

# SIEMENS

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Anti Dumping Commission  
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Siemens Ltd  
(A.B.N. 98 004 347 880)

Your Reference  
Mr. C. Vincent

Our Reference

Date  
Melbourne  
24 September 2013

## NON CONFIDENTIAL SUBMISSION

### Australian Dumping Notice No. 2013/64

### Investigation into the Alleged Dumping of Power Transformers ("*the Goods*") Exported from China, Indonesia Korea, Taiwan, Thailand and Vietnam

#### Exporter Submission

Dear Sirs

This submission is provided at the request of and on behalf of Siemens Transformer (Jinan) Co. Ltd. (China) (**Siemens Jinan**); Siemens Transformer (Wuhan) Co. Ltd. (China) (**Siemens Wuhan**); and Siemens Transformer (Guangzhou) Co. Ltd. (**Siemens Guangzhou**) (together, **Siemens**).

#### 1) Exports from China to Australia

- a) Siemens Ltd. (Australia) imports power transformers falling within the definition of the Goods Under Consideration (GUC) exported from Siemens factories in a number of countries, including from Siemens Jinan, Siemens Wuhan and Siemens Guangzhou in China.
- b) Siemens Ltd (Australia) identifies opportunities in the Australian market to bid or tender for the supply of power transformers to Australian customers. This process ordinarily includes a competitive bidding process, often (but not exclusively) conducted by way of tender. As part of this process, Siemens Ltd (Australia) selects the appropriate Siemens factory to supply the transformer based on a number of factors including power and voltage requirement, customer technical specifications,

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customer delivery schedule and pricing. If a bid is successful, the selected Siemens factory (relevant to this investigation, Siemens Jinan, Siemens Wuhan or Siemens Guangzhou) manufactures the power transformer and supplies it to Siemens Ltd (Australia). Siemens Ltd (Australia) then imports the power transformer and sells the power transformer to the Australian customer in accordance with the bid price. Siemens Ltd (Australia) may also fill the transformer with oil, arrange onshore transport and supervise commissioning.

- c) Transactions between Siemens group companies are strictly governed by Siemens' transfer pricing policy which mandates that the transfer price to be applied to cross-border, intercompany business is the compensation that would be paid in the same transaction under similar conditions if the transaction were conducted with an external third party, namely at arms-length.

## 2) Material terms of sale

- a) In its Consideration Report, the ADC identified that it would consider with interested parties the date which best reflects the material terms of sale of a power transformer. Siemens considers that the terms at the date of invoice best represents the material terms of sale.

## 3) The Goods Under Consideration and Like Goods

- a) Siemens Jinan, Siemens Wuhan and Siemens Guangzhou each exported the GUC to Australia during the investigation period. Each of Siemens Jinan, Siemens Wuhan and Siemens Guangzhou also sold goods falling within the definition of the GUC in the domestic Chinese market.
- b) Siemens submits that a comparison between the GUC offered and sold in the Australian market for different projects and the GUC offered and sold in the Chinese market is very difficult involving a complicated matrix of different factors. As noted in the Consideration Report, power transformers are custom designed and produced to order. Accordingly, there is a real question as to whether it is possible to undertake a 'like vs like' comparison between different power transformers and, in particular, whether it is possible to undertake any meaningful comparison between power transformers manufactured for the Chinese market to Chinese specification and those exported to the Australian market to Australian specification. Each project is unique with different ratings, specifications, quality requirements, materials, price and accessories composition.
- c) The most important difference between the GUC sold on the domestic market in China and the GUC exported to Australia is the customer specification. Specifications include the key components (such as the tap changer), different technical standards that apply in the customer's territory, how the coils are wound, what sort of connections are made etc. Customers also put a different focus on quality and supervision.
- d) At a more fundamental level, the power transformers exported to Australia by Siemens Jinan, Siemens Wuhan and Siemens Guangzhou during the investigation period each have a different power and voltage rating to the power transformers sold by those Siemens entities on the domestic market in China during the same period. The differences in the cost to make and sell power transformers to different specifications (including raw materials and overhead costs) cannot adequately account for the difference in price between power transformers of different specifications.
- e) Siemens power transformers are of high quality with low noise. Siemens believes that this is due to its design standards being based on global experience and expertise as well as Siemens global procurement of materials and sub-components allowing Siemens to achieve high quality, price and delivery times from its global suppliers. This influences some customers' decisions, who appreciate the ability of Siemens as a global company to provide a global product. For example, Siemens recently won a contract for an Liquefied Natural Gas (LNG) project in Australia. That customer is American and Siemens representatives travelled to the United States to present its tender proposal. Siemens understands that the customer was looking for a global supplier, which made Siemens attractive.

- f) Another differentiating factor about Siemens' power transformers is that, rather than paper or enamel insulation, Siemens uses copper wire that is like a cotton webbing for insulation on top of the conductor, which leads to high quality and lower cost.

#### 4) Export Price and Normal Value of the Exported Goods

- a) As identified above, there are real questions whether any 'like vs like' comparison can be made between sales of unique, built-to-specification power transformers. If the ADC undertakes a comparison of the GUC sold domestically and the Exported Goods, Siemens considers it appropriate that the ADC calculates export prices and normal values for each power transformer.
- b) Siemens submits that the data provided in its exporter questionnaires demonstrates that none of Siemens Jinan, Siemens Wuhan or Siemens Guangzhou has engaged in dumping of power transformers exported from China to Australia. The data demonstrates that projects for the GUC are difficult and complex to price and that profitability, whether for exports to Australia or domestic sales within China, varies across different projects.

c)

#### 5) Volume of imports estimated by Wilson Transformers

- a) The Consideration Report states that Wilson Transformers estimated the volume of imports by examining ABS data and by assessing whether imports may have been incorrectly classified. This approach does not take into account that the exporter may have been an Engineering Procurement Construction (EPC) supplier which designs, engineers, procures, supplies, installs and commissions the transformers but does not manufacture them. Accordingly, the export country of record may not be the country where the manufacturer is located. Siemens notes that in the data provided by Wilson Transformers, imports are identified from countries that, to Siemens' knowledge, do not manufacture transformers. The ADC should assess the size of the Australian market based on the importer and exporter questionnaires submitted in the investigation.

#### 6) Material Injury and Causation

- a) If the ADC determines that any dumping has occurred, Siemens submits that injury suffered by the Australian industry can be attributed to factors other than dumping.
- b) As noted above, contracts for the supply of power transformers to the Australian industry are generally awarded under a competitive bid or tender process. However, not all sales occur by way of open tender and bid price is not the only criteria which determines the ultimate award of contracts.

##### Process for the award of contracts

- c) Some customers identify a panel of potential suppliers based on technical and commercial criteria. Tenders are then made available only to the customer's panel suppliers. Siemens' experience is that the customer will seek to distribute the award of contracts among the panel suppliers so that the customer is not bound to one supplier only.

- d) Customers may enter into contracts for a specified term (*period contract*). The initial period contract is awarded on an individual supplier basis based on technical and commercial submissions. The customer then issues all orders to that supplier for the specified term of the period contract without any open tender process. An example of a period contract is the contract referred to in paragraph 8.6.1 of Wilson Transformers' application. That paragraph refers to an Indonesian manufacturer who has established a sales office in Western Australia. Siemens understands that to be a reference to Crompton Greaves, an Indonesian manufacturer, which won a period contract with Western Power. Crompton Greaves has now opened an office in Australia for the support of that period contract.
- e) Tenders may also include options for further supplies during the term of a project. For example, this is the basis upon which Siemens won an order referred to by Wilson Transformers in its application. The application states in relation to the APLNG project:

*'Subsequently additional business has been placed with Siemens without the business being tendered within Australia. These transformers are being supplied in the 2012 to 2014 period.'*

In fact, the further orders were options priced by Siemens in the original tender. Therefore it is incorrect to say that additional business was placed without it being tendered.

- f) Siemens considers that price is not the only factor considered by purchasers when evaluating tenders or otherwise awarding contracts. Many customers put together an assessment matrix and will adjust the price quoted by a number of factors, such as the number of commercial and technical deviations, other reference projects, service capability, the customer's own spare parts holdings, installation capabilities, quality etc. Siemens considers that customers make decisions based not only on the price but also on other tender requirements including delivery times, quality and service requirements.

#### **Order lead time**

- g) Depending on the customer specification, Siemens' Chinese factories can use locally sourced transformer oil (for the testing phase), on-load tap changers, bushings, steel and copper. Siemens delivery times are four to six months for power transformers from 10MVA up to 100 MVA. In one recent tender, the use of locally sourced on-load tap changers meant that Siemens could achieve a lower price and quicker delivery time.
- h) Delivery times required by customers have reduced considerably in recent times, which Siemens expects would put pressure on the Australian industry. Siemens considers that this provides a competitive advantage to suppliers from China who are able to buy commodities and components on their own domestic market.

#### **Decline in overall demand**

- i) In recent years, the Australian power transformer market size has declined, for example due to the decline in power generation demand flowing from rooftop solar power generation, higher energy prices, reducing industry demand, mild climate conditions etc. As noted by the ADC in the Consideration Report, the size of the market reflects movements in the demand for electricity. Other factors such as the global financial crisis and political factors have also had an impact on decisions by developers to proceed with new infrastructure projects and the finance or budget available for replacement or upgrade of existing units.

#### **Cost to make and sell**

- j) Siemens understands that the cost to manufacture in Australia has increased due to increased labour prices and foreign exchange rates. Further, lower costs resulting from Siemens using locally sourced materials and labour results in a lower cost to make and sell power transformers for Siemens' Chinese factories.

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## Capital expenditure

- k) Wilson Transformers has invested in a substantial upgrade of its Glen Waverley plant between 2009 and 2012. The ADC should examine the extent to which amortisation of the cost of that development has caused material injury to Wilson Transformers. Further, Wilson Transformers states in its application that its capacity has increased but production has remained stable. This may be explained by the increase in capacity arising from this development.

Please contact us if you have any queries in relation to this submission.

Yours faithfully

Siemens Ltd.



Emily Madder

General Counsel