



## **Continuation No. 504**

### **Power Transformers exported to Australia from the Republic of Indonesia, Taiwan and the Kingdom of Thailand**

#### **Note for file**

#### **Meeting with PT CG Power Systems Indonesia**

The Anti-Dumping Commission (the Commission) met with representatives from PT CG Power Systems Indonesia (CG Power) at its request to discuss its submission dated 18 September 2019 following the Statement of Essential Facts (SEF) published by the Commission on 22 August 2019.

A representative of the Government of Indonesia also attended the meeting at the invitation of CG Power.

At this meeting, CG Power presented its views on the following matters that it had raised in submissions made in respect of Continuation 504:

- **Inaccurate characterisation of CG Power's export to Australia**
  - CG Power advised that the characterisation in the SEF of the sale and supply of the power transformer delivered in 2019 was not accurate.
  - CG Power reiterated that the contract under which the sale was awarded began operation in 2015, and arose from a request for quotation in 2013.
  - CG Power noted that this contract no longer exists and it had not entered into any new contracts in the Australian market since that contract was awarded in 2014.
- **Incorrect consideration of maintenance of distribution links**
  - CG Power reiterated that its activities and objectives in the Australian market have diminished significantly since the imposition of measures and are limited to one residential engineer who attends to servicing, minor marketing activities and the monitoring of opportunities for sales of other CG Power products into Australia.
  - CG Power has also shifted focus toward other countries to supplement domestic sales, and Australia is not currently a key market. CG Power stated that it could expand its Australian operations in the future should

it be profitable to do so, but that such an expansion would take time and expense.

- CG Power discussed recent activity in the Australian market and agreed that it had participated in tenders during the investigation period however had been unsuccessful. CG Power advised that it had participated in these tenders for the purpose of maintaining visibility in the market and/or because it had been requested to participate in the tenders. Given its profit targets and the current dumping duty rate, it believed that it would have been uncompetitive at the time of participating in these tenders.

- **Wrong assumptions regarding capacity utilisation**

- CG Power explained how it arrived at its capacity utilisation figures and why it maintains that it is at full capacity and will be into 2020. The ADC inquired about forward planning prior to tenders and CG Power explained how this is managed internally.
- CG Power advised that there was significant anticipated future demand domestically in Indonesia. CG Power asserted that its preference was to supply into markets where it could achieve higher profits.
- CG Power advised that 94% was effectively a full capacity rate, given that there was a need to allow for contingencies in production planning.

- **Irrelevant dumping margin**

- CG Power asserted that the margin determined by the Commission in SEF 504 was irrelevant as it is based on activities undertaken prior to the imposition of measures and was in no way representative of CG Power's current or future practices.
- CG Power asserted that the Commission had no evidence that CG Power would be likely to dump in the future and that CG Power's tendering and costing practices, and other behaviours do not support such a conclusion.
- CG Power asserted that given it was able to achieve higher profits in its domestic and other export markets, it had no intention of dumping in the future. CG Power stated that the profit margin was the real test for the dumping of power transformers. CG Power stated that power transformers should be distinguished from other products and markets, such as steel. CG Power also advised that, at times, additional requirements or amendments on tendered projects may result in higher costs and lower actual profits.
- To verify CG Power's statements about its sales behaviour, the Commission asked CG Power representatives to provide any comparative evidence that it may have available about profitability with respect to proposals for Australian projects, to compare with the domestic profitability evidence provided in the EQ. The CG representatives indicated that they would investigate their company records and respond to the Commission on an urgent basis.

- CG Power offered to provide additional information if the Commission considered it needed it.

At the conclusion of the meeting, the representative of the Government of Indonesia (GOI) read a prepared statement presenting the GOI's response to the SEF. A version of this statement was provided after the meeting and this has been published on the Commission's electronic public record.