



Australian Government
Anti-Dumping Commission

PUBLIC RECORD

INVESTIGATION

ALLEGED DUMPING OF POWER TRANSFORMERS

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF
INDONESIA, THE REPUBLIC OF KOREA, TAIWAN,
THAILAND AND THE SOCIALIST REPUBLIC OF VIETNAM**

VISIT REPORT - IMPORTER

Siemens Limited

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY
NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

September 2013

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ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
China	The People's Republic of China
The Commission	Anti-Dumping Commission
EXW	Ex works
FCA	Free carrier
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
Korea	The Republic of Korea
NIP	Non-injurious Price
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative
Siemens Australia	Siemens Limited
Siemens Guangzhou	Siemens Transformer (Guangzhou) Co Ltd
Siemens Jinan	Siemens Transformer (Jinan) Co Ltd
Siemens Wuhan	Siemens Transformer (Wuhan) Co Ltd
Vietnam	The Socialist Republic of Vietnam
Wilson Transformers	Wilson Transformer Company Pty Ltd

1 BACKGROUND AND PURPOSE

1.1 Background

On 8 July 2013, Wilson Transformer Company Pty Ltd (Wilson Transformers) lodged an application requesting that the responsible Minister¹ publish a dumping duty notice in respect of power transformers exported to Australia from the People's Republic of China (China), Indonesia, the Republic of Korea (Korea), Taiwan, the Kingdom of Thailand (Thailand) and the Socialist Republic of Vietnam (Vietnam).

Wilson Transformers allege that the Australian industry has suffered material injury caused by power transformers exported to Australia from the nominated countries at dumped prices.

Public notification of initiation of the investigation was made on 29 July 2013 in *The Australian* newspaper. Further details were provided in Anti-Dumping Notice (ADN) No. 2013/64 and is available at www.adcommission.gov.au.

Wilson Transformers nominated a three year investigation period, including 2010-11, 2011-12 and 2012-13 financial years.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's import database indicated that Siemens Ltd (Siemens Australia) imported power transformers from China during the investigation period (1 July 2010 to 30 June 2013).

The Anti-Dumping Commission (the Commission) wrote to Siemens Australia advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a preliminary request for provision of supplier details and a copy of the importer questionnaire and associated spreadsheets to complete.

Siemens Australia completed the importer questionnaire, providing details regarding the company, overseas supplier information and identification of its Australian customers with respect to the sale of power transformers (the goods).

1.2 Purpose of visit

The purpose of the visit was to:

- confirm that Siemens Australia is the importer of power transformers and obtain information to assist in establishing the identity of the exporter(s) of the goods;
- verify information on imports of power transformers to assist in the determination of export prices;

¹ Prior to 25 September 2013, anti-dumping matters were the responsibility of the Minister for Home Affairs. On 25 September 2013, responsibility for anti-dumping matters was transferred to the Minister for Industry.

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- establish whether the purchases of power transformers were arms length transactions;
- establish post-exportation costs;
- identify sales and customers and verify sales volume, selling prices and selling costs;
- obtain general information about the Australian market for power transformers; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

A copy of the meeting agenda is at **confidential attachment 1**.

1.3 Meeting details

Company	Siemens Australia 885 Mountain Highway Bayswater Victoria 3153
Date of visit	9 September 2013

The following were present at various stages of the meeting.

Siemens Australia	Emily Madder, General Counsel/Company Secretary Simon White, Executive Commercial Manager Jeff Walker, Manager Transformer Business Unit Andrew Jones, Warranty Manager David Dunham, Manager Import Export Logistics
The Anti-Dumping Commission	An Chew, A/g Manager Operations 2 Steven Gladwish, Business and Client Support Administrator Antoinette Failla, Supervisor, Anti-Circumvention

1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows:

- The investigation period is 1 July 2010 to 30 June 2013.
- The injury analysis period is from 1 July 2008 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (27 September 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

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- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 18 November 2013, or such later date as the Minister allows under section 269ZHI of *the Customs Act 1901* (the Act).

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days from the date of the publication, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report is due no later than 31 December 2013, unless the publication date of the SEF is extended or a later date as the Minister allows under section 269ZHI of the Act.

1.5 Visit report

We advised Siemens Australia that the Commission will prepare a report of the visit (this report) and provide it to the Company to review its factual accuracy, and to identify those parts of the report it considers to be for official use only (confidential).

We explained that, in consultation with the company, we would prepare a public record version of the report, and place this on the public record.

2 THE GOODS

2.1 Description

2.1.1 General Description

The goods the subject of the application (the goods) are:

liquid dielectric power transformers with power ratings of equal to or greater than 10 MVA (mega volt amperes) and a voltage rating of less than 500 kV (kilo volts) whether assembled or unassembled, complete or incomplete

The following are excluded from the scope of the goods:

- Distribution transformers; and
- Gas filled and dry type power transformers.

2.2 Product information

Wilson Transformers claims that incomplete power transformers are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of power transformers. The active part of a power transformer consists of one or more of the following when attached to or otherwise assembled with, one another:

- **The steel core** - constructed from high grade, cold rolled, Grain Orientated Electrical Steel (GOES). This steel is only available from a limited number of overseas manufacturers.
- **The windings** - wound from high conductivity copper which are rectangular or circular in cross section and either paper wrapped or enamel coated.
- **Electrical insulation between the windings** – this is highly specialised paper based material specifically for the transformer industry and manufactured in a number of countries including China, Germany, India, Sweden, Switzerland, Turkey and the USA. No substitutable product is manufactured in Australia.
- **The mechanical frame.**

There are also important ancillary items including tap changers and bushings.

Wilson Transformers claims that the product definition encompasses all such power transformers regardless of name designation, including but not limited to step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, traction transformers, trackside transformers and power rectifier transformers.

The goods include liquid dielectric power transformers. In most cases the liquid is mineral oil, but it can be other fluids such as natural esters (vegetable oils) and synthetic esters. Wilson Transformers produces power transformers filled with a vegetable oil called E-FR3, which is a fire resistant natural ester. It stated this oil is more expensive than mineral oil, but the E-FR3 is biodegradable and it reduces degradation of the paper insulation.

2.2.1 Use and functionality

Transmission lines transmit electricity at very high voltages but at reduced currents (amps). The higher the amperage the greater the size of the conductor needed to carry the current resulting in increased costs and power losses. Transformers are used to increase the voltage and proportionately reduce the amperage so that large quantities of electricity can be transported efficiently with minimal power losses.

Power is typically generated at 5 to 30 kilo volt (KV), but transmission normally occurs at 66 to 500 KV. Power transformers that increase the output voltage from the generator for long distance transmission are known as step-up transformers and can have very large power ratings, often 100 to 600 mega volt amperes (MVA). Power transformers that take the higher transmission voltages and convert them to lower voltages suitable for distribution systems are known as step-down transformers.

Purchasers of power transformers include electrical utility companies, power generators, mining companies, LNG processors and industrial users. Essentially all power transformers are produced to order and are typically sold through a bid and contract award (tender) process.

2.3 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the *Customs Tariff Act 1995*:

- 8504.22.00 (statistical code 40); and
- 8504.23.00 (statistical codes 26 and 41).

The general rate of duty is currently 5% and applies to power transformers imported from China, Korea, and Taiwan.

Indonesia, Thailand and Vietnam are subject to the ASEAN-Australia-New Zealand free trade agreement and the rate for power transformers from these countries is duty free.

3 COMPANY DETAILS

3.1 Company Background

Siemens Australia is a multinational company whose direct shareholder is Siemens International Holdings BV based in The Hague, Netherlands. Siemens International Holding BV operates as a subsidiary of Siemens Aktiengesellschaft.

Siemens AG is a German multinational company headquartered in Munich and Berlin, Germany.

Siemens Australia's principal activities are in the fields of industry, energy, transportation and healthcare. It is organised into four sectors:

1. Industry
2. Energy
3. Healthcare
4. Infrastructure & Cities

Siemens Australia stated that its power transformer business is part of its Energy Sector and it can either supply power transformers for individual projects or as part of a packaged solution involving other areas of its business, such as building wind farms.

Siemens Australia provided us with a presentation on its business at **confidential attachment 2**.

3.2 Accounting structure and details of accounting systems

Siemens Australia advised that its financial year is 1 October to 30 September. It stated that its financial accounting practices and procedures are conducted in accordance with International Financial Reporting Standards and its accounts are audited by Ernst & Young. Siemens Australia provided us with copies of its audited income statement for year ending September 2011 and 2012, and auditor's declaration (**confidential attachment 3**). Siemens Australia's enterprise resource planning system is SAP and it uses a reporting tool called Business Objectives.

Siemens Australia advised us that as it is not a publicly listed company. It does not produce an annual report.

3.3 Relationship with suppliers and customers

Siemens Australia advised that it has three related suppliers of power transformers in China, each operating as a separate legal entity as follows:

- Siemens Transformer (Jinan) Co Ltd (Siemens Jinan);
- Siemens Transformer (Wuhan) Co Ltd (Siemens Wuhan); and
- Siemens Transformer (Guangzhou) Co Ltd (Siemens Guangzhou).

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Siemens Australia explained that these three companies manufacture different types of power transformers and, therefore, the manufacturer used will depend on the type of power transformer required for the project.

Siemens Australia advised that it has also imported power transformers from its factory in Austria during the investigation period.

Siemens Australia stated that it is not related to any of its customers. However, it advised that some of its power transformers may be transferred internally to another business unit that requires power transformers for a larger project (e.g. wind farms).

3.4 Like goods

Siemens Australia stated that the physical characteristics of imported and locally produced power transformers are similar. However, the goods imported by Siemens Australia are based on international design standards and, therefore, Siemens Australia believes its product is designed to a high quality specification.

Siemens Australia also claims that the design of its power transformers results in low electricity loss during transmission and low noise levels.

4 IMPORTS

4.1 Introduction

As part of the importer questionnaire, the Commission provided Siemens Australia with a list of imports of power transformers for the investigation period that were extracted from the Australian Customs and Border Protection Service's import database.

Siemens Australia identified a few issues with the import data, including the inclusion of certain power transformers which do not meet the description of the goods and therefore are not covered by the application. It provided supporting documentation to show that these shipments were either not power transformers or they were outside the scope (i.e. less than 10MVA or more than 500kV) (**confidential attachment 4**). Siemens Australia also identified a number of the imports that were imported directly by its customer.

Siemens Australia annotated list of imports of power transformers are at **confidential attachment 5**.

Nine shipments of power transformers were imported by Siemens Australia during the investigation period. Siemens Australia advised that those nine shipments relate to the following [REDACTED] projects:

[REDACTED]

4.2 Verification of imports

During the visit, Siemens Australia provided copies of the following documents for each of the selected consignments:

- importation declarations
- commercial invoices
- bills of Lading
- packing lists

These documents are at **confidential attachment 6**.

We were able to confirm and verify the data shown within the import list (confidential attachment 5) by reconciling this data against the source documents provided by Siemens Australia.

From the source documents collected at the visit, we have summarised the cost of the goods and associated post exportation costs in the following table.

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Project	Import declaration number	Terms of Trade	Invoice price (USD)	Qty (units)	Ocean Freight & marine insurance (AUD) ²
██████	██████████	████	██████████	█	██████████

² As declared in the import declaration

5 AUSTRALIAN MARKET

5.1 General

As outlined in section 4 above, Siemens Australia imported power transformers during the investigation period relating to the following [REDACTED] projects:

[REDACTED]

Siemens Australia advised that it has also supplied power transformers for the following [REDACTED] projects, which were directly imported by its customers:

[REDACTED]

Siemens Australia further advised that during the investigation period, it had entered into contracts to supply power transformers to the following [REDACTED] projects, however, the power transformers have yet to be imported or were imported after the investigation period:

[REDACTED]

5.2 Tender process

Siemens Australia advised that when it receives a tender, the preparation of its tender documents [REDACTED]

[Details of Siemens tendering process]

In relation to the quote, Siemens Australia stated that it uses a spreadsheet called the 'KALA' to calculate the offer price for a tender. [REDACTED]

[Cost calculation information]

5.3 Sale verification

During the visit, Siemens Australia provided copies of the sales contracts and KALAs for all 11 projects listed in section 5.1 above (note that some projects are split into two parts or stages) (**confidential attachment 7**). The KALAs indicate that all of its projects are profitable with the net result ranging from [REDACTED]% to [REDACTED]% (**confidential attachment 8**). Siemens Australia advised that as the KALA is used to determine the offer price, any amendments to the customer's requirement after a successful tender is not reflected in the KALA. It explained that variations to the original scope

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of the project that affect costs are recovered from the customer. We consider that, for the purpose of determining whether Siemens Australia sells the goods at a loss under section 269TAA(2) of the Act, it is appropriate to rely on the KALA for the following reasons:

- once the tender is won by Siemens Australia, it enters into an exclusive agreement with its customer at which point competition between other bidders, including the Australian industry, cease; and
- any variation to the contract that affects the cost of the project is passed on to its customer.

5.3.1 [REDACTED] Project

In order to gain confidence in the estimations in its KALA, we selected the KALA of the [REDACTED] project for further verification down to the source documents.

Siemens Australia stated that it records actual costs incurred for the project in SAP and provided us with a report called an 'OCC' showing the final actual cost for the project (**confidential attachment 9**). We compared the estimated cost in the KALA with the final actual cost and found that the project came in at [REDACTED]

[REDACTED]. [Profitability details]

Contract price

We sought to verify the revenue received by Siemens Australia for the [REDACTED] project and were able to match the tender offer price in the KALA to the sales contract and the commercial invoices (**confidential attachment 10**). We then requested a copy of its accounts receivable for the project as proof of payment (**confidential attachment 11**) and were able to reconcile it to the commercial invoices.

Power transformer cost

We sought to verify the cost of the power transformer and were able to reconcile the commercial invoice from the supplier, Siemens Wuhan, to the KALA and the OCC (**confidential attachment 12**). We then requested a copy of its accounts payable for Siemens Wuhan as proof of payment (**confidential attachment 13**) and were able to reconcile it to the commercial invoice.

Ocean freight, port charges and delivery

We sought to verify the ocean freight, port charges and local delivery costs of the project. Siemens Australia provided us with the commercial invoices covering these costs (**confidential attachment 14**). We compared these costs to the KALA and found that Siemens Australia [REDACTED]

[REDACTED] [cost details]. We consider Siemens Australia's approach appropriate.

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Selling, General and Administrative (SG&A) expenses

For this project, Siemens Australia applied an amount for SG&A at [REDACTED]. It advised that the SG&A amount was based on [REDACTED], which it provided at **confidential attachment 15**. We considered this approach appropriate.

5.3.2 [REDACTED] Project

In relation to the power transformers that were supplied by Siemens Australia but imported directly by its customer, we selected the [REDACTED] project for verification. We requested, and Siemens Australia provided, copies of the commercial invoices from its supplier, Siemens Wuhan, and the commercial invoices to its customer (**confidential attachment 16**). From the invoices, we were able to determine that the project [REDACTED] [profitability details].

5.4 Profitability of sales

To assess the profitability of Siemens Australia's importations of power transformers during the investigation period we consider it appropriate to rely on the KALA, as discussed in section 5.3 above, which showed profitability of between [REDACTED]% and [REDACTED]%.

6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

We reviewed the documents provided in respect of the nine shipments imported by Siemens Australia and note that Siemens Australia:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- declares itself as the owner of the goods in the import declaration; and
- pays the importation costs associated with the entry.

We consider Siemens Australia the beneficial owner of the goods at the time of importation, and therefore, the importer.

6.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principal in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

Subject to further inquiries, we are satisfied that Siemens Jinan, Siemens Wuhan and Siemens Guangzhou are the exporters of power transformers imported by Siemens Australia. To our knowledge, these entities are principals in the country of export, which manufacture the goods and gave up the goods for shipment directly to Siemens Australia.

7 ARMS LENGTH

In determining export prices under section 269TAB(1)(a), the Act requires that the relevant sales are arms length transactions.

Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for or in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; and
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Furthermore, where:

- goods are exported to Australia otherwise than by the importer and are purchased by the importer from the exporter (whether before or after exportation) for a particular price; and
- the Minister is satisfied that the importer, whether directly or through an associate or associates, sells those goods in Australia (whether in the condition in which they were imported or otherwise) at a loss;

the Minister may treat the sale of those goods at a loss as indicating that the importer or an associate of the importer will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or a part of the price.

Siemens Australia stated that Siemens globally has policies regarding transfer pricing for the purposes of ensuring that sales between related companies are at arms length prices. Although we did not seek further information on its transfer pricing policy during this visit, Siemens Australia advised that it can provide details during the exporter verification visit.

As discussed in section 5.4 above, we are satisfied that Siemens Australia does not sell power transformers at a loss. In addition, we did not find any evidence that:

- there is any consideration payable other than price;
- the price is influenced by a commercial or other relationship between Siemens Australia and its suppliers; or that
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

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Therefore, we are satisfied that import transactions between Siemens Australia and its Chinese suppliers are at arms length in terms of section 269TAA of the Act.

8 RECOMMENDATIONS

We are satisfied that, for the goods imported by Siemens Australia from Siemens Jinan, Siemens Wuhan and Siemens Guangzhou:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arm's length transactions.

Subject to further inquiries with these exporters, we recommend that the export price for power transformers imported by Siemens Australia from Siemens Jinan, Siemens Wuhan and Siemens Guangzhou be ascertained under section 269TAB(1)(a) of the Act, using the invoiced price, with adjustments to the FOB level as required.

In relation to the power transformers directly imported by Siemens Australia's customers, we consider that the goods have been exported to Australia otherwise than by the importer, however, the goods have not been purchased by the importer from the exporter. Therefore, we recommend that the export price be ascertained under section 269TAB(1)(c) of the Act, having regard to all the circumstances of the exportation. Specifically, we recommend that the export price be calculated using the invoice price between Siemens Australia and its customers, with adjustment to the FOB level as required.

9 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Meeting agenda
Confidential Attachment 2	Siemens Australia presentation
Confidential Attachment 3	Income statements and auditor's declaration
Confidential Attachment 4	Import documents for out-of-scope imports
Confidential Attachment 5	Annotated import list
Confidential Attachment 6	Import documents for the goods
Confidential Attachment 7	Sales contracts and KALAs
Confidential Attachment 8	Profitability of the projects
Confidential Attachment 9	██████████ project OCC
Confidential Attachment 10	██████████ project sales contract and commercial invoices
Confidential Attachment 11	██████████ project accounts receivable
Confidential Attachment 12	██████████ project purchase price reconciliation
Confidential Attachment 13	██████████ project accounts payable
Confidential Attachment 14	██████████ project ocean freight, port charges and delivery invoices
Confidential Attachment 15	Income statement of the power transmission business
Confidential Attachment 16	██████████ commercial invoices