



Government
of South Australia

Department of
State Development

Ref.

4 May 2015

Dale Seymour
Commissioner of the Anti-Dumping Commission
Industry House
10 Binara Street
Canberra ACT 2600

Dear Mr Seymour

Thank you for your letter dated 28 April 2015 responding to my request for an extension to the consultation period on an anti-dumping investigation into solar photo-voltaic modules or panels from China (Statement of Essential Facts No. 239). I greatly appreciate your offer to personally meet with me to discuss the Commission's preliminary findings. I regret that on this occasion it was not possible to meet with you sooner.

I am writing to outline the Department's initial concerns on the above investigation in advance of meeting with you. In doing so, I note the Commission's preliminary findings that dumping has occurred in the investigation period of 1 July 2012 to 31 December 2013 and that Australian industry (which in this case constituted Tindo Solar as the sole Australian producer) has experienced injury during the injury analysis period of 1 January 2010 and 31 December 2013.

In summary, the Department's concerns relate to:

- the methodology used to calculate dumping margins
- the treatment of direct current (DC) photo-voltaic solar panels and alternating current (AC) photo-voltaic solar panels as separate markets
- market dynamics with changes in incentives

These concerns reduce the level of confidence in the Commission's preliminary findings that could not establish causation between the dumping and injury to Australian industry.

Calculation method for dumping

The preliminary findings indicate that dumping of a weighted average margin of 3.9% and weighted average price undercutting of 45% has occurred. The dumping margin was determined using the price differential of the goods in Australia to the domestic prices of the goods in China as the country of export. While it is accepted that China is considered a market economy in accordance with World Trade Organisation requirements, domestic

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selling prices may be unsuitable indicator of the value of a good because market liquidity levels in China are not at levels of a mature market economy.

It is understood that dumping margins for PV panels from China have been found by other jurisdictions in the range 113% to 250%. Whilst it is acknowledged that the approaches to assessing dumping margins differ between jurisdictions, it is considered that such orders of magnitude reduce confidence on the preliminary findings of the Commission.

As a result, a concern is that levels of dumping have been underestimated. Further analysis using costs of production by Chinese exporters may yield a different result which may be closer to findings by other jurisdictional investigations.

Market segmentation by panel technology

In assessing causation between the dumping and injury to Australian industry, the Commission appears to have placed some weight on its assessment that dumping of DC PV modules or panels as not having a material impact on injury to Australian industry because Tindo Solar's primary product offering at the time of the injury analysis period were AC PV modules or panels.

It is considered that DC photo-voltaic solar panels participate in the same market as AC photo-voltaic solar panels. In purchasing a system, consumers are interested in electricity generation to offset grid use and do not factor in differences with inverter supply as affecting the purpose of the system. Moreover, AC based systems are now commonplace and in some cases, the dominant product offering by suppliers in the residential market. Taking into account this consideration would mean that a material link or causation could be established between the dumping which was found to have occurred by the exporters of direct current (DC) photo-voltaic solar panels and the injury which was found to have occurred to Australian industry.

Market dynamics

It is acknowledged that a range of policy decisions at both the State and Federal level had a very strong influence on demand in the Australian market for PV modules and panels. As these policy incentives were wound back, which for feed-in tariffs in South Australia occurred in September 2011 and September 2013 respectively, it would be reasonable to expect a degree of market rationalisation. It would also be reasonable to expect existing suppliers to adopt a range of strategies to try to maintain their market positions. This changing policy environment and declining market may have created an environment where there was a strong incentive for larger suppliers of PV modules or panels to sell excess goods into the Australian market for the short term while the industry is rationalised.

Under these conditions, there is a greater chance of injurious dumping rather than less.



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I thank you for providing an extension to the time to respond to Statement of Essential Facts No. 239. I appreciate that your investigations are to be carried out in accordance with legislative timeframes with a final report to the Parliamentary Secretary to the Minister for Industry and Science by 19 May 2015.

As outlined earlier, the Department may be able to undertake further analysis using costs of production of Chinese exporters to meet your timeframes for making a recommendation.

I look forward to meeting you in person to discuss this matter more generally. I understand my office is liaising with yours regarding a mutually suitable time.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dr Don Russell".

Dr Don Russell
CHIEF EXECUTIVE