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8 October 2014

Mr Geoffrey Gleeson
 Director Operations 1
 Anti-Dumping Commission
 Customs House
 5 Constitution Avenue
 CANBERRA CITY, ACT 2601

Dear Mr Gleeson,

**ADC 219 — WTC Response to the Statement of Essential Facts
 Power Transformers from China, Indonesia, Korea, Taiwan, Thailand and Vietnam**

Wilson Transformer Company (WTC) has reviewed the contents of the Statement of Essential Facts (SEF) published on 18 September 2014, and thanks the Anti-Dumping Commission (ADC) for the considerable resources committed to this case. The case is very significant as it could have a serious impact on the future of power transformer manufacturing in Australia. In summary, we wish to make the following points –

1. **Normal Value** – WTC requests the ADC reverse its approach to the determination of the profit amount included in constructed normal values by considering profitable domestic sales of like goods to be in the ordinary course of trade and using Regulation 181A(2) for such determination. The ADC's inclusion of exporters' sales of like goods at a loss in determining the amount of profit included in normal value constructions, in accordance with s.269TAC(2)(c)(ii) and in particular Regulation 181A(3)(a), provides for inadequate protection against future injury by reason of dumped imports to which Australian industry is entitled.
2. **Targeted Dumping** – WTC requests the ADC maintain the use of section 269TACB(3) in respect of the identified exporters from Thailand, Vietnam and China. If the use of 269TACB(3) were not maintained, targeted dumping would likely continue where the market was openly accessible to WTC and other Australian manufacturers.
3. **Reassessment of Termination** – WTC requests the ADC reassess its recommendation to terminate the investigation in respect of certain exporters in China, Indonesia and Korea based on a reassessment of dumping margins in accordance with Regulation 181A(2), a review of targeted dumping calculations and a reassessment of the volume of dumped exports.
4. **Country Hopping** – With the active presence of a number of multi-national suppliers with power transformer manufacturing plants in numerous countries, WTC remains very concerned that sourcing could be switched to a country which was not subject to dumping duties. WTC requests the ADC clarify its position as to how rapidly it would respond if this were to occur.
5. **The Australian Market** – The exceptionally low demand for power transformers in the current Australian market makes any import, whether dumped or otherwise, injurious to WTC.



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Normal Value

In section 6.5.3 of the SEF, the ADC proposes using Regulation 181A(3)(a) to calculate “profit to be included in constructed normal values”, which refers to the actual amounts realised by the exporter from the sale of the **same general category of goods** in the domestic market of the exporting country and includes sales of like goods at a loss.

WTC considers that it would be more appropriate to assess the normal values using Regulation 181A(2), used by the ADC prior to the 27 May 2014 Issues Paper, which refers to the actual amounts realised by the exporter from the sale of the **like goods** in the domestic market of the exporting country including an assessment of whether sales were in the “Ordinary Course of Trade”. WTC considers this would provide a more appropriate basis for assessing the profit to be included in constructed normal values and has previously made submissions to the ADC in response to the Issues Paper on 14 July 2014 and 15 August 2014.

Please find in **Attachment 1** an analysis of publicly available financial results for the following Chinese suppliers:

- ABB Chongqing Transformer Co
- ABB Zhongshan Transformer Co
- SEC Alstom (Shanghai, Baoshan) Transformer Co
- Siemens Transformer (Jinan)
- Siemens Transformer (Guangzhou)

Of particular interest is the trend, for all these suppliers, of considerable reductions in sales, gross margins and pre-tax profits. The low profit levels of these suppliers exemplifies the unreasonableness of the ADC’s approach to the amount of profit included in normal value constructions. It is highly likely that all of these suppliers have domestic sales at a loss.

The ADC’s inclusion of exporters’ sales of like goods at a loss in determining the amount of profit included in normal value constructions in accordance with s.269TAC(2)(c)(ii) provides for inadequate protection against future injury by reason of dumped imports. In the case of Toshiba CTC, zero profit has been included in constructed normal value, while one would believe there were domestic products sold at a profit.

The ADC acknowledges in the SEF that neither Article 2.2.1 of the WTO Anti-Dumping Agreement nor s.269TAAD of the Act provide an exhaustive range of methods for determining if sales are in the ordinary course of trade, but in determining a profit amount in accordance with Regulation 181A(3)(a) the ADC has relied solely upon its consideration that “the recovery test per s.269TAAD(3) cannot be conducted meaningfully” in deciding that it could not be determined whether domestic sales of like goods by exporters were in the ordinary course of trade.

It is open for the ADC to consider sales of like goods by exporters at or above their fully absorbed cost, ie profitable sales, to be in the ordinary course of trade and those at below fully absorbed cost to not be in the ordinary course of trade. And in the particular circumstances of this case, it is appropriate to do so.

It is paramount that Regulation 181A(3) can only be used for the determination of a profit amount for constructed normal values **if it is not reasonably possible** to work out an amount in accordance with Regulation 181A(2), ie if it is not reasonably possible to use data relating to the sale of like goods in the ordinary course of trade. In this case, it is reasonably possible to determine the ordinary course of trade status of domestic sales of like goods by exporters and to use those sales for the determination of a profit amount to be included in normal value constructions.

Consequent upon the foregoing, WTC requests the ADC’s reconsideration of its approach to the determination of the profit amount included in constructed normal values by considering profitable domestic sales of like goods to be in the ordinary course of trade and using Regulation 181A(2) for such determination.

WTC has observed a substantial reduction in dumping margins when unprofitable domestic sales were included in the calculation of normal values - change from Regulation 181A(2) to Regulation 181A(3)(a) following the Issues Paper. As a consequence, if Regulation 181A(2) were used, it would provide a more reasonable dumping assessment and level of protection against dumping.

Dumping Margin Assessment including Targeted Dumping

WTC commends the ADC on its willingness to adopt section 269TACB(3) in respect of identified exporters from Thailand, Vietnam and China. WTC has major concerns that multi-national exporters, which supply a range of electrical equipment, will continue to adopt targeted dumping practices where the market is openly accessible to WTC and others, including other Australian manufacturers.

Please find in **Attachment 2** examples of dumping margin calculations demonstrating the calculation of –

- Normal dumping margin TDM/TEP (Total Dumping Margin divided by Total Export Price)
- Targeted dumping margin TTDM/TEP (Total Targeted Dumping Margin divided by Total Export Price) which we understand is likely to have been used by the ADC, and
- Targeted dumping margin TTDM/TTEP (Total Targeted Dumping Margin divided by Total Targeted Export Price) which we believe is more appropriate in the circumstances as it reflects the real dumping margin on products where targeted dumping has occurred.

We have also provided Examples 1 and 2, which demonstrate an outcome difference where normal values were increased in these examples by 8% when using Regulation 181A(2) compared with Regulation 181A(3)(a).

WTC notes that, in section 6.6.3 on page 46 of the SEF, the ADC states that “In the case of power transformers, the ADC is of the view that the loss of a sale for a single power transformer due to dumping may be sufficient to cause material injury.” WTC supports this view.

Accordingly, WTC requests the ADC reassess targeted dumping using Regulation 181A(2) to determine normal value and the Total Targeted Dumping Margin (as the numerator) and the Total Targeted Export Price (as the denominator) in accordance with sections 269TACB(3) and 269TACB(6) of the Customs Act 1901.

Reassessment of Termination

WTC has noted the following –

- Verification Reports on a number of Chinese manufacturers contained an assessment of profit in normal value based on Regulation 181A(3)(a).
- Where there was a change from Regulation 181A(2) to Regulation 181A(3)(a) between the Verification Report and the SEF in the case of Siemens China, Hyosung Korea and Shihlin Taiwan, the dumping margin dropped considerably. WTC notes there were other contributing issues in the case of Siemens China.
- Even under Regulation 181A(3)(a), there were positive dumping findings against Siemens China and Hyosung Korea of 5.5% and 12.3% respectively.

WTC is of the view that if normal values and dumping margins were reassessed on the basis of Regulation 181A(2) and 269TACB(3), there is a strong likelihood that the volume of dumped imports entering Australia from China and Korea would exceed the 3% volume threshold requirements of the section 269TD(3).

WTC therefore requests that the termination of the investigation in so far as it relates to China, Indonesia and Korea is withheld pending a reassessment of dumping margins in accordance with Regulation 181A(2), a review of targeted dumping calculations and a reassessment of the volume of dumped exports.

Country Hopping

The risk to WTC of future of dumped imports is considerable. This is due to the declining levels of business and profitability of multi-national Chinese producers and exporters detailed in Attachment 1. It is likely that the multi-national suppliers with power transformer manufacturing plants in numerous countries will redirect the sourcing of exports to Australia from countries subject to dumping duty to those not subject to dumping duty, most likely China at this point in time.

Consequently, WTC requests the ADC clarify how rapidly it would respond if the foregoing occurred and WTC were to submit a dumping complaint.

The Current Australian Power Transformer Market

The exceptionally low demand for power transformers in the current Australian market makes any import within the investigation scope, whether dumped or otherwise, injurious to WTC. This is supported by the earlier comment that "In the case of power transformers, the ADC is of the view that the loss of a sale for a single power transformer due to dumping may be sufficient to cause material injury."

Should you require any additional information, please do not hesitate to contact Robin Winckworth or me.

Yours sincerely



Robert Wilson
Managing Director

Attachments –

1. Sales and Profitability of Chinese JVs with European controlling partners
2. Examples of dumping calculations including targeted dumping

ABB Chongqing Transformer Co

Currency Exchange Rate	CNY 000's					US\$ 000's				
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
							0.14670	0.15099	0.15871	0.15899
Sales (RHS)	2,106,710	1,018,720	585,633	586,635	-	309,054	153,817	92,946	93,269	-
Gross Profit	691,100	248,190	54,085	10,767	-	101,384	37,474	8,584	1,712	-
Pre-Tax Profit	511,490	165,100	56,327	6,627	-	75,036	24,928	8,940	1,054	-
% Pre-Tax Profit						24.3%	16.2%	9.6%	1.1%	
Post-Tax Profit	452,290	164,690	41,877	4,714	-	66,351	24,867	6,646	749	-
Total Assets	1,689,400	1,342,530	962,587	886,556	-	247,835	202,709	152,772	140,954	-
Shareholder Funds	887,290	624,070	509,498	474,430	-	130,165	94,228	80,862	75,430	-
Employees			1,000	1,000	-	-	-	1,000	1,000	-
Other Notes:	Exports 30% of production to Singapore, Europe etc									

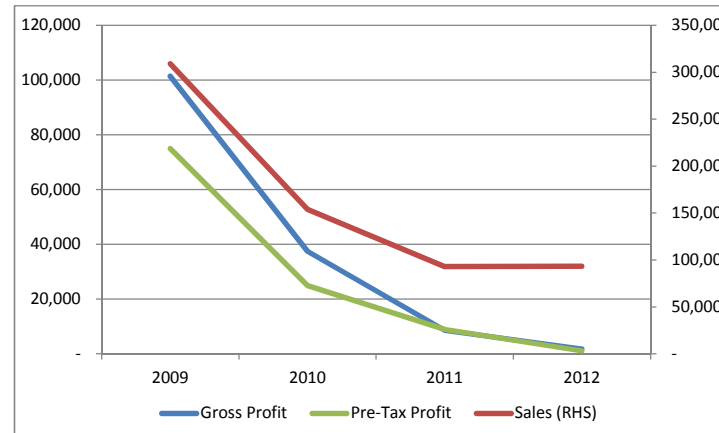
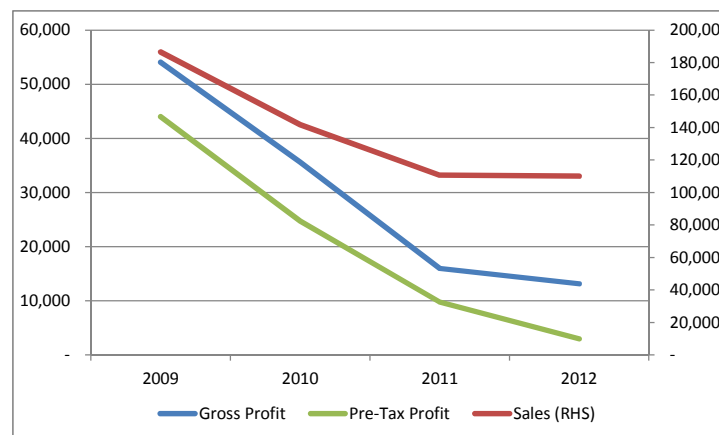


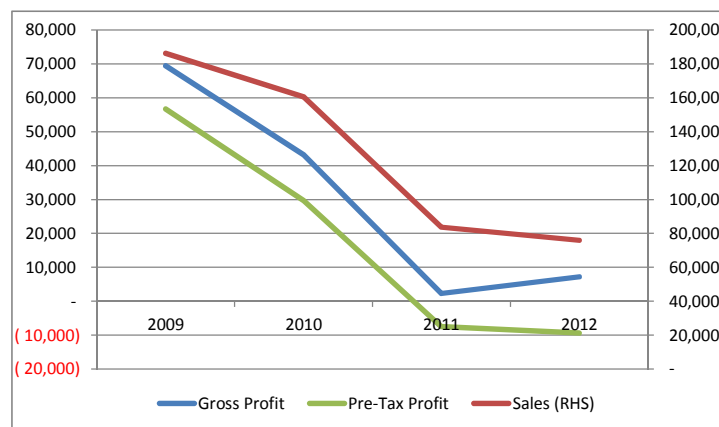
ABB Zhongshan Transformer Co

Currency Exchange Rate	CNY 000's					US\$ 000's				
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
							0.14645	0.15099	0.15871	0.15899
Sales (RHS)	1,273,746	938,380	696,579	692,690	-	186,540	141,686	110,554	110,131	-
Gross Profit	369,316	236,002	100,585	82,659	-	54,086	35,634	15,964	13,142	-
Pre-Tax Profit	300,525	163,678	61,510	18,793	-	44,012	24,714	9,762	2,988	-
% Pre-Tax Profit						23.6%	17.4%	8.8%	2.7%	
Post-Tax Profit	277,964	123,301	44,165	18,395	-	40,708	18,617	7,009	2,925	-
Total Assets	1,094,413	808,661	722,161	820,830	-	160,277	122,100	114,614	130,504	-
Shareholder Funds	487,750	342,941	276,135	254,781	-	71,431	51,781	43,825	40,508	-
Employees	400	400	1,000	1,000	-	400	400	1,000	1,000	-
Other Notes:	Established 1995. Exports 10% to Australia, Vietnam, Taiwan, Singapore, India & HK									

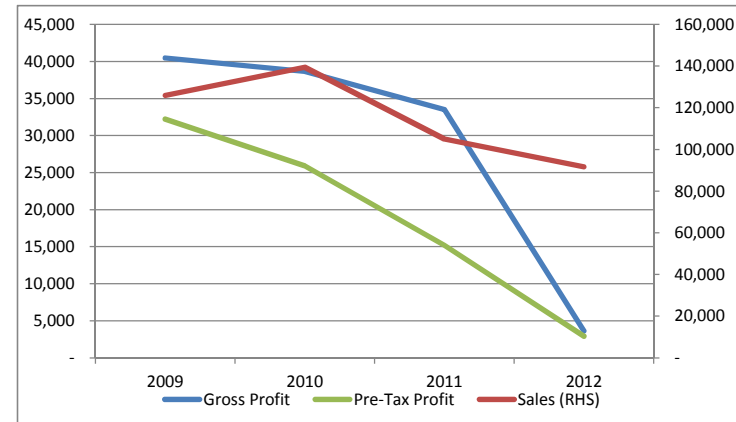


SEC Alstom (Shanghai, Baoshan) Transformer Co

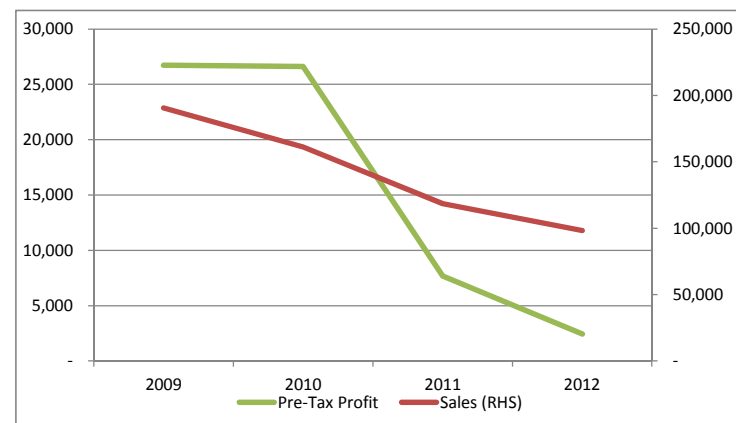
Currency Exchange Rate	CNY 000's					US\$ 000's				
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13
							0.14645	0.15099	0.15871	0.15899
Sales (RHS)	1,271,198	1,063,481	527,092	477,213	-	186,167	160,575	83,655	75,872	-
Gross Profit	473,792	285,901	14,393	45,482	-	69,387	43,168	2,284	7,231	-
Pre-Tax Profit	386,901	196,614	(47,609)	(59,515)	-	56,662	29,687	(7,556)	(9,462)	-
% Pre-Tax Profit						30.4%	18.5%	-9.0%	-12.5%	
Post-Tax Profit	338,294	174,917	(49,529)	(60,159)	-	49,543	26,411	(7,861)	(9,565)	-
Total Assets	1,187,602	1,046,206	734,657	745,964	-	173,924	157,967	116,597	118,601	-
Shareholder Funds	784,983	548,071	498,541	344,819	-	114,961	82,753	79,123	54,823	-
Employees	350	350	350	350	-	350	350	350	350	-
Other Notes:	Established 2001; Exports 60% to Burma, Indonesia, Philippines, Vietnam									



Siemens Transformer (Jinan)										
Currency Exchange Rate	CNY 000's					US\$ 000's				
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	0.14645	0.15099	0.15871	0.15899	
Sales (RHS)	859,709	923,544	661,709	576,786		125,904	139,446	105,020	91,703	-
Gross Profit	276,423	255,909	211,138	22,656		40,482	38,640	33,510	3,602	-
Pre-Tax Profit	219,863	171,564	95,662	18,241		32,199	25,904	15,183	2,900	-
% Pre-Tax Profit						25.6%	18.6%	14.5%	3.2%	-
Post-Tax Profit	206,502	161,616	71,641	13,596		30,242	24,402	11,370	2,162	-
Total Assets	1,093,736	1,056,418	767,941	652,379		160,178	159,509	121,880	103,722	-
Shareholder Funds	549,403	511,019	410,491	352,446		80,460	77,159	65,149	56,035	-
Employees	400	499	1,200	1,200		400	499	1,200	1,200	-
Other Notes:	Established 1994; Exports 5%??									



Siemens Transformer (Guangzhou)										
Currency Exchange Rate	CNY 000's					US\$ 000's				
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	0.14645	0.15099	0.15871	0.15899	
Sales (RHS)	1,301,046	1,067,920	746,594	618,713		190,538	161,245	118,492	98,369	-
Gross Profit						-	-	-	-	-
Pre-Tax Profit	182,496	176,169	48,442	15,385		26,727	26,600	7,688	2,446	-
% Pre-Tax Profit						14.0%	16.5%	6.5%	2.5%	-
Post-Tax Profit	201,218	142,294	33,525	12,306		29,468	21,485	5,321	1,957	-
Total Assets	1,320,295	1,348,959	1,072,149	949,108		193,357	203,679	170,161	150,899	-
Shareholder Funds	508,086	549,375	465,900	388,206		74,409	82,950	73,943	61,721	-
Employees	1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000	-
Other Notes:	Established 1997; Exports 5% to Indonesia, Singapore, HK									



Example 1 - Targeted Dumping with Normal Value per 181A(3)(a)

Export Case	Export Price (\$)	Normal Value per 181A(3)(a)	Dumping Margin	Dumping %	Targeted Export Price	Targeted Dumping
1	300	285	-15	-5.0%	0	0
2	400	375	-25	-6.3%	0	0
3	450	400	-50	-11.1%	0	0
4	500	440	-60	-12.0%	0	0
5	600	550	-50	-8.3%	0	0
6	800	720	-80	-10.0%	0	0
7	1200	1400	200	16.7%	1200	200
8	1300	1450	150	11.5%	1300	150
9	2100	1800	-300	-14.3%	0	0
Total	7650	7420	-230	-3.0%	2500	350
	TEP	TNV	TDM	TDM/TEP	TTEP	TTDM

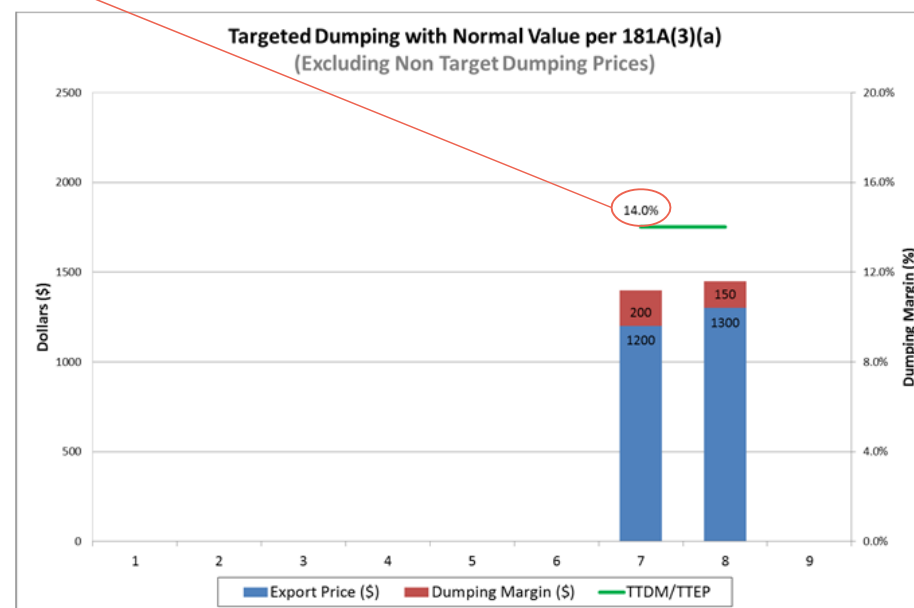
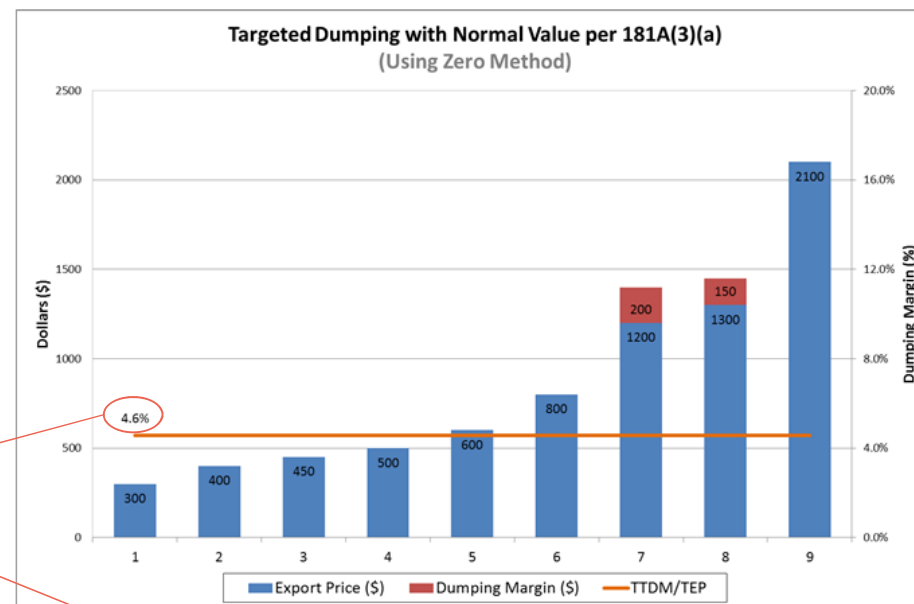
% Dumping =

TDM/TEP = -3.0%

TTDM/TEP = 4.6%

OR

TTDM/TTEP = 14.0%



Example 2 - Targeted Dumping with Normal Value per 181A(2) - with 8.0% higher Normal Values

Export Case	Export Price (\$)	Normal Value per 181A(2)	Dumping Margin	Dumping %	Targeted Export Price	Targeted Dumping
1	300	308	8	2.6%	300	8
2	400	405	5	1.3%	400	5
3	450	432	-18	-4.0%	0	0
4	500	475	-25	-5.0%	0	0
5	600	594	-6	-1.0%	0	0
6	800	778	-22	-2.8%	0	0
7	1200	1512	312	26.0%	1200	312
8	1300	1566	266	20.5%	1300	266
9	2100	1944	-156	-7.4%	0	0
Total	7650	8014	364	4.8%	3200	591
	TEP	TNV	TDM	TDM/TEP	TTEP	TTDM

% Dumping =

TDM/TEP = 4.8%

TTDM/TEP = 7.7%

OR

TTDM/TTEP = 15.5%

