



# 華城電機股份有限公司

## FORTUNE ELECTRIC CO., LTD.

### PUBLIC VERSION

24 July 2019

Director Operations 3  
Anti-Dumping Commission  
GPO Box 1632  
Melbourne VIC 3001

### Review of power transformers exported from Taiwan

Dear Director,

Fortune Electric Co., Ltd. [Fortune] makes this submission to clarify points made in its earlier submission and respond to queries raised by Wilson Transformers.

**Item c)** - WTC queries the process in Fortune being granted secondary supplier status. For the Commission's understanding:

- Fortune bid in the same manner as other bidders;
- Fortune understands that all short-listed bidders were provided a briefing at the pre-BAFO meeting which informed them of their standing in comparing the total life cycle costing to the lowest life cycle costing. Fortune assumes that this occurred with all short-listed bidders as a probity Auditor was present at the meeting to ensure a consistent and equitable process was applied to all bidders.
- Fortune was asked at the pre-BAFO meeting if it was willing to be a secondary supplier if it was unsuccessful at being a primary supplier.
- Fortune cannot comment on the rankings received by WTC from [REDACTED] as Fortune was only provided with data pertaining to its bid. As noted by WTC in its submission, its outlined rankings relate to pre-BAFO and would not be valid post-BAFO as all bidders were provided similar data to allow them to revise their offers. So the percentage bands would be different post-BAFO.
- As noted by WTC, the primary Australian supplier withdrew from supply of transformers, although the reasons are not known by Fortune. Ampcontrol is a multinational mine equipment supplier that has had significant experience at supplying transformers to [REDACTED] satisfactorily for some years. That [REDACTED] was willing to enter into another contract with Ampcontrol suggests it was satisfied with Ampcontrol's performance. Also, the experience Ampcontrol gained supplying transformers to [REDACTED] would indicate Ampcontrol understood the costs of producing transformers to meet the [REDACTED] specifications. So it is reasonable to assume that Ampcontrol had other reasons for withdrawing as a supplier.
- WTC suggest one reason for Ampcontrol's withdrawal as a supplier might have been due to the onerous conditions of the contract. Whilst this is mere conjecture, Fortune

doubts the reason offered by WTC as all suppliers have the same basic Master Supply Agreement (contract), including Fortune, WTC and Ampcontrol. If the contract conditions were as onerous as suggested by WTC, neither Ampcontrol nor WTC would have agreed to the terms of the Master Supply Agreement.

**Item d)** – WTC alleges that Fortune’s prices were very low and contributed to the primary Australian supplier withdrawing from the contract and WTC being unsuccessful in supplying certain transformers. This is plainly incorrect.

At the time of the tender, Ampcontrol had offered a market price for its transformers which was based on their past successful experience in supplying smaller power transformers to [REDACTED]. It is Fortune’s understanding that Ampcontrol’s tender prices were lower than Fortune’s prices.

For the larger transformers, the price was clearly set by WTC as the preferred supplier.

This being the case, Fortune’s tender prices were not injurious. The secondary suppliers were determined at the time of the tender and were based on the same competitive tender process, so it is reasonable to assume that Fortune awarded a secondary supplier contract due to its prices not being competitive with Ampcontrol or WTC.

Fortune are unaware of the reasons that prevented WTC from being successful for supply of certain transformers. However as previously noted, Fortune’s tender prices included the additional dumping duty expenses which ensured that its prices were by definition non-injurious. It is reasonable then to consider that WTC’s prices overcompensated for the imposition of the dumping duties in an effort to maximise returns, and in doing so became uncompetitive.

**Item e)** WTC accepts that the transformers were similar and states that its best alternative offer was not accepted by the customer. Tender parties were not informed of the rank of their offers relative to other prices. They were only advised of the percentage band that their respective offers fell into. So whilst it may have been WTC’s best alternative offer, it is again mere conjecture whether WTC had the best alternative offer across all offers submitted. Although Fortune believes that this confirms its previous point, that WTC’s best alternative price was not competitive against other tender prices, including Fortune’s duty-inclusive offer. The Commission is requested to seek this information from [REDACTED] to establish the facts.

**Item f)** For the reasons outlined above, Fortune disagrees with WTC’s view that there has been price suppression caused by dumping. Its price offers were inclusive of dumping duty expenses and therefore reflected a notional normal value. More importantly, it is Fortune’s view that prices for the smaller and larger transformers was set by Australian suppliers. Again, the Commission is able to confirm the facts surrounding the tender offers by requesting information directly from [REDACTED].

**Item g)** This is again mere conjecture raised by WTC and somewhat disingenuous to point out the key dates without highlighting the relevant contract date which was after the Commission’s final report was issued in December 2014. The effective date of the contract was 6 April 2015, which provided approximately 4 months for [REDACTED] to undertake and complete sensitivity analysis based on the post-BAFO pricing and the Commission’s determination.

**Item h)** WTC claims that injury has been caused ‘by the presence of Fortune Electric during the bid process’. This statement confirms that WTC is not seeking to have the dumping measures remedy injury caused by dumping, but instead simply remove import competition altogether from the Australian market, as the mere ‘presence’ of imports are supposedly

causing immediate injury, irrespective of whether those imports are priced to include the additional expenses associated with the imposed dumping duties. This point must be immediately rejected by the Commission as the measures are not intended to restrict import competition, only provide for fair competition.

Fair and equitable competition is encouraged by the dumping and international trading system, as it ensures customers are receiving good value for money. The presence of imports in the Australian market suggests that local suppliers may need to reconsider their value proposition in terms of price vs quality, reliability and life cycle cost.

Fortune again repeats its original point that as its prices to the [REDACTED] tender were inclusive of the imposed dumping duties, and Fortune was only awarded a secondary supplier contract, prices by local Australian suppliers must have been lower. In these circumstances, it must be concluded that Fortune's exports did not cause injury to the Australian industry.

**Item i)** Fortune agrees with WTC that the unsuppressed selling price should be established having regard to the Australian industry's selling prices unaffected by dumping. The relevant selling prices for this purpose are those successfully offered by the local Australian suppliers to the [REDACTED] tender. These prices were unaffected by dumping as Fortune's price offers were inclusive of the imposed dumping duties, which by definition makes them a notional normal value or fair value price.

Given that the views presented by Fortune and WTC relate to a single tender by [REDACTED], and the primary claims by the parties involve a degree of inference about price relativities, the Commission is urged to request successful tender pricing information from [REDACTED] to establish the facts. It is unclear at this point whether the Commission sought further pricing information from [REDACTED] to properly address the claims made to the review.