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Ms Joanne Reid
Director Operations 2
Trade Measures Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

1 July 2011

Dear Ms Reid

Non-Confidential

Clear Float Glass exported from Indonesia, Thailand and the People's Republic of China - Resumption of investigation - ACDN 2011/10 refers

JELD-WEN Australia Pty Ltd (JELD-WEN Australia) makes the following submission in response to the above re-investigation and provides comments in relation to the intention to re-publish an amended Statement of Essential Facts (SEF) on 29 July 2011.

Since the publication of the Report of the Trade Measures Review Officer (TMRO), JELD-WEN Australia has assembled additional information to reinforce the validity of the decision by Australian Customs and Border Protection (Customs) to terminate the anti-dumping application lodged on behalf of CSR Viridian Ltd (Viridian) by Blackburn, Croft & Co Ltd.

Whereas Viridian contends that the reduction in its profits and profitability was the result of the dumping of imports of Clear Float Glass (CFG) from China, Indonesia and Thailand, the Financial Reports and Results' Presentations by CSR Limited (CSR), Viridian's parent company, for its financial years ended 2008, 2009, 2010 and 2011 attribute the deterioration in earnings of Viridian Upstream to the effects of the decline in building activity, particularly commercial building, dislocation in the Viridian Downstream business and additional price competition from imports due to appreciation of the Australian dollar.

None of CSR's Financial Reports, contains any disclosure about the impact of dumped imports of CFG on the Viridian Upstream business.

It is apparent, therefore, that factors other than dumping were impacting on Viridian Upstream's CFG business. These factors included:

(a) a step change in the Australian glass market with increased take up and preference for value add Energy Efficient Glass leading to reduced share and contribution of CFG to the Viridian Upstream business;

(b) a decline in activity in the commercial and residential sectors due, amongst other things, to the global financial crisis;

(c) systemic service failures (acknowledged by CSR) in the processing and distribution division, Viridian Downstream that forced customers, such as window fabricators and glass merchants to switch to large-scale local Independent Glass Processors, that spread their purchases of CFG between Viridian Upstream and imports; and

(d) increased import price competition due to a strengthening Australian dollar, a factor regularly acknowledged by CSR.

Each of these factors is addressed in more detail in the attached submission.

Please contact the undersigned if you would like to clarify any aspect of this matter.

Yours sincerely

Ron Silberberg AO
Senior Corporate Advisor
JELD-WEN Australia Pty Limited

JELD-WEN.

Submission in response to re-investigation of alleged dumping of CFG in Australia

1. Overview

JELD-WEN Australia is the largest producer of windows and doors in Australia and is a significant employer in the industry, responsible for more than 4,500 employees, installers and contractors in Australia.

JELD-WEN Australia is well acquainted with the Australian glass market and provides additional information in this submission to assist Customs with its enquiries.

The information confirms that dumping has not been occurring in Australia since Customs discontinued trade measures on CFG from China in 2007. Moreover, the findings are consistent with JELD-WEN's experience as a major procurer of glass world-wide (through specialist glass buyers) for its operations in 22 countries. As a result, JELD-WEN Australia is firmly of the view that Customs should re-affirm termination of the investigation into the alleged dumping of CFG into Australia. Further, our analysis shows that no injury has been suffered by Viridian as a consequence of dumping, since CFG volumes have largely been displaced by a shift in consumer demand to more Energy Efficient Glass, such as coated (low-e) and tinted glass, etc.

The main points in the submission are summarized below.

- Viridian's production capacity falls well short of the total market demand for float glass, which has to be filled by imports. Consequently, the availability of competitively-priced imports of glass provides a circuit-breaker on what otherwise would be an unconstrained local producer.

- We assert that while CFG volumes declined in the period 2007 – 2010, the share of overall float glass volumes accounted for by Tint, Coated Float and Processed Glass expanded. Most of the reduction in volumes of CFG occurred in YEM2008 and YEM2009 - before the commencement dumping investigation period.

- The reduction in the share of CFG in the overall float glass market reflected predominantly the shift away from CFG to more energy-efficient float glass. The increased use of thermally efficient glass, including insulated glazing units, following the adoption of more stringent building regulation as well as shifts in consumer preferences lifted the volume of total float glass required in new building. The step change in the demand for Energy Efficient Glass not only shifted the total float glass market away from CFG, it helped to maintain overall volumes of total float glass in a declining building market because of the additional volumes required to meet the increased demand for double-glazed windows.

- The refurbishment of Viridian's Dandenong plant to increase its capacity to produce Coated Float Glass was intended to take advantage of the shift towards higher value-add Energy Efficient Glass. A number of Independent Glass Processors also invested in new plant and equipment in the expectation of the increased demand for energy-efficient glass. The expansion by Independent Glass Processors of glass processing capacity also had the effect of increasing competition faced by Viridian Downstream, the processing and distribution division of Viridian.

- Viridian was a beneficiary of the structural change occurring in the building market occasioned by the growth in demand for more Energy Efficient Glass. Further, the growth in Viridian's market share of Energy Efficient Glass would have offset the reduction in the volume and share of CFG supplied to the building market. It is likely that Viridian's share of the total float glass market in YEM 2010 would have been higher than in YEM 2007.

- Most of the reduction in Viridian's CFG volumes supplied to the building market in YEM2010 relative to YEM2007 should be explained by the change in the composition of Viridian Upstream's output towards the production of higher value Energy Efficient Glass. The balance of the reduced level of CFG volumes could be linked first, to the lower level of commercial and residential building activity and second, to imports of CFG as a result of chronic service failures in Viridian Downstream that forced window fabricators and glass merchants to shift their business to large-scale Independent Glass Processors that spread their purchases of CFG between Viridian and imports. There is no evidence that dumped imports contributed to any reduction in Viridian's volumes of CFG.

- The imposition of dumping duties on Clear Float Glass can be expected to increase demand for lower-cost imported windows and Secondary Processed Glass upon which dumping duties do not apply. It is crucial that Customs take into consideration the implications of trade measures applying to CFG for Australian downstream fabricators that rely on the supply of competitively-priced intermediate goods for the production of final product.

  This is particularly the case for firms involved in the fabrication, distribution and installation of windows, doors, shower screens, pool fencing and stair balustrades that in aggregate employ and engage more than 30,000 people. By comparison, the number of people employed in the manufacture of float glass in Australia is less than 300. Consequently, the replacement of locally-produced windows with imported windows and Secondary Processed Glass could have a profound effect on employment in the wider industry.

- We note that in its recent announcement of changes to Australia's Anti-Dumping System, the Minister for Home Affairs advised that, under the government's current policy, Customs is required to consider the impact of dumping and trade measures on downstream users of intermediate goods.

2. Responses to TMRO direction to reinvestigate

In his report of 21 March 2011[1] on Customs' Termination Report No. 159B of December 2010, the Trade Measures Review Officer (TMRO) noted the issues upon which Viridian appealed the decision, related to Customs' findings in respect to negligible injury, loss of market share, price depression, price suppression, profits and profitability, price undercutting, causation analysis, and the predicted impact of the dumping duty. In their appeal document, Viridian stated that their application did not contain new information from that previously provided to Customs.[2]

The TMRO, in revoking the termination decision concluded that Customs 'should give particular attention' to:

- market share and the factors contributing to the decline in internal transfers;
- the extent, if any, and significance of price depression and responsible factors;
- the relative impact of dumping or other factors on price suppression and injury; and
- the extent to which estimated changes in Viridian's cost structure associated with the refurbishment of the Dandenong plant were affected by 'changes to the industry that might affect volumes and prices' (TMRO review, p.23).

Our comments on each of the above points are summarised below.

- ***in relation to 'market share'***: we believe that third party sales made by Viridian over the period of investigation would have actually increased with the shift of window fabricators and glass merchants from Viridian Downstream to Independent Glass Processors; hence, any loss of market share/volume claimed by Viridian can only be attributable to a decline in internal transfers to related downstream business units. Volumes for these internal transfers are directly linked to demand from fabricators and glass merchants for processed glass for windows, doors, shower screens, pool fencing and replacement needs.

  During the investigation period, demand for CFG fell for a number of reasons, none of which are related to dumping. For example, the severe reduction in building activity lowered the demand for glass; poor service performance by Viridian Downstream meant that many of its customers moved their business to Independent Glass Processors, thereby reducing internal transfers of CFG from Viridian Upstream to the Downstream division (but increasing external sales of CFG). There are other reasons for the reduction in volumes listed later in this submission; however, none are contingent on dumping.

1 Termination review - Clear float glass from China, Indonesia and Thailand - TER 159B.
2 Blackburn, Croft & Co Ltd, 20 January 2011, p.7.

In addition, Viridian had been re-aligning its production of float glass away from CFG to higher value-add solar-efficient and thermally-efficient glass to take advantage of the growth in demand for energy-efficient glass, which enabled Viridian to achieve a higher market share of the total glass market. by displacing imports of like goods. The change in the composition of Viridian Upstream's output in response to the step-change in demand for Energy Efficient Glass after YEM2007 meant that by YEM2010, CFG was a smaller segment of glass volumes manufactured by Viridian Upstream for the building market.

Significantly, Customs was instructed by Blackburn, Croft & Co Ltd to disregard changes in demand for processed glass, and Customs acceded to this request in their letter to Blackburn, Croft & Co Ltd of 25 October 2010. Whatever the reason for this instruction, it is nevertheless the case that the underlying demand for CFG by Viridian Downstream was contingent upon its performance in the processed glass market and demand in the processed glass market. As its parent company has acknowledged on numerous occasions, demand fell and performance was poor. The net result was that Viridian Downstream's requirements for CFG fell leading to lower internal transfers of CFG and thus lower volumes of CFG in total.

Our comments above are further evidenced by the more comprehensive analysis provided below in Section 3 of this part of our submission;

- ***in relation to price depression***: because it is the sole producer of CFG in Australia and due to its dominant market share, Viridian is recognised as the price leader for CFG. Individually, each exporter only has a minor share of the overall CFG market. It is therefore inconceivable that Viridian could substantiate the claim that it had suffered price depression as a consequence of allegedly dumped imports.

  This is evidenced by the fact that, immediately following the investigation period, Viridian was able to successfully pass through a 5% price increase, which was double the rate of annual inflation (in November 2010). We have evidence that, off the back of Viridian's price increase, exporters in the countries under consideration have been increasing their CFG prices into the Australian market (in US dollar terms).

  This demonstrates that price depression is not evident in the market and that competitors followed Viridian's price increase and that import prices respond to prices set by Viridian and not the reverse, as claimed by Viridian. Customs should confirm this independently with such exporters;

- ***in relation to price suppression***: Viridian's underlying costs to make may well have increased over the investigation period. However, over that period, Viridian chose not to put a price increase into the market. This we expect would have been due to a precipitous reduction in construction activity that placed downwards pressure on the prices of all building product manufacturers, poor customer service ('Delivery in Full, On Time' or DIFOT levels at Clayton were running at an unacceptably low 57%) and the strength of the Australian dollar.[3]

In this context, it is not sufficient to simply observe an increase in costs with no commensurate increase in prices without analysing the prevailing economic conditions and the performance of the entity incurring the increased costs. Not every increase in cost does or can translate into an equal increase in price. The market has to be able to sustain any price increase.

Subsequent to the period of investigation, Viridian saw fit to seek a large price increase in November 2010, despite depressed conditions in the building market and the high Australian dollar. Customs concluded (Termination Report, p.61) "Viridian appears to have the ability to increase prices of CFG into the Australian market in the absence of dumping measures";

- ***in relation to the adjustment for the Dandenong plant refurbishment***: the key driver for profitability of a float glass manufacturer such as Viridian is volume. If a float line is not operating at around 75 per cent capacity, then it is unlikely to be profitable, irrespective of the price charged for glass produced.

  Customs found that Viridian was profitable in 2008, largely because of inventory build-up to help meet market requirements during the period of the plant refurbishment. Significantly, this was a year unaffected by "operational factors" within the Viridian business. Since then, volumes have deteriorated as a result of the likely sharp reduction in internal transfers, which reduction was not due to dumping.

  As a result of the high fixed costs associated with running a float line, a fall in volumes leads directly to an increase in the cost per tonne of CFG, which in turn leads to an unprofitable outcome for the company. This was a principal reason why Viridian Upstream suffered lost profit and profitability.

  Accordingly, in these circumstances, it seems entirely reasonable to assume volume levels from a period where dumping was inconsequential and when outputs were uninhibited by underlying "operational factors" within the business to determine whether or not the company suffered injury and whether any such injury could have been caused by dumping.

Based on ABS import data provided later in this submission, prices for CFG have continued to increase both during and since the investigation period and the likelihood of dumping is no less remote than it was in 2007 when measures were lifted. Hence, any injury suffered by Viridian is not linked to dumped imports of CFG from China, Indonesia and Thailand, particularly once the minor verified dumping margins are taken into consideration.

[3] As CSR noted in its Results Presentation for the Half-Year ended 30 September 2010.

According to financial reports provided by CSR to Australia's regulatory authorities the principal factors affecting the earnings of Viridian were the marked reduction in building activity, particularly in the commercial market, the turmoil in the Viridian Downstream business and the additional price competitiveness of imports of glass arising from the substantial appreciation of the Australian dollar.

JELD-WEN Australia concurs with the analysis of CSR as revealed in the latter's financial reports, which stands in stark contrast to the content and assertions contained in the submissions tendered by Blackburn, Croft & Co Ltd on behalf of Viridian in relation to the anti-dumping application, the appeal application to the TMRO and the investigation by Customs.

The CSR financial reports for YEM2008, YEM2009 and YEM2010 were mute on the issue of dumped imports of CFG, notwithstanding according to Blackburn, Croft & Co Ltd the profits and profitability of Viridian had been affected materially by the dumping of CFG imports from China, Indonesia and Thailand.

Once these other economic factors are confirmed, the investigation should again be terminated.

3. Market Share and Internal Transfers

Blackburn, Croft & Co Ltd's 20 January 2011 submission to the TMRO challenged Customs' conclusions in relation to the impact of lost sales and lost market share in the year ended March 2009 (YEM2009) - refer paras 7.16, 7.20 and 7.22 of Viridian's submission to the TMRO.

In the Blackburn, Croft & Co Ltd's submission, Viridian claims that, based on movements in the YEM2009, imports increased in a declining market, and that Viridian therefore suffered a relative loss of market share. It is claimed that this was due to the presence of dumped imports in the market.

We disagree with Viridian's observations on the causes of the loss of market share.

3.1 Market trends in 2010

Viridian argues that, in the YEM2010, the total glass market fell while imports of CFG rose and Viridian's CFG volumes declined.

This does not present a balanced picture of the overall market and Viridian's position in it.

Viridian's external sales of CFG increased in the YEM2010. The reason why overall sales and transfers declined was because there was a significant reduction in internal transfers, due to reduced demand from Viridian Downstream.

Any reduction in CFG volumes would have been largely offset by an increase in the volume of Tint, Coated Float and Bulk Processed Glass supplied by Viridian to the building market over the same period.

It must be borne in mind that, over this period, there was a general market contraction, through lower construction demand. Viridian experienced its share of the market contraction. So, while Viridian may argue that sales reduced overall, this belies the true position – according to ABS statistics, imports are basically stable, and there must have been a significant increase in external sales, due to the proliferation of Independent Glass Processors. As recognized by Customs in its Termination Report, this increase in external sales was offset by a greater and more significant reduction in internal transfers.

The principal reason why internal transfers of CFG were adversely affected was poor downstream service issues causing a lack of pull through of CFG from Viridian Upstream into Viridian Downstream. Part of the reduction in internal transfers was linked to the precipitous drop in commercial and residential building activity that reduced the overall demand for glass, including CFG from intermediate purchasers.

The deterioration in Viridian Downstream's volumes affected Viridian by lower CFG throughput thereby increasing cost per tonne, impacting directly on efficiency and profitability.

Further, over this period, declining building activity placed pressure on fabricators and builders struggling to maintain sales. As a direct result of depressed market conditions, there was significant margin pressure placed by builders on suppliers to the building and construction industry.

Also, Viridian did not maintain its key personnel, experienced major systems issues and poor delivery process and performance issues (such as poor DIFOT). This meant that the customers of Viridian Downstream moved their business to Independent Glass Processors that used Viridian CFG but also placed some of their business with imports.

None of the above factors are attributable to dumping.

3.2 Impact on Viridian's mix of business

The change in the composition of Viridian's output to more value-added glass should have been accompanied by an increase in earnings. That Viridian's profitability did not benefit from the greater mix of higher-value add glass in YEM2009 and YEM2010 has been well documented by CSR. Suffice to say, none of those financial reports identified dumped imports as the source of diminished profitability. In fact, imports of all forms of float glass represented a smaller share of the total float glass market in YEM2010 relative to YEM2007.

Customs will need to determine whether, in the period YEM2010 relative to YEM2007, Viridian's market share of total Tint, Coated Float and Bulk Processed Float Glass increased, and to what extent. It is difficult to see how Viridian could have been able to maintain or increase very substantially its share of Tint, Coated Float and Processed Float Glass if imports of glass (whether clear, tinted or otherwise) were being dumped.

Commenting on the Viridian Upstream (Primary Products) business in its Full-Year report for the period ended 31 March 2010, CSR noted the following:

- *Recovery in market share following rebuild of Dandenong float glass live*
- *Higher A$ continues to impact import parity price;*
- *Indications that float glass prices have stabilised* (Results Presentation, p.14).

Customs, in its Termination Report (p.17) contended that:

> *"Data pertaining to these* (internal) *transfers is not considered a relevant measure of the economic performance of the Australian industry producing CFG."*

While the flow of internal transfers of CFG by Viridian Upstream to its Downstream operations may not reflect on the performance of the Primary Products division, the internal demand for CFG depends on the user demand for the Secondary Processed Glass of Viridian Downstream.

The demand for CFG by Viridian's Downstream business division is ***derived*** from the demand for CFG and ***processed*** glass by customers of the Downstream Business.

Changes in the volume of CFG transferred internally reflected changes in user demand for CFG and processed glass. In this way, a reduction in internal transfers cannot be linked to changes in the relative price of imports of (unprocessed) CFG.

Referring to the reduction of CFG transferred internally by Viridian Primary Products to the Viridian Downstream division the TMRO stated:

> *"If Customs and Border Protection considered that other factors were the cause of the injury, this is not clearly explained. One such factor may have been competition between goods produced by Viridian Downstream and goods produced by other processors using dumped CFG leading to less demand by the Downstream division for the CFG produced by Viridian Upstream, . Another factor may have been performance issues with Viridian Downstream, leading to less demand by the Downstream Division for the CFG produced by Viridian Upstream."*
> TMRO Report, p.7.

A significant amount of CFG produced by Viridian's Upstream division was shielded from direct import competition because Viridian Downstream is locked into sourcing its CFG from Viridian Upstream. Viridian Downstream has never purchased CFG from a third party.

The volume of internal transfers and the value attaching to them do not represent actual sales or prices realised. They are book entries allocating the performance and profitability of the overall enterprise arbitrarily between two notionally separate business units.[4] Significantly, while Viridian maintains that separate accounts are kept of the performance of these divisions, Blackburn, Croft & Co Ltd's letter to Customs of 20 January 2011 states that, from April 2010 Viridian Upstream and Viridian Downstream 'will have separate accounts'. Given that Blackburn, Croft & Co Ltd has acknowledged that Viridian had not accounted for the two divisions separately until after the dumping investigation period, it raises concerns surrounding the reliability of earlier profit and loss estimates purporting to represent the different divisions of Viridian.

If customers of Viridian Downstream, such as window fabricators and glass merchants (other than Independent Glass Processors) were switching to dumped imports, this would have to show up in reduced demand for CFG and processed glass from Viridian Downstream. But, in its letter of 25 October 2010 to Blackburn, Croft & Co Ltd, Customs wrote:

> *"I understand that Viridian does not contend that CFG exported to Australia at dumped prices, which was further processed and/or incorporated into fabricated products, caused injury to Viridian Upstream indirectly through competition between Viridian Downstream and its competitors* (Independent Glass Processors)."

Changes in the relative price of value-added float and processed glass imports may have the potential to displace locally-produced and processed CFG. However, the anti-dumping application relates to Unprocessed CFG. Moreover, Viridian Upstream was shifting its sales from CFG to Energy Efficient Glass, which enabled Viridian Upstream to at least maintain its overall market share, particularly as imports of Tint, Coated Float and secondary processed glass declined between YEM2007 and YEM2010.

The reasons for the diminished share of internal transfers in total volumes of CFG sales cannot be found in the dumping of CFG imports. After all, if CFG was being dumped it should have reduced the demand by Independent Glass Processors for CFG supplied by Viridian Upstream. According to Customs, price is important in determining purchasing decisions for CFG.[5] Instead, **Viridian Upstream's sales of CFG to Independent Glass Processors increased between YEM2009 and YEM2010** (see Blackburn, Croft & Co Ltd letter to Customs dated 20 Jan 2011, para 7.1.7).

The reasons for the shift of CFG sales by Viridian Upstream from internal transfers to Independent Glass Processors as well as the increase in imports of CFG should be sheeted home to the state of Viridian's Downstream business operations, which suffered

[4] The separation of the Viridian business into Primary Products (Upstream) and Downstream operations reflected internal management arrangements and not official reporting requirements. It is understood that the valuation placed on internal transfers was linked to the lowest price charged by Viridian on sales of CFG to its largest external customer. In any event, changes in credited profits in the management accounts of Viridian's divisions would have no effect on the earnings of CSR Viridian Limited.

[5] Termination Report, p.49.

significant dislocation, particularly after the acquisition in October 2007 of the DMS business, based in Victoria (but supplying NSW and WA as well as Victoria).

The acquisition by CSR of the DMS business was intended to increase earnings of the Viridian Upstream business through the capturing of significant volumes of additional value-add glass processing. At the same time, Viridian was able to initially increase its 'internal' transfers of CFG to its Downstream business because imports of CFG purchased previously by DMS were replaced entirely by Viridian's CFG. Much of the additional market share of CFG and processed glass acquired through the purchase of DMS was lost due to well documented systemic failures in that glass processing business, caused by a marked deterioration in timeliness and reliability of supply.

In the mid-2000s, JELD-WEN Australia took the unprecedented step within the global JELD-WEN business to invest in downstream glass processing facilities to insulate the business against the chronic service and supply failures of the local manufacturer of glass. A number of other fabricators later moved to expand into glass processing. While some intermediaries had invested in glass processing to cater for the growing energy-efficiency glazing segment, it increased competition against Viridian's Downstream business. In the face of chronic service failures, Viridian Downstream suffered as window fabricators, glass merchants and shower screen firms placed more orders with Independent Glass Processors.

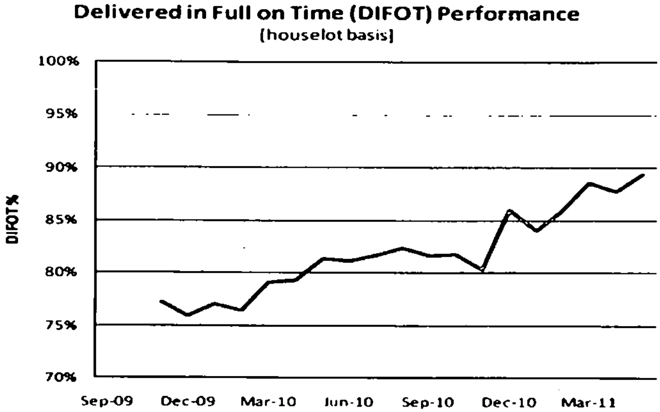
The internal operational issues affecting the Viridian Downstream business were readily acknowledged by CSR's Board. In its Results Presentation for YEM2010, CSR made the following observations about Viridian Downstream:

- *Poor integration and implementation of new automated double glaze line at Clayton (VIC)* (previously DMS) *led to loss of market share* (p.14).

CSR noted in its Results Presentation for the Half-Year ended 30 September 2010 (first half year of YEM2011) that Delivery in Full on Time (DIFOT) in Glass Processing increased by 2 per cent to 91 per cent (compared with 99 per cent DIFOT in Viridian Upstream). In contrast, DIFOT at the important Clayton site in Victoria was 91 per cent up from a disastrous 57 per cent in the half-year to September 2009 (the first half year of the dumping investigation period).

In its presentation to analysts at Clayton on 30 June 2011, Viridian demonstrated its improvement in DIFOT performance by tabling the following chart:

PUBLIC FILE 158



Source: Viridian presentation to Analysts, 30 June 2011

This chart shows that during the period of investigation, the Average of **ALL** Viridian Downstream operations achieved a DIFOT of around 76% - that is nearly1 in 4 orders were delivered incomplete, late or with defects. It also is interesting that the chart does not show DIFOT figures prior to September 2009, which according to industry players would have been worse.

In light of the turmoil in Viridian Downstream's service levels in a depressed construction market with significant downwards pressure on prices and margins throughout the whole supply chain, it was inevitable that Viridian Downstream would lose customers to its competitors, ,with a consequent reduction in internal transfers of CFG from Viridian Upstream to its Downstream division.

In its Preliminary final report for the year ended 31 March 2010, CSR stated:

> *The performance of the downstream business has not been satisfactory. Earnings were impacted by significantly reduced volumes on lower levels of market activity together with reduced market share in core east coast markets.*

An article in *The Australian* regarding Viridian's performance noted:[6]

> *In its financial results, [CSR] reported a headline profit of $503.4 million.*

6 V. Kolesnikoff, 'CSR ignores concerns on performance, management,' *The Australian*, 28 June 2011, accessed online from http://www.theaustralian.com.au

While apparently positive, this figure includes the profit on sale of its sugar and Asian building products assets.

Perhaps a better indication for its longer-term shareholders is the performance of its underlying business, which reported a net loss from continuing operations of $78m, compared with last year's loss of $186.5m.

So while the company is making money selling assets, the businesses that it is keeping appear not to be making too much money at all...

...On the other hand, CSR purchased the Pilkington glass business in 2007 for $690m. Following the current-year write down of $121m, amounts written off in respect of its newly acquired glass businesses now total $651m in three years. Having written off hundreds of millions of dollars, the return on shareholder funds employed is negligible. It is no wonder the company does not want to explain its performance to smaller shareholders.

A number of window fabricators and glass merchants, that were experiencing severe supply problems with Viridian Downstream, were forced to move their business from Viridian Downstream to Independent Glass Processors that were not exclusively purchasers of Viridian CFG. Customs observed in the Termination Report (p.49):

...It is common for purchasers of CFG to procure supply from more than one source, including a combination of imports and Viridian's CFG.

The decision by window fabricators and glass merchants to switch from Viridian Downstream, which was an exclusive user of Viridian's CFG to Independent Glass Processors that spread their sources of CFG, necessarily meant that the demand for CFG from Viridian would decline.

As a consequence, the decline in the flow of processed glass from Viridian Downstream to its diminished customer base reverberated on the internal demand by Viridian Downstream for CFG produced by the Viridian's Primary Products division.

While a number of Independent Glass Processors had the choice of purchasing CFG from Viridian or accessing imports of CFG, most Independent Glass Processors stayed with Viridian Upstream and bought higher volumes of CFG from Viridian's Upstream division. If dumped import prices of CFG were a key driver of import volumes, it raises the question why most Independent Glass Processors stayed with Viridian Upstream. In practice, the prices paid by Independent Glass Processors for CFG from Viridian Upstream were no lower (and in most cases higher) than the transfer value ascribed by Viridian to internal transfers to its Downstream operations. In contrast, Viridian Downstream made across-the-board reductions in price in the first half of YEM2010, which were undertaken to hold onto to its customer base of window and door fabricators, glass merchants and shower screen firms that were deserting Viridian Downstream for Independent Glass Processors due to costly delivery and service failures in the Viridian Downstream business.

The increase in import volumes of CFG was in large part the 'unintended consequence' of the loss of business by Viridian Downstream arising from a number of window fabricators and glass merchants changing their supplier of float and processed glass to Viridian's competitors that sourced some or most of their CFG from imports.

The disarray in the Viridian Downstream business had a marked impact on the internal demand for CFG produced by the Viridian Upstream division for the Downstream operation. However, since most Independent Glass Processors **increased** their volume of CFG purchases from Viridian Upstream the overall reduction in Viridian Upstream's total sales of CFG would have been softened.

Viridian contended that the fall in internal transfers of CFG to Viridian Downstream could not be explained solely by a change in 'operational arrangements' as maintained by Customs, following the acquisition of DMS and the subsequent crediting from 1 April 2009 of laminate volumes to Viridian Upstream that had been produced previously by DMS. According to Customs the internal transfers of CFG to Downstream Viridian that were processed as laminate were reversed progressively with laminate volumes assigned to Viridian Upstream leading to a reduction of internal transfers of CFG from Viridian Upstream to Viridian Downstream.

Viridian attached some responsibility for the reduction in internal transfers to the dumping of CFG imports (TMRO Report, p.4). Yet CSR's financial reports only mentioned how the 'poor performance' of the Downstream business impacted on market share.

Indeed, in its Results Presentation for YEM2010, CSR remarked that a 'Restructured management team in Viridian' had a 'clear focus on turnaround strategy (p.17), leading to the claim that CSR was 'Confident we have stabilised the business' (p.14).

The CSR Results Presentation for YEM2010, the relevant year of the anti-dumping application was mute on the issue of dumping.

If dumped imports were displacing Viridian's sales and market share of processed glass and CFG, the question should be posed: Why did the Board of Directors of CSR in its disclosures to ASIC and the stock market of its YEM2010 results fail to make any mention of the impact of dumped imports on a business that was in distress? Secondly, the anti-dumping application was lodged by Viridian in February 2010 and Customs announced the commencement of the investigation in April, well **before** the financial results and reports for YEM2010 were announced and published.

Dislocation in the Viridian Downstream Business led a number of local fabricators and glass merchants to shift demand for processed glass from Viridian Downstream to Independent Glass Processors. As recognised by Viridian, a number of local producers had invested in glass-processing technology, in some cases to overcome supply difficulties experienced with Viridian Downstream as well as to capture value-add opportunities associated with the regulatory changes to energy efficiency in building.

As a consequence of the displacement of processed glass from Viridian Downstream, internal flows of CFG from Viridian Upstream to Viridian Downstream were severely curtailed. However, the reduction in internal transfers of CFG to Viridian Downstream was offset to some extent by the increase in the sale of CFG by Viridian Upstream to Independent Glass Processors. Some of the additional demand for processed glass from alternative suppliers to Viridian Downstream had the effect of increasing the volume of imports of CFG since Independent Glass Processors tended to spread some their purchases of CFG between Viridian and imports.

That sales of CFG from Viridian Upstream to Independent Glass Processors increased at the same time as imports of CFG were increasing suggests that the source of additional demand for CFG by Independent Glass Processors was not related to import prices. After all, if the local CFG market was being undercut by imports of CFG, it is difficult to explain why the demand by Independent Glass Processors for CFG from Viridian was expanding at the same time.

4. Price Undercutting

The cost to manufacture CFG locally is considerably higher than the cost to produce CFG in exporting countries. Viridian is not a low-cost producer of CFG. The Australian manufacturer suffers the disabilities of a small market. Whereas CSR Viridian has an annual production capacity equivalent to about 200,000 tonnes of CFG, the annual production capacity in China alone has been estimated at more than 20 million tonnes of CFG.

Due to the nature of float glass manufacture (plant operating 24-hour, 7-day continuous production) there is mainly fixed overhead and cost base. Fixed costs can be largely covered once plant achieves about 75 per cent capacity utilisation, so that profitability can increase at a faster rate at higher levels of capacity utilisation. Plant capacity utilisation of about 90 per cent would be regarded as close to an optimum level having regard to the need for maintenance, upgrades and changeover times (about 7 days) associated with the production of clear and 'green' float glass on a single float line.

Viridian operates two, single float line plants, which in aggregate would approximate the production capacity of one global float line facility. A single float line should produce at least 220,000 tonnes annually of CFG. Viridian's two float lines combined could produce 200,000 tonnes annually based on an 'optimum' level of plant capacity utilisation. The duplication of small-size plants in Australia means that Viridian has higher costs for administration and staffing.

Due to relatively higher costs of production, Viridian needs to be able to charge prices for CFG that are considerably in excess of the FOB price of CFG imports. The price differential will be affected by freight and insurance costs and changes in the Australian dollar/foreign currency exchange rate. Since CFG exports are quoted in US dollars, variations in the Australian $/US dollar exchange rate can have a substantial bearing on the competitiveness of Australian-produced CFG.

When assessing dumping margins, Australian Customs estimates the *Non-Injurious free on board* (NIFOB) Price, the price level at which the Australian industry would not be disadvantaged against imports of like goods. The practice of utilising the NIFOB to determine dumping margins is valid where local industry is efficient relative to producers of imports. If the local industry is not cost competitive, there is likelihood that the NIFOB price will be higher than prices of imports and domestic prices in the exporting country. During the plant refurbishment in YEM2009, Viridian experienced a step-up in costs to manufacture CFG. It would be unreasonable to assume that Viridian would be able to pass through a substantial increase in its operating costs to its customers and particularly when the building industry was experiencing a severe downturn in activity.

In addition, Viridian is not able to produce for exports of CFG outside of New Zealand, which further inhibits the ability of the local manufacturer to augment its production capacity to take advantage of emerging opportunities, to diversify its product offerings and to insulate the business from fluctuations in the domestic building market.

In his report, the TMRO stated:

> *"The Applicant appears to seek a review of the price undercutting analysis on the grounds that:*
> - *Customs and Border Protection wrongly assumed a price premium for Viridian's CFG."* TMRO Report, p.4.

Viridian contends that it does not enjoy a price premium over imports of CFG. In its public report of one of its visits to Viridian, Customs wrote that Viridian considered it had a price premium of about 2.5 - 5 per cent (referred to in Blackburn Croft & Co, Appeal Application, p.24). Industry participants maintain that the local producer had been able to command a price premium in the order of 10-15 per cent over imports reflecting quick turnaround times of orders, savings in holdings of inventories and after-sales' service. Viridian alleges but does not substantiate that dumped imports had precluded the business from being able to achieve a price premium (Blackburn Croft & Co, Appeal Application, p.25).

The most obvious source of price advantage for the local manufacturer relates to the costs of importing over the free-on-board price of imported goods. Importers must incur the costs of sea freight and insurance, inland freight, the costs for warehousing/storage, forwarding agents' direct costs and higher working capital associated with the importation of glass and longer lead times.

JELD-WEN operates in 22 countries and is the world's largest producer of windows and doors and a major purchaser of CFG globally. Through its global purchasing arrangements, JELD-WEN necessarily must monitor prices of CFG. While CFG prices do vary between countries, they do so within a band that is considerably lower than the prices set by the Australian manufacturer.

JELD-WEN Australia, as a major importer of CFG, is well aware of the costs incurred to import CFG. **As at December 2010, the import costs to ship and store CFG from China were equivalent to nearly half of the price charged by Viridian for 4mm CFG in Australia.**

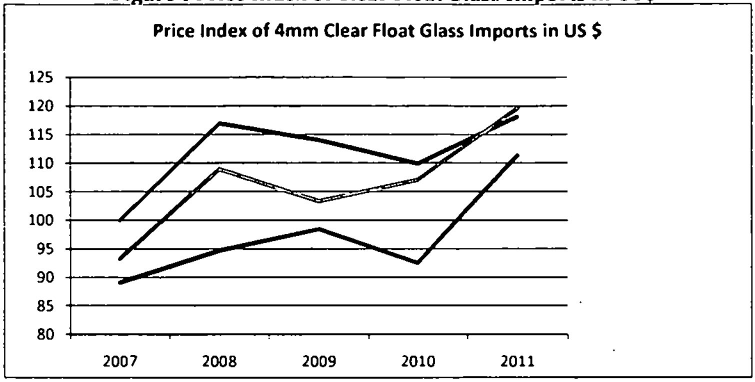
That Viridian has been able to compete against imports owes much to the level of transport costs, including inland and sea freight and insurance costs, which afford the local producer a high level of natural protection. However, following the Global Financial Crisis in 2008-09, the cost of freight declined substantially due to excess shipping capacity, the effect of which was to increase significantly, the competitiveness of imports of CFG.

While it is commonly assumed that local businesses can switch readily into and out of imports to take advantage of changes in price differentials, there is likely to be considerable inertia reflecting the costs associated with importing. In the case of CFG some of these costs relate to the requirement for additional warehousing, longer lead times and staff. Some large-scale glass processing businesses placed some of their requirements for CFG with importers to enhance their negotiating strength against the sole local manufacturer and to achieve a greater level of resource security. Smaller players would have had much less flexibility to diversify their sources of supply of CFG.

Most imports of CFG were exported from China. **The price of CFG exported to Australia from China exceeded the prices of CFG from Indonesia and Thailand (and India) yet the percentage dumping margin was assessed to be highest for CFG from China.** Secondly, prices of 4mm CFG (the major market segment) exported from China were consistently higher than their domestic prices.

The chart below shows the annual average price of 4 mm CFG imports (in index form) from China, Indonesia and Thailand over the year-ended 31 March 2006 to 2011. The data straddle November 2007 when Customs discontinued measures on CFG from China and 2010, the period of the current investigation.

Figure 1 Price Index of Clear Float Glass Imports in US$



Legend:
Blue - China; Green - Thailand; Red - Indonesia.
Source: ABS unpublished information

Several observations can be made about the price of CFG imports:

- Prices of 4mm CFG imports declined in YEM 2010 from China and Indonesia but rebounded in YEM 2011, while prices increased from Thailand in YEM2010 and YEM2011;
- For the period 2007-2010, the average price of CFG imports from China were consistently higher than CFG imports from Indonesia and Thailand;
- Over the period 2007-2011, the price of CFG imports increased at an average annual rate of 4.3 per cent for China, 5.7 per cent for Indonesia and 6.4 per cent for Thailand.

During the critical period of investigation, YEM2010, the average price of 4mm CFG imports from China was 18.8 per cent higher than 4mm CFG imports from Indonesia and 2.6 per cent above the price of 4 mm CFG imports from Thailand. Even though the price of 4 mm CFG imports from China was higher than comparable imports from Indonesia and Thailand, Customs estimated that the dumping margin was much **greater** for CFG exported from China.

Customs assessed the dumping margin on CFG imports from China was 26.4 per cent covering 'about 90 per cent' of the total volume of CFG from China[7] compared with a dumping margin of 3.5 per cent for Thailand[8] and 3.3 - 8.1 per cent for Indonesia[9].

[7] Termination Report, p.25.
[8] Termination Report, p.32.
[9] Termination Report, p. 27 and p.30.

After adjusting the relevant average prices of 4mm imports of CFG from China, Indonesia and Thailand according to the corresponding dumping margin estimated by Customs, the **price disadvantage** for 4 mm CFG exported from China would increase from 18.8 per cent to 39 per cent relative to like goods from Indonesia. Chinese exports of 4mm CFG would be 25 per cent more expensive than equivalent goods from Thailand.

5. Price Suppression

The prices that can be achieved for CFG and processed glass are related closely to the volume of residential and commercial building activity. The building industry is characterised by low profit margins reflecting the ease of entry to the industry and a large number of building firms. There are more than 100,000 licensed and registered building practitioners in Australia.

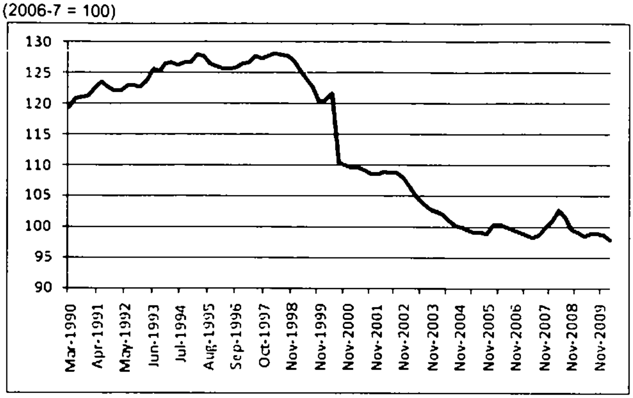
Highly competitive conditions in the building industry limit the ability of builders to pass through higher costs and exert considerable downward pressure on profit margins of suppliers and manufacturers, particularly during downturns in building activity. Section 5.1 below discusses the importance of changes in building activity on the demand for float glass. On this basis, the behaviour of prices achieved for locally-produced CFG should reflect the movement of prices of other building products.

Some indication of the margin pressure on suppliers of building products can be illustrated by comparing the prices of building products used in house building relative to contract prices of new project houses. The chart below reveals that in the past decade **the prices of building materials used in house-building have declined relative to contract prices for new houses.**

A key driver of movements in prices of building products, such as glass, cement, clay bricks, tiles and plasterboard is the state of the building market. Slow market conditions during most of the 2000s meant that building product manufacturers usually met with strong builder resistance to proposed price increases. That the prices of building products facing little or no import competition moved more or less in line with the price index component, 'mirrors and other glass products' suggests that changes in the volume of building activity exert a major influence on the profit margins for building products, including the manufacture of float glass.

PUBLIC FILE 150

Figure 2: Ratio of House Building Materials Price Index to Project Homes Price Index



Sources: ABS, Catalogue No. 6427.0 Materials Used in House Building, Tables 16-17; ABS, Catalogue No. 6416.0, Price Index of Project Homes, Weighted average of 8 Capital Cities

Despite the highly depressed building market in 2010, Viridian was able to put through a 5 per cent price increase, equivalent to double the rate of general inflation in November 2010. In its Termination Report Customs noted:

> *Viridian has increased its prices of CFG by up to 5% which corresponds to a period where the Australian dollar is still broadly regarded as being relatively strong. Viridian states that this price increase was primarily driven by the need to recover increased costs, particularly energy costs. This indicates that Viridian appears to have the ability to increase prices of CFG into the Australian market in the absence of anti-dumping measures (p.61).*

In light of the depressed condition of the building market since 2009, the conclusion reached by Customs is telling.

The timing of the price increase and the anti-dumping application may have been coincidental. However, it is arguable that the Customs' *prima facie* finding of dumping made it possible for Viridian to effect the price increase. Why would local users of CFG switch to imports of CFG with the prospect of dumping duties being applied to imports of CFG?

In this way, an anti-dumping application can have a **chilling effect** on the market. It is perhaps significant that in its submission to the Senate Economics Legislation Committee Inquiry into Senator Xenophon's Customs Amendments Anti-Dumping Bill, Customs remarked that:

"...in practice the initiation of an investigation can have an immediate trade chilling effect in the market. If an investigation were to be initiated on the basis of a single application and no subsequent supporting applications were lodged to meet the industry support threshold test, market behaviour and prices may have already been affected, despite the initiation ultimately failing." (p.5).

6. Further considerations

In the *Hot-Rolled Steel* decision it was determined that investigating authorities are required to consider all known factors other than dumped imports, which may be causing injury to the domestic industry. (Refer Panel Report, *Thailand- Anti-Dumping Duties on Angles, Shapes and Sections of Iron or Non-Alloy Steel and H-Beams from Poland*, (WT/DS122/R 28 September 2000) at paragraph 2.273.

Admittedly, separating and disentangling the injurious effects of different causal factors can be problematic and especially if some of the potential influences may be little changed over the course of the injury analysis period. However, in relation to the CFG investigation, it is contended that a range of key drivers, outside of imports, exhibited significant variation during the period of the investigation. In this context, it is important to have regard to the formal reports made by CSR to the stock exchange, investors and regulatory authorities.

6.1 Other economic factors

If we can rely on the official reports of CSR, the principal factors impacting on the profitability of the Viridian business during the period 2008 to 2010 were:

- The Global Financial Crisis;
- A contraction in building activity;
- Problems in the Viridian Downstream Business, from which demand for CFG is derived;
- Increases in the Australian$/US$ exchange rate.

Since the acquisition by CSR of the Pilkington and DMS businesses, CSR has impaired the goodwill of Viridian by $650 million, reducing the carrying value of the asset to $440 million, representing a reduction of more than 40 per cent. There have been three separate occasions that the Viridian asset has been impaired. In justifying the impairment of the business, CSR never linked the downgrade to the impact of dumped imports of CFG on the profitability of the business.

Had dumped imports of CFG impacted materially on the profitability of the Viridian business, it would be appropriate for such a disclosure to have been made in CSR financial reports. The financial reports for each of the years *2008*, 2009 and 2010 do not make any mention of dumped imports.

In its Full-Year report for YEM2011 CSR remarked:

> *While the performance of Viridian improved on the previous year, earnings continue to be impacted by the record high A$/US$ exchange rate and the ongoing deterioration in commercial construction markets in Australia and New Zealand.*
>
> *Viridian has the highest fixed cost component in CSR's Building Products portfolio and is also the most exposed to the commercial construction sector with approximately 40 per cent of revenue exposed to this segment.*
>
> *EBIT in the Primary Products (Upstream) business improved on the prior year, despite lower revenue. While margins have improved, they continue to be impacted by the high Australian dollar which makes the price of imported glass cheaper* (p.11).

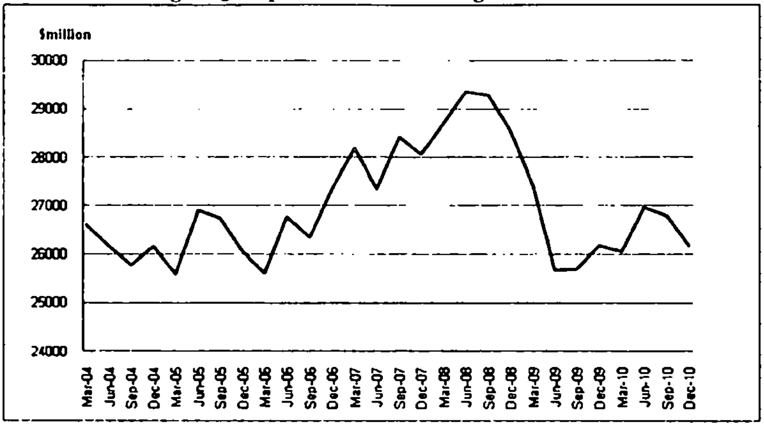
Based on the above, it is clear that CSR considers that other economic factors have adversely affected their business and these factors are not attributable to dumped imports.

6.2 Market Demand

Overwhelmingly, the greatest influence on the demand for glass is the level of building activity. Since glass products are utilised in residential buildings as well as offices, shops, hotels and factories, it is essential to look at **both** residential and commercial building activity.

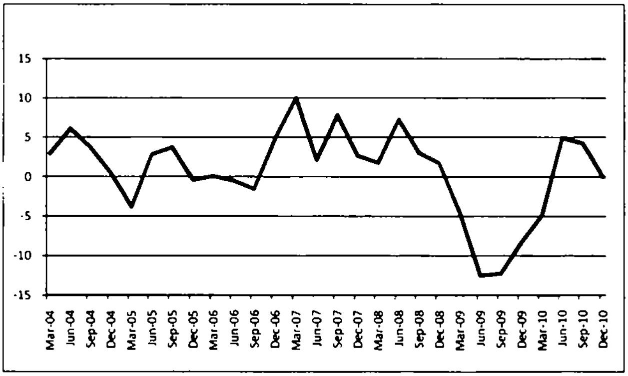
The value of capital expenditure on dwellings and non-residential building (excluding engineering construction) accounts for about $100 billion annually, approximately 8 per cent of the value of national economic activity.

Figure 3: Expenditure on Building in Australia



Source: ABS, Catalogue 5206.0, Table 2, Private Gross Fixed Capital Formation on Dwellings and Non-Dwelling Buildings, chain volume measures.

Figure 4: Annual %age change in Expenditure on Building



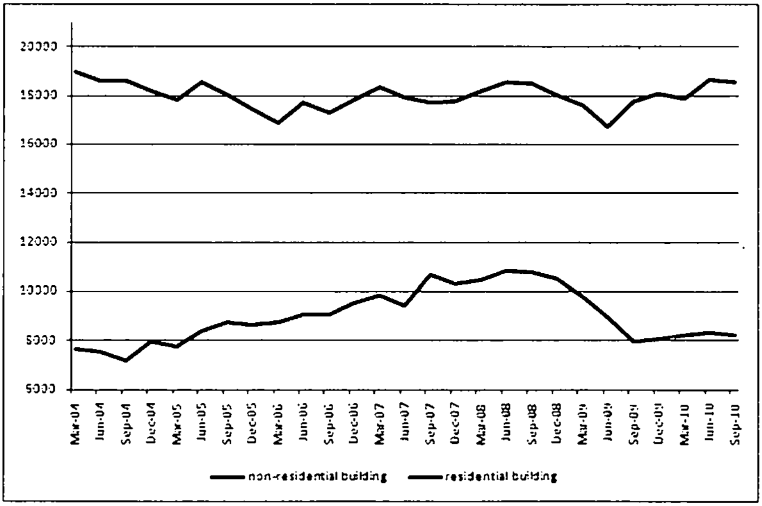
Source: ABS, Catalogue 5206.0, Table 2, Private Gross Fixed Capital Formation on Dwellings and Non-Dwelling Buildings, chain volume measures.

Following modest expansion of building activity in YEM2009, capital expenditure on residential and commercial building during YEM 2010 - the investigation period - plummeted by nearly $11 billion, a reduction of 9.6 per cent on YEM 2009. Most of the decline (more than 70 per cent) in building activity occurred in commercial construction, which dropped by $7.8 billion or 18.4 per cent. The decline in residential building in YEM2010 was $2.45 billion or 3.4 per cent.

The precipitous fall in commercial building activity was a much more significant influence on the demand for glass than the decline in residential building activity. The impact of the slump in commercial building activity on the demand for glass cannot be over-emphasised, as made clear by Mr Rob Sindel, the Managing Director and CEO of CSR in an interview following the announcement of CSR's financial results for YEM2011:

> Reporter: *This Viridian business has been a drag for quite some time now.*
>
> Mr Rob Sindel: *Yes, it's been a drag for a couple of years, and that's really driven by the commercial market; it's the business that's most exposed to the commercial market in Australia. We've see the commercial market fall by 33 per cent in the last two years from 2009 to 2011....So we've really ridden the construction cycle down particularly in commercial over the last two years. Sky Business News, 11 May 2011.*

Figure 5: Total Expenditure on Building by Sector – Australia



Source: ABS, Catalogue 5206.0, Table 2, Private Gross Fixed Capital Formation on Dwellings and Non-Dwelling Buildings, chain volume measures.

Between YEM2009 and YEM2010, the demand for float glass from Viridian declined less than the reduction in overall building activity. Over the same period, the decline in demand for CFG produced by Viridian would or should have been higher than the 9.6 per cent reduction in gross fixed capital expenditure on residential and non-residential building.

One of the main reasons the overall demand for glass held up better than demand for CFG was the structural shift in market demand towards Energy Efficient Glass, influenced in large part by changes to energy efficiency building requirements, but also by consumer preferences.
In its presentation relating to the Half Year Accounts for the period ending 30 September 2010, CSR noted: "*the deterioration of the commercial market has adversely impacted the glass industry capacity and pricing.*" Then in its Results Presentation for the Full Year ended 31 March 2010, CSR stated:

> "*Glass business continues to reflect demand in residential and commercial sectors plus our challenging integration of the business and new technology.*" (p.14).

In YEM 2011 there was an increase in residential building activity, due in large part to government stimulus programs. Most of the increase in dwelling construction was in social housing and higher-density dwellings that have a smaller impact on the demand for glass relative to detached housing, an observation made by CSR in its financial reports.

The value of expenditure on commercial construction was flat during YEM 2011. In an interview following the announcement of the full-year results ended 31 March 2011, Mr Rob Sindel, attributed the tough operating environment to the downturn in building industry activity, which he contended was being 'driven by a lack of (buyer) confidence'. (ABC Business Lateline interview, 11 May 2011).

However, the Budget papers indicate that expenditure on commercial building is forecast to increase by more than 18 per cent in the 2011-12, financial-year. When discussing CSR's new financial year, Mr Sindel stated that he expected the Viridian business to benefit significantly from the anticipated turnaround in commercial building activity (Sky Business News, 11 May 2011).

6.3 Australian Exchange Rate

Customs observed that users of CFG tend to pay for imports of CFG in Australian dollars[10], implying that the increases in the Australian dollar/US exchange rate did not influence the price of domestically-produced CFG. Even if some or most local glass processors and fabricators paid for FOB imports of CFG in Australian dollars, the cost of shipping freight is set and paid for in US dollars.

Since CFG is a global commodity that is quoted in US dollars for export, a substantial reduction in the value of the US currency against the Australian dollar over YEM 2010 meant that the spot price of imported CFG, *ceteris paribus*, would have declined by nearly 30 per cent over the course of the period of investigation. Such a large change in the exchange rate would not escape Independent Glass Processors, even where they paid for

[10] Termination report, p.53.

CFG in Australian dollars. Consequently, the massive decline in the US dollar relative to the Australian dollar could be expected to exert a major impact on the competitive position of the locally-produced CFG. Certainly, CSR considered this to be the case.

CSR in its financial reports made repeated reference to the impact of the Australian/US exchange rate on the price of locally-produced glass. Indeed, CSR maintains that it sets the prices of CFG on the basis of import parity whereby the import price is converted into local currency to which is added freight and insurance and other costs that would be incurred by an importer. In the Termination Report (p.50), Customs stated:

> *It is apparent that the methodology for determining transfer values…are linked to import parity.*

On this basis, changes in the Australian dollar/US dollar exchange rate would alter the import parity price. Thus we found CSR advising that:

- "*Retained upstream share but higher A$ impacts import parity price*." (First Half Results, 26 October 2009, p.11);
- "*Higher A$ continues to impact import parity price*." (CSR Results Presentation, Full Year ended 31 March 2010, p. 14).
- "*Primary Products manufacturing continues to be impacted by the high A$/US$ exchange rate. While Viridian's market share versus imports has been relatively steady, the higher Australian dollar impacts the import parity price of upstream glass products with an associated impact on margins for locally produced products*" (CSR First Half Results for the period ended 30 September 2010);
- "*the high Australian dollar has impacted margin*." (CSR presentation of Half-Year results for the period ended 30 September 2010, Slide 19);
- "*While the performance of Viridian improved on the previous year, earnings continue to be impacted by the record high A$/US$ exchange rate and the ongoing deterioration in commercial construction markets in Australia and New Zealand*" (Full year results ended 31 March 2011, p.11); and
- "*EBIT in the Primary Products (Upstream) business improved on the prior year, despite lower revenue. While margins have improved, they continue to be impacted by the high Australian dollar which makes the price of imported glass cheaper*" (Full year Results ended 31 March 2011, p.11).

Referring to the 'run-up' in the Australian dollar, Mr Rob Sindel remarked after the announcement of the YEM2011 financial results:

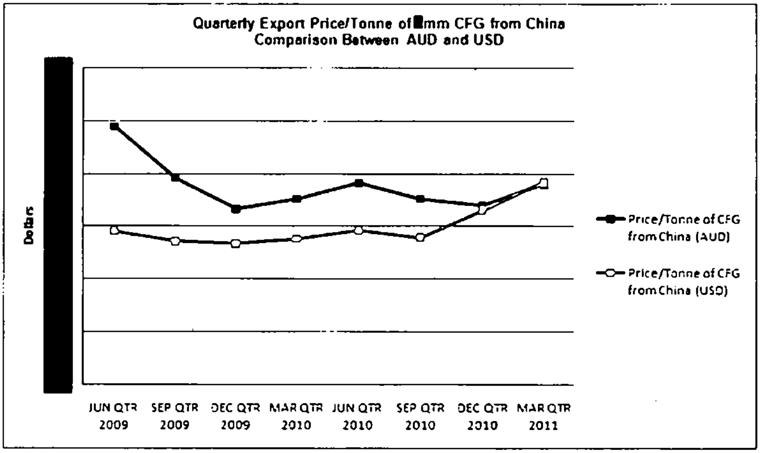
> *If you look at our trade exposed businesses, our aluminium, our insulation business, our glass business, what it means for Australian manufacturers is that it's more*

expensive relative to the overseas competition to manufacture your products. And that's a real challenge for a lot of manufacturers. (Sky Business News, 11 May 2011)

CSR has acknowledged that the strong Australian dollar limited the capacity of Viridian to pass through higher costs (mainly wages and raw materials) in higher prices with obvious consequences for underlying profitability. CSR confirmed that the sustained high value of the Australian dollar intensified price competition, completely unrelated to dumping.

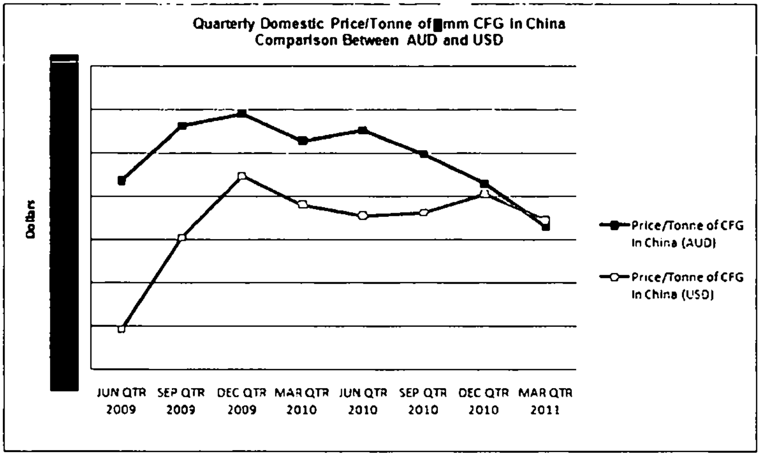
An analysis of exchange rate fluctuations (comparing AUD and USD) reveals that the reduction in the price for Chinese CFG during the investigation period is due to the strength of the AUD as opposed to any alleged dumping.

Figure 6: Quarterly Export CFG Prices From China



Source: [Graph based on data which is confidential and proprietary to JELD-WEN]

Figure 7: Quarterly Domestic CFG Prices In China



Source: [Graph based on data which is confidential and proprietary to JELD-WEN]

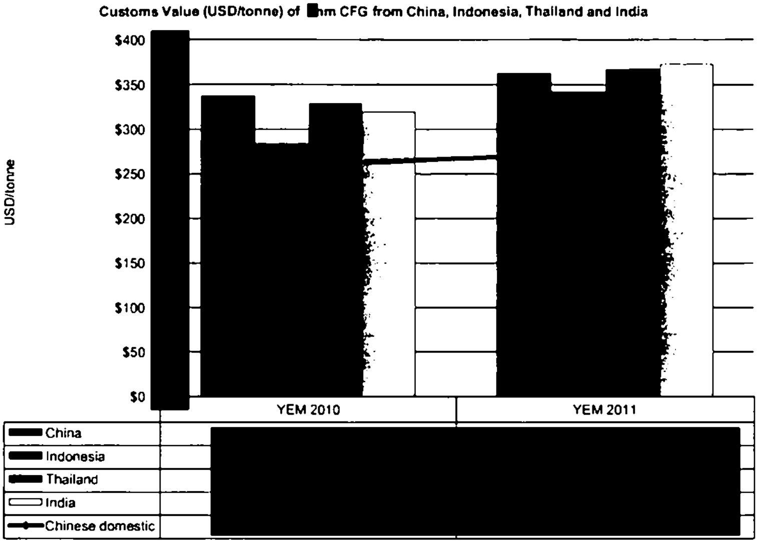
Figure 6 reveals that, during the period of investigation, the price of CFG imported from China in USD remained fairly constant. A reduction in price only occurred in AUD due to foreign exchange movements.

6.4 Comparison of imported customs value and domestic Chinese price of CFG

The movement of the customs value of imported CFG follows that of the CFG domestic prices in China. This indicates CFG is not being dumped in the Australian market, but rather, it is being imported at an appropriate mark-up from China.

Figure 8: CFG summary based on refined ABS data (China, Indonesia and Thailand) – compared with China domestic prices for CFG

[redacted]



Sources: ABS, Quarterly Imports of Clear Float Glass; China domestic prices of CFG [Graph based on China domestic price data which is confidential and proprietary to JELD-WEN]

7. Conclusion and recommendations

Accordingly, we reiterate that there is no dumping occurring in the CFG market. Any material injury suffered by Viridian is not linked to imports of CFG from China, Indonesia and Thailand, but rather, to other economic factors including (but not limited to) the global financial crisis, the contraction in the Australian commercial and residential construction markets, the strengthening Australian dollar and Viridian's poor performance as acknowledged by the Board of CSR, that precluded Viridian from increasing its prices at any earlier time.

We recommend that Customs terminate the investigation once these facts are verified.

* * * * * *

JELD-WEN Australia Pty Limited
1 July 2011