PUBLIC Response to the Moulislegal Letter dated 13 October 2016.

Moulislegal Submission

1. Moulislegal application for review is required to demonstrate the following key points:
   a. Changes in the “variable factors relevant to the taking of the measures”,
   b. The amount by which each factor has changed, and
   c. Information that establishes that amount.

2. The key variable on which Moulislegal has focussed is the cost of Copper in the windings.
   b. Below are graphs of the movement in the price of copper between July 2010 and October 2016 — in US$ and A$. The US$ graph is essentially the same as that in ADC Report No 383.

   ![Copper - Monthly Average LME in US$](image1)

   ![Copper - Monthly Average LME in A$](image2)

   c. Based on the average LME price of copper for July 2013 of [X] per ton and the average for June 2016 of [Y], there has been a reduction of approximately [Z] in the price of copper over that period.

   d. If these copper values are translated into A$, then the reduction in value is approximately [W].

   e. As the consideration of injury is in Australia, the measurement of the decline in value should be in A$. In addition, the calculation of Constructed Normal Value and Non Injurious Value are also in A$.

   f. Please refer to the confidential attachment titled “Copper value changes and comparison with “Constructed Normal Value” which sets out the copper content of the four actual WTC transformer designs used in the original dumping complaint in respect of imports from Indonesia.
g. An additional XXXX has been added to the winding copper to address the range of small quantities of copper contained in other parts of the transformer including leads, busbars and scrap.

h. In addition to Copper, Grain Orientated Core Steel (GOES) is a material, used in the manufacture of transformers, which has a variable price. The attached, confidential attachment “Copper value changes and comparison with “Constructed Normal Value” sets out the GOES content of the same four transformer designs. Significantly, the XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX between July 2013 and June 2016. The XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.

i. A summary of the Copper and GOES cost variations between July 2013 and June 2016 is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Copper Base Calc</th>
<th>Copper Add XXXX</th>
<th>GOES Base Calc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total material - kgs</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Total value at July 2013</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Total value at July 2016</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>XXXXXXXXXXXXXXXXXX in value</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Constructed Normal Value</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>XXXXXXX as % of Constr. Normal Value</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

j. The same calculations have been done for the “Non Injurious Price” and the copper reductions are XXXX and XXXX respectively in A$. The GOES XXXXXXXXXXXXXXXXXX in A$.

k. From the above information, it appears that the XXXXXXXXXXXXXXXXX of GOES, expressed in A$, is XXXXXXXX between XXXXX and XXXXXXXXX of the Constructed Normal Value.

Consideration of Other Issues

3. Western Power (WP) Contract:
   a. CG Power was the preferred supplier in the panel of suppliers to WP between approximately 2008 and 2014.
   b. WTC became the preferred supplier to WP in 2012 and has remained so.
   c. WTC has customs import documentation that indicates that 6 transformers were imported into Western Australia from Indonesia between July 2013 and April 2014. WTC has no details of the end customers to whom these transformers were supplied, but it is possible that these transformers were supplied by CG Power to WP and related to orders placed up to 2012.

4. Warranty Costs:
   a. WTC is aware that WP experienced a number of issues in respect of the CG Power transformers. These issues were part of the reason for CG Power ceasing to be the preferred supplier in the panel of suppliers.
   b. WTC is aware that supplying, installing, commissioning and providing warranty support to exported transformers can be significantly more expensive than providing the same services in the country of manufacture.
   c. WTC suggests that any investigation into CG Power costs should include a detailed consideration of warranty costs to ensure that they are accounted for in the product pricing. These warranty costs should include support costs from Indonesia, Australian contractor costs, material and freight and customer recoverable costs and penalties.

5. Long Term Contract Pricing:
   a. As the number of transformers to be ordered and their timing of manufacture under the contract are unknown at the time of the tender submission, it is not possible for the tendering manufacturer to protect against significant cost variations.
b. When pricing a long term supply contract, such as the WP contract, there are a number of ways of addressing the cost and currency risks associated with the extended time period. The range of alternative ways includes the following:

i. Increase the price and try to include sufficient margin to cover the variations. This option is only practical where the contract is for a reasonably short period (say 2 years) and all tenderers pricing is on the same basis.

ii. Include some form of Cost Price Adjustment (CPA) formula to address the cost variations. There are many different ways to do this including:

1. Address price increases on a period by period (e.g. annual) basis for all orders placed during a nominated period
2. Fixed price increases for nominated periods — e.g. plus 2.0% p.a.
3. Variable prices based on a range of nominated values and percentages of the tender price. Variables could include labour, currency, key materials (copper, oil, core steel etc.), transport and overhead costs. The range of variables and percentages is subject to negotiation.

iii. Other methods negotiated between the parties.

WTC Arguments

6. Item 13 below, headed “Wilson Transformer Co Pty Ltd (WTC) Dumping Submission of 4 July 2013” is for reference and contains extracts of the original WTC submission of 4 July 2013 to clarify the nature of Power Transformers (PT’s) and their engineered to order capital goods character. The numbering is consistent with the original WTC submission.

7. The percentages in the public version of the Moulislegal submission have been redacted. WTC has therefore been unable to verify the percentages in that document. WTC has, however, made a range of reasonable cost estimates based on publicly available information.

8. If the WTC calculated figures are accepted, ……………. Furthermore, the …………….  

9. The reason for quoting a number of extracts from the original WTC submission is to demonstrate that the transformers, which are the subject of the submission, are engineered to order capital goods. Accordingly, the tenders for customer requirements would be subject to separate cost estimates by all potential suppliers at the time of tendering. Any …………… would apply equally to all tenderers, including WTC and CG Power Systems Indonesia, resulting in all tender prices reducing or increasing proportionately.

10. The effect of the proportionate tender price reductions is that the original dumping calculations would not be affected.

11. As the Western Power contract, a major CG Power contract in Australia, was based on a tender period of 5 years, it is most probable that CG Power, in its original tender submission to Western Power, would have included some form of CPA formula. If a CPA formula was included in the CG Power tender, then changes in the cost of copper and GOES would be taken into account with each order placed. Any dumping margin at the commencement of the CG Power contract would therefore be unaffected by the movement in the cost of copper and GOES and should be ignored when considering the Moulislegal submission.

12. When assessing whether Moulislegal have succeeded in demonstrating the key three issues required in point 1 above, it is also important to consider whether …………… to the dumping review decision. From the information provided in this paper, …………… and that the submission should be rejected.
Wilson Transformer Co Pty Ltd (WTC) Dumping Submission of 4 July 2013

13. The WTC submission contained the following comments:
   a. Section A-3 “Product Description and Application”, item 2 n) on page 6 states that:
      “PTs are engineered to order to suit the requirements of each application. PTs are
      manufactured to the specifications of the individual utilities, generating facilities, and
      industrial users that purchase the product. PTs are produced to order and are not held in
      inventory.”
   b. Section A-3, “Product Description and Application”, item 4 on page 8 states that:
      d) “When a customer plans a new or replacement transformer, it puts out a request for
         quotation, typically open to producers, foreign or domestic. Such a request will include
         the specifications of the unit. Manufacturers of PTs will then bid on the project and
         confirm their ability to meet the specifications and required time line.
      e) Development of a bid typically takes three to six weeks and involves a significant degree of
         engineering input. In the case of most public utilities, producers are generally not allowed
         to change the terms of the bid once it is submitted (although there is an increasing trend
         to request “Best and Final Offers”), but private utilities and others may allow for revision
         to bids in response to competition. Generally speaking, the producer that offers the
         lowest price and can meet the specifications of the PT unit will receive the order although
         utilities may take account of a range of other considerations including the cost of losses,
         strategic risk, local support, technical conformance with the specification, quality, health,
         safety and environment (HSE) and other considerations.
      f) From the date of release of the request for quotation and the award of the contract, three
         or more months typically elapse.
      g) The products are highly engineered, customised products. The performance
         characteristics are well known and need to match and be compatible with the customer’s
         electricity system and requirements.
      h) PTs are complex pieces of equipment, and once the unit is ordered, the completion of the
         production and test processes will typically take six to eight or more months. From the
         date of the release of the request for quotation to the delivery of the unit, it is not unusual
         for a year or more to elapse:
      i) Contracts currently being won and lost will affect production and profitability for one or
         more years into the future. There is a significant lag from the time of the loss of a sale to
         unfair imports and the full impact on the domestic industry’s financial and trade
         performance.”
   c. Section A-3, item 5 (3 on Public Version) on page 8 states that:
      “The imported goods will be fundamentally the same in their performance characteristics
      of power handling capability, voltage ratio, efficiency, durability, meeting the customer’s
      specification and cycle time between the issue of the tender and delivery of the product.”
   d. Section A-4 “The Australian Market”, item 1 e) on page 11 states that:
      “PTs are engineered to order to suit the requirements of each application. PTs are
      manufactured to the specifications of the individual utilities, generating facilities, and
      industrial users that purchase the product. PTs are produced to order and are not
      normally inventoried. While PTs can share common product characteristics, the wide
      array of potential product elements and performance attributes means that each PT is
      unique for a particular customer.”
   e. Section A-4 “The Australian Market”, item 7 c) on page 15 states that:
“Material costs — Copper and Grain Orientated Electrical Steel (GOES) are key components of PTs costs. The costs of these elements vary considerably from year to year. Below is a graph which shows the variation in the cost of these two key components. As these two cost elements comprise approximately 35% of the total PT material costs, their impact on the end product price can be substantial.”

f. Section A-5 “Applicant’s Sales”, item 1 on page 16 states that:

“Because PTs are produced to order and each unit is unique, sales per period information as a means of assessing underselling is not meaningful. PTs not only embody a wide variety of design features, they also are produced in a wide range of power levels, from 10MVA to over 500MVA. The power rating of a PT has a very significant impact on its price. Even more importantly, however, two PTs with exactly the same power ratings may have greatly varied features and widely differing prices.”

g. Section A-7 “Cost Information”, item 2 on page 19 (page 18 of Public Version) states that:

“Due to the Capital Goods Engineer to Order nature of the product, the Application Form B108 including Tabs A6.1 and A6.2 have been completed on the basis of the individual products in question rather than product lines. This is considered to be the most appropriate way to provide this information.”

h. Section A-8 “Injury”, item 5 on page 20 states that:

“Manufacturing Timing — PTs are complex pieces of equipment with elaborate bidding, contract management, engineering, procurement, production, quality, test, delivery and site commissioning processes. From the date of the release of the request for quotation to the delivery of the unit, it is not unusual for a year or more to elapse. Contracts currently being won and lost will affect production and profitability roughly one year or more in advance, meaning that there is a significant time difference between the loss of a sale to unfair imports and the full impact on the domestic industry’s financial and trade performance.”