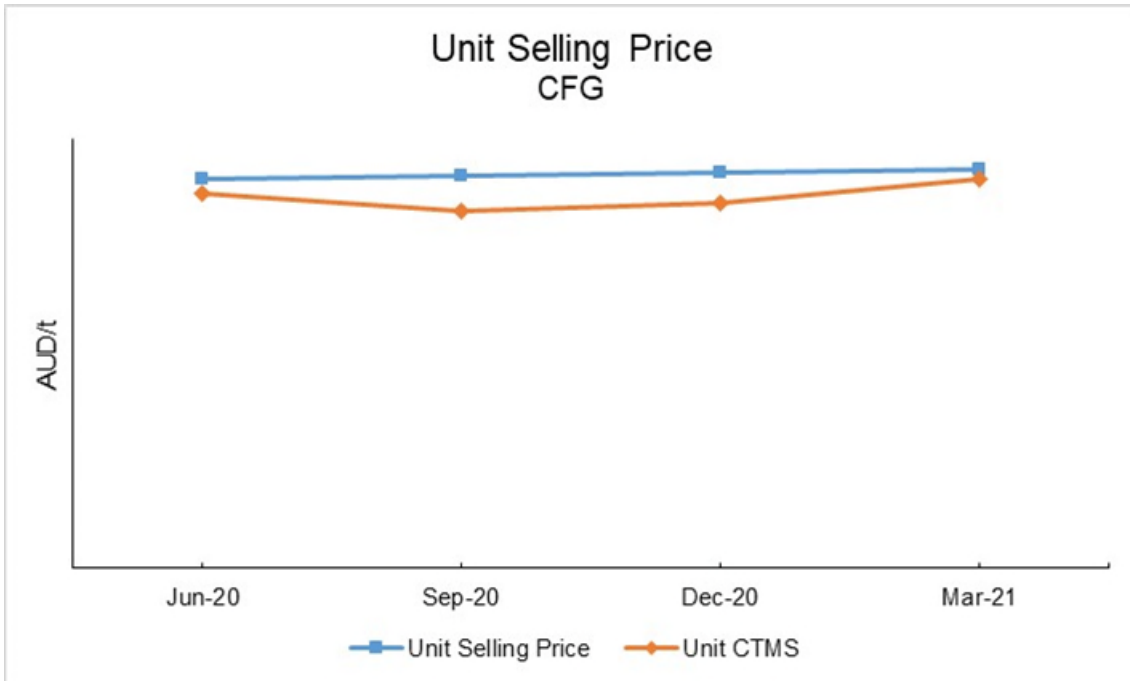


Figure 11: Oceania Glass unit selling price and CTMS (investigation period)

Figure 11 indicates that during the investigation period Oceania Glass experienced:

- an increase in the margin between unit selling price and CTMS in the first 2 quarters
- a decrease in the margin between unit selling price and CTMS in the last 2 quarters
- stable unit selling prices across the investigation period.

4.4.2 Conclusion – price effects

Based on this analysis, the commission considers that Oceania Glass has:

- experienced price depression across the injury analysis period
- not experienced price depression across the investigation period
- experienced price suppression across both the injury analysis period and the investigation period.

4.5 Profit and profitability

4.5.1 Profit and profitability

Oceania Glass has claimed that it has suffered reduced profits and reduced profitability due to the alleged dumped and subsidised goods from Malaysia and the dumped goods from UAE. Figure 12 below charts Oceania Glass's unit profit and profitability as a percentage of revenue across the injury analysis period.

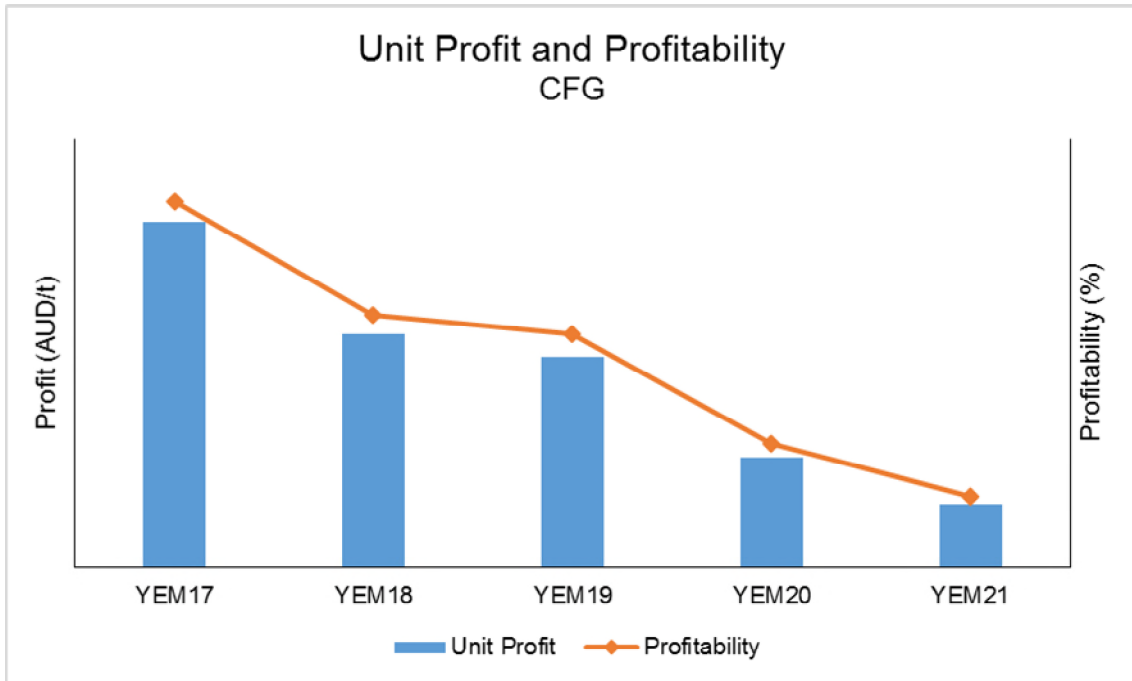


Figure 12: Oceania Glass's unit profit and profitability

Oceania Glass's profit margin has declined over the injury analysis period. This finding supports Oceania Glass's claim that it has suffered injury in the form of reduced profits and profitability.

4.5.2 Conclusion – profit and profitability effects

Based on this analysis, the commission considers that Oceania Glass has experienced injury in the form of reduced profits and reduced profitability.

4.6 Other economic factors

Oceania Glass has claimed injury from reduced return on investment and reduced attractiveness to reinvest.

4.6.1 Return on investment

Oceania Glass's return on investment is charted in Figure 13.

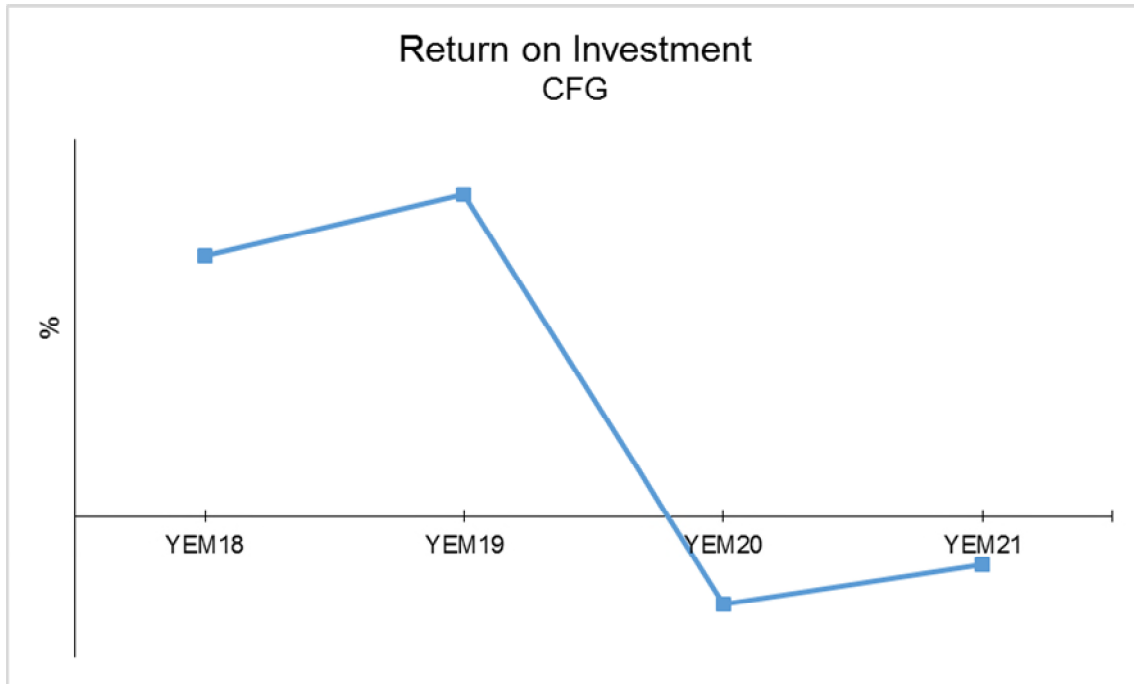


Figure 13: Oceania Glass's return on investment

This demonstrates that Oceania Glass's return on investment declined after YEM2019, with only a slight improvement in YEM2021 that has not returned to positive figures.

4.6.2 Attractiveness to reinvest

Oceania Glass submitted in its application that a substantial investment will be required in 2026 in the float line that manufactures CFG. In order to make this investment, Oceania Glass's shareholders will require an expectation of a reasonable return on investment leading up to then.

Oceania Glass claims that the reduction in profitability due to under-priced imports means the forecast returns on this investment may not be satisfactory. If this investment is not made, it could result in the closure of the only float line in Australia and the loss of at least 120 jobs.

The commission will further investigate this claim as part of the investigation.

4.7 Conclusion

Based on an analysis of the information contained in the application and further information obtained and analysed, the commission considers that Oceania Glass has experienced injury during the investigation period in the form of:

- price suppression
- lost profit and profitability

5 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	ABS Building Commencements
Confidential Attachment 2	ABS Dwelling Approvals
Confidential Attachment 3	Australian Industry Market Data
Confidential Attachment 4	Australian Industry Injury Analysis