



Australian Government
Department of Industry,
Innovation and Science

Anti-Dumping
Commission

Consideration report number: 507

Application for a dumping duty notice

Submitted by: Wilson Transformer Company Pty Ltd

In relation to power transformers exported to Australia
from the People's Republic of China

12 March 2019

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Abbreviations

Abbreviations/short form	Full reference
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
the Act	<i>the Customs Act 1901</i>
ADRP	Anti-Dumping Review Panel
ANZIC	Australian and New Zealand Standard Industrial Classification
the applicant	Wilson Transformer Company Pty Ltd
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CT	current transformer
CTMS	cost to make and sell
DBU	distribution transformers business unit
EPR	electronic public record
FOB	free on board
FY	financial year
the goods	the goods the subject of the application
GWh	giga-watt hours
Indonesia	the Republic of Indonesia
INV 219	Investigation No. 219
kV	kilo volts
Korea	the Republic of Korea
the Manual	<i>Anti-Dumping Commission Dumping and Subsidy Manual</i>
the Material Injury Direction	<i>Ministerial Direction on Material Injury 2012</i>
the Minister	Minister for Industry, Science and Technology
MVA	mega volt ampere
PBU	power transformers business unit
power transformers	the goods the subject of the application
REP	final report
LRET	Large-scale Renewable Energy Target
R&D	research and development
SG&A	selling, general and administrative
SEF	statement of essential facts
SHV	systems highest voltage
UNENDO	PT. Unelec Indonesia
Thailand	the Kingdom of Thailand
Vietnam	the Socialist Republic of Vietnam
WTC	Wilson Transformer Company Pty Ltd

1 Findings and recommendations

1.1 Background

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under subsection 269TB(1)¹ of the *Customs Act 1901* (the Act) by Wilson Transformer Company Pty Ltd (WTC, or the applicant) for the publication of a dumping duty notice in respect of power transformers (the goods) exported to Australia from the People's Republic of China (China).

WTC alleges that the Australian industry for power transformers has suffered material injury caused by the goods exported to Australia from China at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB.

1.2 Findings

In accordance with subsection 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(1) (as set out in section 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in section 2.5 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods (as set out in chapters 3, 4, and 5 of this report).

1.3 Recommendations

1.3.1 The application not be rejected

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping duty notice should be published.

1.3.2 Investigation period

At the commencement of an investigation, the Commissioner must specify an investigation period in a public notice under subsection 269TC(4).

As outlined in the Commission's *Dumping and Subsidy Manual* (the Manual), the investigation period specified by the Commission is generally the 12 months preceding the initiation date and ending on the most recently completed quarter.²

However, the investigation period may cover a longer period than 12 months in certain circumstances to properly assess the causal link between dumping and the

¹ All legislative references are to the *Customs Act 1901* unless otherwise specified.

² See Chapter 3 of the Manual, available at www.adcommission.gov.au.

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claimed injury. One such circumstance is where there is a long lead time between order and delivery of the goods, particularly where a tender process is involved.

The Commission understands from the application and past investigations³ that sales of the goods into the Australian market generally involve tender processes. In addition, the lead time between order and delivery of the goods is significant.

Accordingly, the Commission recommends that the Commissioner nominate a three year investigation period in relation to this investigation.

Specifically, the Commission recommends that:

- exports to Australia during the investigation period 1 January 2016 to 31 December 2018 be examined for dumping, and
- details of the Australian market from 1 January 2014 be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision (**Attachment 1**) in accordance with the requirements set out in subsection 269TC(4).

The Commission observes that the applicant has provided economic data relating to its production and sales of like goods up to 30 June 2018 as part of its application.

Therefore, the Commission will require the applicant to submit additional data covering the entire investigation period (up to 31 December 2018), to ensure that the investigation examines the most contemporaneous data.

³ *Investigation No. 219, Power Transformers exported to Australia from China, the Republic of Indonesia, the Republic of Korea, Taiwan, the Kingdom of Thailand and the Socialist Republic of Vietnam* refers.

2 The application and the Australian industry

2.1 Lodgement of the application

2.1.1 Legislative framework

The procedures for lodging an application are set out in section 269TB.

The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged and receipted by the Commissioner under subsections 269TB(1) and (5)	24 January 2019	The Commission received an application from WTC which alleges that the Australian industry is suffering material injury caused by dumped power transformers exported to Australia from China.
Applicant provided further information in support of the application under subsection 269TC(2A)	30 January 2019	The Commission received further information from WTC in support of the application which restarted the 20 day period for the Commissioner's consideration of the application.
	6 February 2019	The Commission notified WTC that the application contained certain important deficiencies, which, if left unaddressed, created doubt regarding the reasonableness of the grounds for the publication of a dumping duty notice.
	19 February 2019 and 20 February 2019	The Commission received further information from WTC in support of the application which restarted the 20 day period for the Commissioner's consideration of the application.
Consideration decision due under subsection 269TC(1)	12 March 2019	The Commissioner shall decide whether to reject or not reject the application within 20 days after the applicant provided further information.

2.2 Compliance with subsection 269TB(4)

2.2.1 Finding

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

2.2.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that the application complies with subsection 269TB(4).

2.2.3 The Commission’s assessment

The table below summarises the Commission’s assessment of compliance with subsection 269TB(4).

Requirement for the application	Details
Lodged in writing under subsection 269TB(4)(a)	The applicant lodged in writing confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record on the Commission’s website at www.adcommission.gov.au .
Lodged in an approved form under subsection 269TB(4)(b)	The application is in the approved form (Form B108) for the purpose of making an application under subsection 269TB(1).
Contains such information as the form requires under subsection 269TB(4)(c)	The applicant provided: <ul style="list-style-type: none"> • a completed declaration; • answers to all questions that were required to be answered by the applicant; • completed appendices; and • sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.
Signed in the manner indicated in the form under subsection 269TB(4)(d)	The application was signed in the manner indicated in Form B108 by a representative of the applicant.
Supported by a sufficient part of the Australian industry under subsection 269TB(4)(e) and determined in accordance with subsection 269TB(6)	<p>WTC’s application identifies two other Australian manufacturers of power transformers:</p> <ul style="list-style-type: none"> • Ampcontrol Pty Ltd; and • Tyree Transformer Co Pty Ltd. <p>WTC has estimated at Confidential Appendix A-1 of its application the production of each Australian industry participant based on its market knowledge. Confidential Appendix A-1 indicates that WTC accounts for the vast majority of the total Australian production of power transformers. This is consistent with <i>Investigation No. 219</i>, the findings of which can be found in <i>Anti-Dumping Commission Report No. 219 (REP 219)</i>. Based on the information available, the Commission is satisfied that there is sufficient support for the application. The application is compliant with subsections 269TB(6)(a) and (b).</p>

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Requirement for the application	Details
Lodged in the manner approved under section 269SMS for the purposes subsection 269TB(4)(f)	The application was lodged in a manner approved in the Commissioner's instrument made under section 269SMS, being by email to an address nominated in that instrument. ⁴ The application was therefore lodged in a manner approved under subsection 269SMS(2).

2.3 The goods the subject of the application

The table below outlines the goods as described in the application and their corresponding tariff classification.

⁴ Form and manner of lodging and withdrawing applications relating to anti-dumping matters: Instrument under section 269SMS of the *Customs Act 1901*, 23 November 2018, available at www.adcommission.gov.au.

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2.3.1 Full description of the goods, as subject of the application			
<p>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 500kV (kilo volts) whether assembled or unassembled, complete or incomplete.</p>			
2.3.2 Further information provided by the Applicant			
<p>The relevant goods are hereafter referred to as 'power transformers' or 'the goods'.</p> <p>WTC stated 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:</p> <ul style="list-style-type: none">• the steel core;• the windings;• electrical insulation between the windings; and• the mechanical frame. <p>WTC considers that the product definition includes step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, traction transformers, trackside transformers and power rectifier transformers.</p> <p>WTC stated that distribution transformers are not the subject of this application. Distribution transformers are smaller transformers, are manufactured in greater quantities and have design and manufacturing technology which is different from power transformers. Distribution transformers are generally used at the lower end voltages of the power distribution system.</p> <p>It is noted that WTC also manufactures distribution transformers, although these are manufactured in a separate facility, and forms a separate profit centre. WTC's audited financial statements aggregates the data for the two business units (Power transformers Business Unit (PBU) and Distribution transformers Business Unit (DBU)). In addition to the audited financial statements, WTC provided production and sales data for PBU only.</p>			
2.3.3 Tariff classification and general customs duty			
Tariff code	Statistical code	Unit	Description
8504.22.00	40	No.	Liquid dielectric transformers having a power handling capacity exceeding 650kVA but not exceeding 10,000kVA.
8504.23.00	26	No.	Liquid dielectric transformers having a power handling capacity exceeding 10,000kVA and having a primary systems highest voltage (SHV) exceeding 36,000V.
8504.23.00	41	No.	Liquid dielectric transformers having a power handling capacity exceeding 10,000kVA and having a primary SHV not exceeding 36,000V.

Power transformers exported to Australia from China are not subject to general customs duty.

2.4 Previous and concurrent anti-dumping inquiries

2.4.1 Investigation No. 219

On 29 July 2013, following an application by WTC, the Commissioner initiated an investigation into whether power transformers exported to Australia from China, the Republic of Indonesia (Indonesia), the Republic of Korea (Korea), Taiwan, the Kingdom of Thailand (Thailand) and the Socialist Republic of Vietnam (Vietnam) were dumped.⁵

On 1 December 2014, the Commissioner terminated the investigation in so far as it related to the goods exported by certain exporters from Indonesia and in so far as it related to all exporters from China and Korea.

Specifically, with regards to the goods exported from China, the Commissioner found that the goods exported by the Siemens China group of manufacturers⁶ and the category of “all other exporters” were dumped at a rate of 5.5 per cent and that the goods exported by ABB Chongqing Transformer Co., Ltd., ABB Zhongshan Transformer Co., Ltd., Changzhou Toshiba Transformer Co., Ltd., CHINT Electric Co., Ltd. and Jiangsu Huapeng Transformer Co., Ltd. were not dumped.

The Commission found that the volume of dumped goods exported from China was negligible and therefore terminated the investigation insofar as it related to China under subsection 269TDA(3).

Following the investigation, anti-dumping measures were imposed on power transformers exported to Australia from Indonesia (PT. Unelec Indonesia (UNENDO) from Indonesia), Taiwan, Thailand and Vietnam.

The findings of the investigation were subject to review by the Anti-Dumping Review Panel (ADRP) following applications by affected parties. Following the ADRP review, the anti-dumping measures were revoked in relation to ABB Thailand, ABB Vietnam and all other Vietnamese exporters.

2.4.2 Continuation No. 504

On 11 February 2019, following an application by WTC, the Commissioner initiated a continuation inquiry into whether the continuation of anti-dumping measures in respect of power transformers exported to Australia from Indonesia, Taiwan and Thailand by all exporters other than UNENDO from Indonesia and ABB Limited from Thailand, is justified.

⁵ ADN No. 2013/64 refers.

⁶ The Commission conducted a joint verification of the Siemens (China) group of companies. The group included Siemens Transformer (Guangzhou) Co., Ltd., Siemens Transformer (Jinan) Co., Ltd. and Siemens Transformer (Wuhan) Co., Ltd.

2.5 Like goods and the Australian industry

2.5.1 Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application on the basis that:

- WTC produces power transformers that closely resemble the goods the subject of the application, and
- the power transformers that WTC produces are wholly or partly manufactured in Australia.

2.5.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods.

Like goods are defined under subsection 269T(1). Subsections 269T(1), 269T(2), 269T(3), 269T(4), and 269T(4A) are used to determine whether the like goods are produced in Australia and whether there is an Australian industry.

2.5.3 Locally produced like goods

The table below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods. This assessment is based on the information provided by WTC in the application and previous investigations, inquiries and reviews in relation to the goods.

Factor	The Applicant’s claims	The Commission’s assessment
Physical likeness	<p>Although power transformers are engineered to order products, the imported and locally produced goods are fundamentally the same. They are assembled from the same or similar core components – bushing, windings, conservator, tank and steel core.</p> <p>The Australian and New Zealand Standard Industrial Classification code applicable to the product is 24390.</p>	<p>The Commission is satisfied that locally produced and imported power transformers are physically alike.</p> <p>While power transformers generally can share common product characteristics, the wide array of potential product elements and performance attributes means that each power transformer is unique for a particular customer, and therefore the product engineered for that customer will be physically alike whether it be produced locally or imported.</p>

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Factor	The Applicant's claims	The Commission's assessment
Commercial likeness	<p>Locally produced and imported power transformers compete directly within the Australian market. When a customer plans to purchase a new or a replacement transformer, it issues a request for quotation, typically open to producers, foreign or domestic. Such a request will include the specifications of the unit. Manufacturers of power transformers will then bid on the project and confirm their ability to meet the specifications within the required time line.</p>	<p>The Commission is satisfied that locally produced and imported power transformers compete directly within the Australian market through a bid and contract award process open to both domestic and foreign manufacturers.</p>
Functional likeness	<p>Locally produced and imported power transformers have identical end uses. Power transformers are engineered to order to suit the requirements of each application. Power transformers are manufactured to the specifications of the individual utilities, generating facilities, and industrial users that purchase the product. The imported goods will be fundamentally the same in their performance characteristics of power handling capability, voltage ratio, efficiency, and durability. The WTC products are designed and manufactured to equal the performance and quality levels of the products subject to the application.</p>	<p>The Commission is satisfied that imported power transformers and those produced locally have the same end uses. Power transformers are highly complex, technical, engineered-to-order capital products. The successful tenderer must demonstrate the capacity to meet the end use requirements of the purchaser, to which end the imported and locally produced power transformer must be functionally identical.</p>

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Factor	The Applicant's claims	The Commission's assessment
Production likeness	Locally produced and imported power transformers are manufactured using similar manufacturing processes.	<p>The Commission is satisfied based on information contained within the application and that gathered during Investigation No. 219 that imported and locally produced power transformers are alike in regards their manufacture.</p> <p>While power transformers are complex products, the underlying technology necessitates a consistency of material inputs and manufacturing processes common to both locally produced and imported products.</p>
The Commission's assessment		
<p>Based on the analysis above, the Commission considers it is reasonable for WTC to claim that locally produced power transformers closely resemble the goods the subject of the application and that the locally produced goods are like goods. The Commission will further examine the issue of like goods during the course of the investigation.</p>		

2.5.4 Manufacture in Australia

The table below summarises the Commission's assessment of whether the like goods are wholly or partly manufactured in Australia and whether the like goods are therefore considered to have been produced in Australia.

The Applicant's claims
<p>WTC stated in its application that power transformers are manufactured from imported and domestically sourced raw materials. Imported raw materials that are not available in Australia include:</p> <ul style="list-style-type: none"> • core steel - high quality grain orientated electrical steel; • conductor - copper wire manufactured to exacting specifications and covered by either paper or enamel; • insulation – highly specialised paper based material; • bushings; • on-load tap changes; • transformer oil; and • sundry other components. <p>WTC stated that the Australian design and manufacturing process include the following:</p> <ul style="list-style-type: none"> • electrical design; • mechanical design; • winding; • core cut and build; • assembly; • drying; • tank manufacture; • tanking; • final assembly; and • testing.
The Commission's assessment
<p>The Commission is satisfied, based on the description of the manufacturing process provided in the application, that there is at least one substantial process of manufacture performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.</p>

2.6 Australian industry information

The table below summarises the Commission's assessment of whether WTC has provided sufficient information in the application to analyse the performance of the Australian industry.

Have the relevant appendices to the application been completed?		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Not applicable
A6.1	Cost to make and sell (and profit) – Domestic sales	Yes
A6.2	Cost to make and sell (and profit) – Export sales	Yes
A7	Other injury factors	Yes

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General administration and accounting information – WTC		
History	WTC was founded in 1933.	
Ownership	Jaberope Pty Ltd – 99.9% Rocavini Nominees Pty Ltd – 0.1%	
Operations	WTC describes itself as a leading specialist in the delivery of transformer solutions.	
Financial year	1 July to 30 June.	
Audited accounts	Audited consolidated and unconsolidated accounts for the years ending 30 June 2015, 2016, 2017 and 2018 were provided with the application.	
Annual reports	Annual reports for years ending 30 June 2015, 2016, 2017 and 2018 were provided with the application.	
Production and sales information	Cost to make and sell information	Other injury factors
WTC has provided production information for the previous five financial years, and detailed sales data for the period 1 July 2017 to 30 June 2018. The Commission has requested additional production and sales data to cover the recommended investigation period of 1 January 2016 to 31 December 2018.	WTC has provided detailed CTMS information for the period from 1 July 2016 to 30 June 2018. The Commission has requested that the CTMS data be updated to cover the recommended investigation period of 1 January 2016 to 31 December 2018.	WTC notes that the indices with a base of 100 in financial year (FY) 2013-14 should be considered carefully as this base year was a low performance year and followed the initiation of the previous successful dumping application. These injury factors will be considered during the conduct of the investigation.
Australian industry members		
WTC stated that the Australian industry manufacturing like goods in Australia consists of WTC, Ampcontrol Pty Ltd; and Tyree Transformer Co Pty Ltd. WTC provided estimated sales data in relation to these entities. The Commission accepts that WTC is responsible for the vast majority of the Australian production of like goods.		
The Commission’s assessment		
Based on the information in the application, the Commission is satisfied that there is sufficient data on which to analyse the performance of the Australian industry for the purposes of this report. However, as noted in section 1.3, the injury analysis period for the investigation will be from 1 January 2014 and the investigation period will be from 1 January 2016 to 31 December 2018. The Commission will require that WTC provide additional data to encompass the investigation period recommended. The Commission will use the contemporary data in its analysis for the purposes of the investigation. The Commission will make inquiries as to the economic performance of other Australian producers of like goods.		

2.6.1 The Australian market

Electricity is commonly transmitted over high voltage power transmission lines from the power generation source, such as the power station, to the use point, such as the

home or industry, with an important consideration being the minimisation of power loss during transmission. Transmission lines transmit electricity at very high voltages but at reduced current (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 kV, but transmission normally occurs at 66 to 500 kV. 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 MVA. Transformers that take the higher transmission voltages and convert them to lower voltages suitable for distribution systems are known as step-down transformers.

Power transformers are custom designed equipment engineered to suit the requirements of each application, and manufactured to the specifications of the individual utilities, generating facilities and industrial users that purchase the product. Power transformers involve significant capital expenditure and long lead times. When a customer plans a new or replacement transformer, it puts out a request for quotation, detailing the specifications of the unit. Manufacturers, both domestic and international, will then bid on the project and confirm their ability to meet the specifications and required time line for delivery and installation.

Development of a bid typically takes three to six weeks and involves a significant degree of engineering input. The period from the date of release of the request for quotation, the award of the contract, may be three months or more. Once a unit is ordered, completion of the production and test process typically takes six to eight months or more. It is not unusual for more than a year to elapse from the date of the release of the request for quotation to the delivery of the unit.

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

2.6.2 Market size

Sales of power transformers can be aggregated in terms of dollars, units, and total capacity (expressed in MVA). A power transformer may be 10 MVA — and weigh 20 to 25 tonnes — or over 500 MVA — and weigh over 200 tonnes. Because of this diversity of capacity of power transformers, the Commission considers that capacity rather than number of units is the most appropriate measure of the size of the Australian market. Import statistics however only identify the number of units and sales value. The Commission finds that, for the purposes of this report, in the absence of capacity data, sales value is the most relevant measure of the market size. The Commission has therefore assessed the size of the Australian market using the value of sales by the Australian industry and the value of imports.

The Australian market for power transformers is supplied by WTC, other Australian producers and imports from third countries.

WTC estimated the size of the Australian market using its own production and sales data, estimated sales of other Australian producers and import statistics sourced from the Australian Bureau of Statistics (ABS). WTC made some adjustments, based on its market knowledge, to account for some instances where it believed that importations had been incorrectly classified.

The Commission obtained details of all importations for the relevant subheadings from the Australian Border Force (ABF) import database. The Commission was able to reconcile its analysis of ABF data to the ABS data provided by WTC. Accordingly, the Commission is satisfied that WTC’s estimate of the size of the Australian market can be relied upon for the purpose of this report. As the Commission has recommended an injury analysis period and investigation period that differs to the period considered for the purposes of this report, the Commission will re-examine the size of the Australian market during the investigation. The Commission will base subsequent estimates on the most contemporaneous capacity data if possible. The size of the Australian market estimated by WTC is illustrated in the figure below:

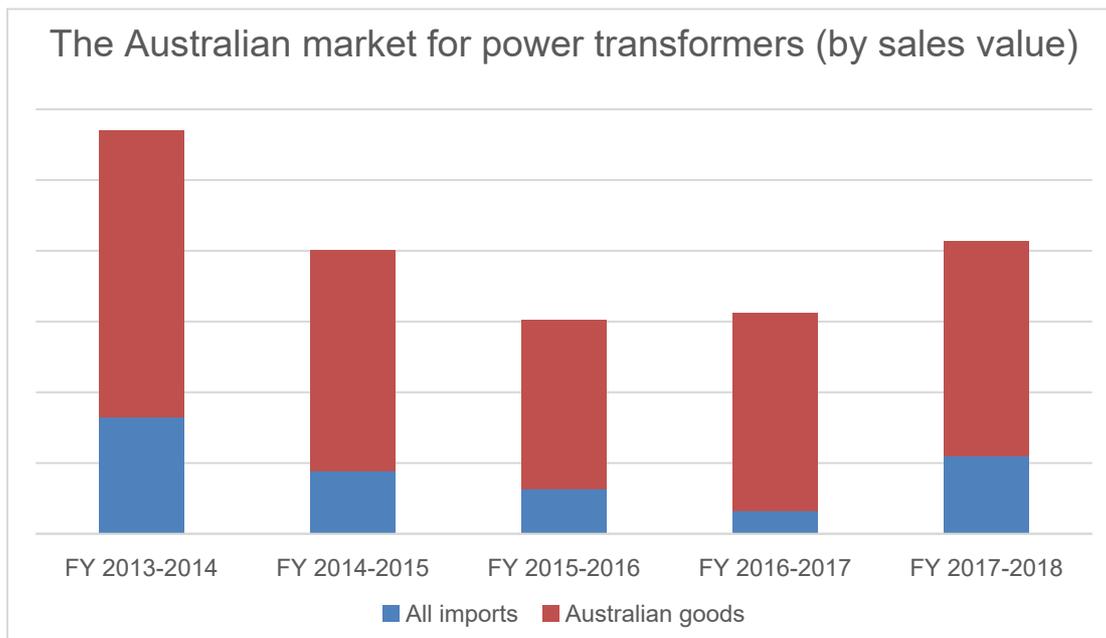


Figure 1 – The Australian market for power transformers (by sales value)

Figure 1 demonstrates that the Australian market for power transformers varied significantly over the period examined for the purposes of this report. WTC stated in its application that factors contributing to demand variability include:

- economic growth of the country generally, but more specifically of different states;
- regulation. As transmission and distribution utilities are natural monopolies, they are regulated in many ways. The five-year regulation reviews have a significant impact on the investment decisions of the utilities;
- resource cycles, and related mining and gas export projects; and
- national energy policy and associated legislation particularly related to renewable energy. Of particular significance is the Large-scale Renewable Energy Target (LRET), a federal government policy which encourages investment in renewable power stations to achieve 33 000 gigawatt hours (GWh) of additional renewable electricity generation by 2020. WTC claims that due to the deadlines associated with the financial incentives of the LRET, there is a peak of demand for power transformers commencing in approximately 2017 and ending in 2020.

The Commission’s assessment of the Australian market size for power transformers forms **Confidential Attachment 2: Australian Market Analysis**.

3 Reasonable Grounds – dumping

3.1 Findings

Pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims made by WTC that:

- the goods have been exported to Australia from China at dumped prices;
- the estimated dumping margin for exports from China is greater than 2 per cent and therefore is not negligible, and
- the estimated volume of goods from China that appear to have been dumped is greater than 3 per cent of the total Australian import volume of goods and therefore is not negligible.

3.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the Minister for Industry, Science and Technology (the Minister) must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). This issue is considered in the following sections.

3.3 Export price

3.3.1 Legislative framework

Export price is determined by applying the requirements in section 269TAB taking into account whether the purchase or sale of goods was an arms length transaction under section 269TAA.

3.3.2 The Applicant's estimate

WTC calculated deductive export prices pursuant to subsection 269TAB(3), having regard to all relevant information. WTC calculated deductive export prices for a number of transactions, each representing a procurement of power transformers, where WTC had submitted unsuccessful bids against a request for tender, and where a Chinese supplier had been identified as the preferred tenderer. WTC stated that the successful tenderer and estimated winning tender price were identified through market knowledge or post-tender discussions with the customer.

Specifically, WTC calculated the deductive export prices at a free on board (FOB) basis by deducting the Australian selling costs from the estimated winning tender price.

3.3.3 The Commission's assessment

The Commission acknowledges that an applicant can only provide information reasonably available to it. The Commission notes that due to the bespoke nature of the goods, and the confidential nature of the tendering process, there is limited information available in the public domain for the purpose of estimating export prices.

The Commission has reviewed the export price information and calculations provided by WTC.

The Commission sought to cross reference the estimated export prices for each relevant transaction to import declaration data extracted from the ABF import database. The Commission was able to cross reference some of the transactions WTC included in its application to the ABF import database, but not all of the transactions. For most of the identified transactions, WTC's estimated export prices were similar to or below the declared FOB export prices the Commission calculated from the ABF import database.

The Commission considers that the methodology utilised by WTC in its application is reasonable in the circumstances. For the purpose of this report, the Commission has therefore relied upon the deductive export prices calculated by WTC.

The Commission's analysis of the estimated export prices is located at **Confidential Attachment 3: Export Price and Normal Value Analysis**.

3.4 Normal value

3.4.1 Legislative framework

Normal value is determined by applying the requirements in section 269TAC taking into account whether:

- the purchase or sale of the goods was an arms length transaction under section 269TAA;
- the goods were sold in the ordinary course of trade under section 269TAAD;
- there has been an absence or low volume of sales of like goods in the country of export; and
- whether the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under subsection 269TAC(1).

3.4.2 The Applicant's estimate

WTC estimated the normal values for each of the transactions discussed at section 3.3.2. Each transaction represents a procurement of power transformers, where WTC had submitted unsuccessful bids against a request for tender, and where a Chinese supplier had been identified as the preferred tenderer. WTC stated that in most cases it identified the successful tenderer and country of export through market knowledge or post-tender discussions with the customer.

For each transaction WTC used its own tendered price as a starting point and made the following adjustments to reflect Chinese conditions, and to arrive at a normal value at FOB terms:

- deduct the estimated cost premium for the materials WTC sourced in Australia. The Australian supplied components listed in the application include mild steel, current transformer (CT) and CT terminal box, and control panel;
- deduct the cost of Australian freight from WTC's plant to the Australian customer's site;
- add the estimated cost of freight to the wharf in China;
- deduct the cost of Australian direct manufacturing labour;
- add the cost of Chinese direct manufacturing labour estimated on the basis of World Bank 2017 labour costs by country;
- adjust the manufacturing overheads by the difference between Australian and Chinese labour costs based on the World Bank 2017 labour costs;
- adjust the engineering costs by the difference between Australian and Chinese labour costs based on the World Bank 2017 labour costs;

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- adjust the administration overheads by the difference between Australian and Chinese labour costs based on the World Bank 2017 labour costs;
- deduct the WTC tender profit margin;
- add the Chinese tenderer's profit margin based on Plimsoll publishing business intelligence information and other public sources, including company published financial statements; and
- deduct the estimated value of transformer oil if the oil is purchased in Australia. The oil quantity and cost have been estimated based on the size and nature of the imported transformer and the approximate cost of transformer oil at that time.

3.4.3 The Commission's assessment

Subsection 269TAC(1) provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold domestically in the ordinary course of trade in arms length transactions. The Commission considers that because power transformers are capital goods that are manufactured to order to meet the individual requirements of the customer, it was appropriate for the applicant to estimate normal values by way of constructing comparable domestic prices for the equivalent power transformers exported to Australia.

The Commission notes that the starting point for WTC's calculation of normal values was the price it submitted in its unsuccessful bid. However, the adjustments made to this price mean, in effect, that WTC have constructed normal values based on the cost to make and sell power transformers in China.

The Commission reviewed the documentation provided by WTC and considers the assumptions it relies upon are reasonable in the circumstances. The Commission is satisfied that WTC's calculations were accurate.

WTC has supported its estimates with information that is reasonably available to it and, where assumptions have been made, has explained the basis for those assumptions. Where appropriate, the applicant has used data from independent sources.

The Commission has relied on the constructed normal values calculated by WTC in its application.

WTC's calculation of normal value is included in **Confidential Attachment 3: Export Price and Normal Value Analysis**.

3.5 Dumping margins

3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB.

Dumping margins and dumping volumes cannot be negligible, otherwise the investigation is terminated. Whether the dumping margins and dumping volumes are negligible is assessed under section 269TDA.

3.5.2 Dumping margin estimate

WTC estimated the dumping margin for China to be **20.3 per cent**.

3.5.3 The Commission's assessment

The Commission has assessed the dumping margin calculated by WTC and is satisfied that the dumping margin is not negligible.

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With regards to the volume of allegedly dumped goods, the Commission notes that China's proportion of the imports of the goods made up approximately 54 per cent of the total imports during the investigation period and is therefore not negligible. The volume was calculated by value from data sourced from the ABF import database.

The Commission's assessment of dumping is contained in
Confidential Attachment 3: Export Price and Normal Value Analysis.

4 Reasonable grounds – injury to the Australian industry

4.1 Findings

Pursuant to subsection 269TC(1)(c), having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support WTC's claims that the Australian industry has experienced injury in the form of:

- loss of sales volume;
- reduced market share;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced cash flow;
- reduced employment;
- reduced wages;
- reduced capacity utilisation; and
- reduced return on investment;

Injury in the form of reduced capital investment and reduced ability to raise capital was considered. However, the Commission considers that the information currently available is not sufficient to support the applicant's claim.

The Commission emphasises that all of the above injury factors will be more closely assessed during the course of the investigation and this report does not contain the Commission's final assessment of these or any other injury factors.

4.2 Legislative framework

Under section 269TG, one of the matters that the Minister must be satisfied of in order to publish a dumping duty notice is that the Australian industry has experienced material injury. This issue is considered in the following sections.

4.3 The Applicant's claims

WTC claims that the Australian industry has been injured through:

- loss of sales volume;
- reduced market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced cash flow;
- reduced employment;
- reduced wages;
- reduced capacity utilisation;
- reduced return on investment;
- reduced ability to raise capital; and
- reduced capital investment.

In its application WTC claims that material injury arising from price effects of the allegedly dumped goods from China commenced in FY 2012/13 and that material injury arising from volume effects of the allegedly dumped goods commenced in FY 2013-14.

WTC states that the reason why price effects predate the volume effects is due to the long lead time between tender submission to the customer and the final delivery date of the product.

4.4 Approach to injury analysis

4.4.1 Legislative framework

The matters that may be considered in determining whether the Australian industry has suffered material injury are set out in subsection 269TAE.

4.4.2 The Commission's approach

Power transformers are complex, engineered-to-order capital products with an operating life ranging from 30 to 50 years. The production and sales data for power transformers reflect high fixed costs and high unit prices, and hence a reduction in the capacity utilisation of a producer of such capital goods will severely affect the company's longer term economic and financial performance. Therefore, injury from the loss of a tender contract is likely to have severe and long-lasting injurious effects on the domestic industry.

Further, WTC submitted in its application that the costs and sales of power transformers were not directly comparable across periods or between products due to their complexity, efficiency and materials costs. It also submitted that the slow cycle time between the issue of requests for tender by customers and delivery, resulted in the injury being experienced for a considerable time after the lost tender.

Due to the complex nature of the goods the Commission has, for the purposes of this report, assessed injury and causation by examining each tender allegedly lost by WTC to dumped exports from China, within the broader context of the economic condition of WTC.

Therefore, the injury analysis below is based on the financial information submitted by WTC, as well as data from the ABS and ABF import database. In its application WTC identified all tenders from 1 July 2016 it believes were lost to allegedly dumped exports of power transformers from China. WTC provided a detailed analysis of these lost tenders, including:

- the tender priced offered by WTC;
- WTC's costs of manufacture and sale in relation to the tender;
- WTC's identification of the manufacturer winning the tender; and
- WTC's estimate of the winning tender price based on market knowledge or through communications with the tendering entity.

The Commission's analysis is primarily based on information in respect of specific tenders, but also considers general financial information submitted by WTC.

4.4.3 Injury analysis period

The purpose of the injury analysis period is to allow the Commission to identify and examine trends in the Australian market which in turn assists the Commission in its examination of whether material injury has been caused by dumping during the investigation period.

The injury analysis period for the purposes of this report is from 1 July 2013. All figures below compare years ending 30 June.

As noted in section 1.3, the investigation will use a different investigation period and injury analysis period, meaning that the following analysis is subject to change.

4.5 Volume effects

WTC claimed injury in the form of loss of sales volume and reduced market share commencing in FY 2013-14. WTC submitted production and sales data for the PBU (the business unit within WTC that manufactures the power transformers that are like goods to the goods subject to the application), as well as import data sourced from the ABS to underpin its claim.

4.5.1 Sales volume

Figure 2 below illustrates WTC’s sales data expressed in MVA and number of units sold.

The graph demonstrates that although units sold by WTC decreased steadily during the injury analysis period there were some fluctuations when the sales data was measured in MVA. The total value of sales expressed in MVA reflects the underlying mix in sizes of transformers sold over the injury analysis period.

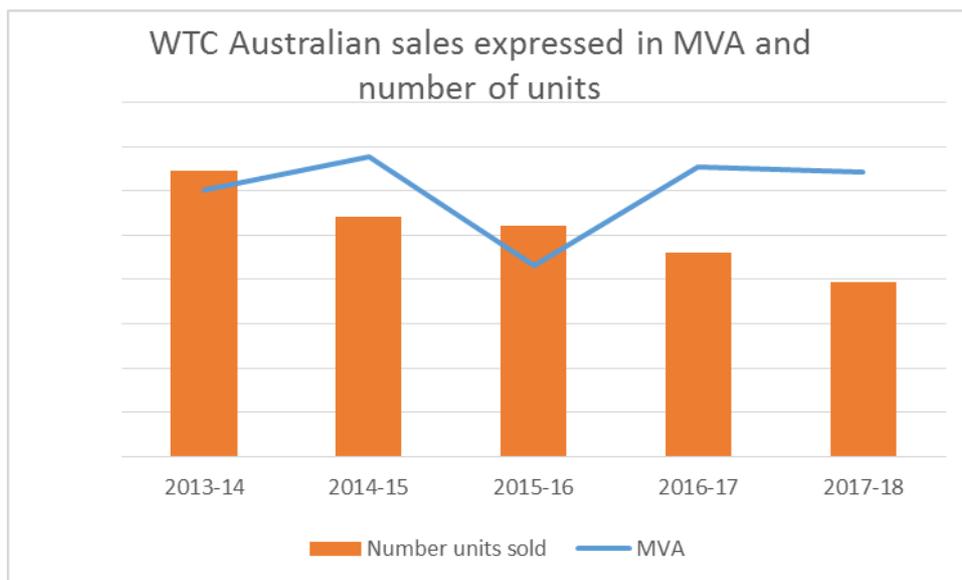


Figure 2 – WTC Sales volume (by number of units and MVA)

4.5.2 Market share

Figure 3 below illustrates changes in market share for WTC, other Australian industry participants and exporters. Due to the absence of capacity data for imported goods, as discussed in section 2.6.2 above, sales value has been used as the most relevant measure of market share.

The graph demonstrates that imports from Thailand, Taiwan and Indonesia have decreased since anti-dumping measures were imposed on certain exporters of power transformers from these countries in December 2014. The Australian industry regained market share in FY 2015-16 and FY 2016-17. The Australian industry’s market share contracted significantly in FY 2017-18, whilst China’s market share tripled in the most recent year of the injury analysis period.

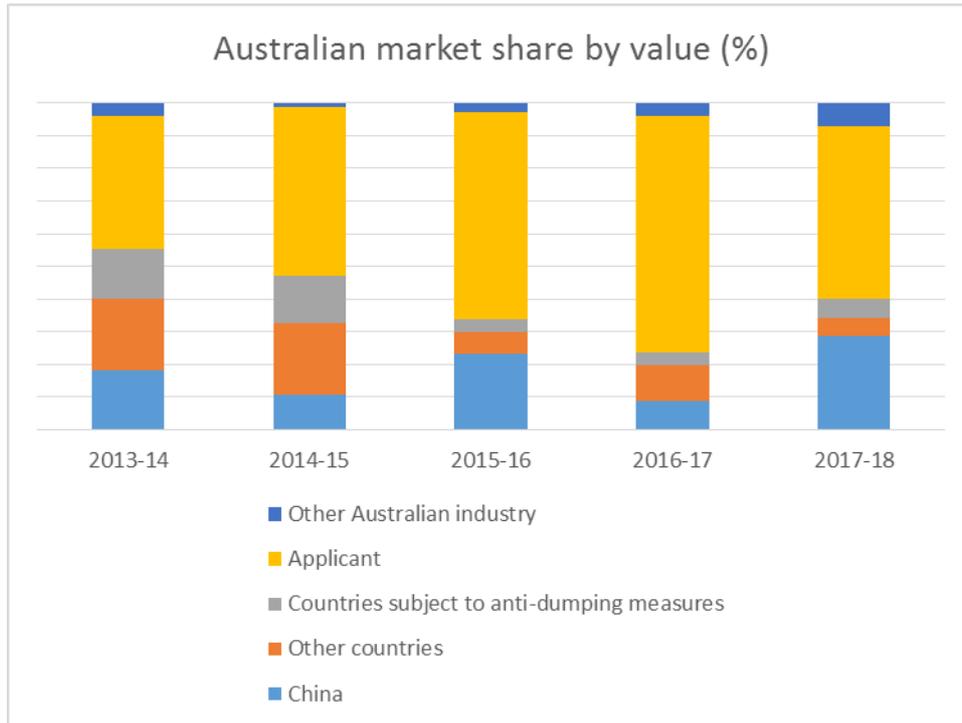


Figure 3 – Australian market share as percentage of sales value

4.5.3 Conclusion – volume effects

The Commission has reviewed the data provided by the applicant in conjunction with import data sourced from the ABS and ABF import database. The Commission found that although WTC’s market share initially increased following the imposition of dumping duty measures on imports from Taiwan, Thailand and Indonesia, those gains have been eroded in FY 2017-18. The Commission also notes that WTC has experienced a steady decline in the number of units sold over the injury analysis period.

Based on this assessment, the Commission considers that there appear to be reasonable grounds to support WTC’s claim that it has suffered injury in the form of lost sales volume and reduced market share.

4.6 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented.

WTC claim in its application that it has experienced both price depression and price suppression due to the increased volume of dumped Chinese exports undercutting its prices in the Australian market.

WTC provided evidence of price injury by identifying in its application all tenders from 1 July 2016 it believes were lost to allegedly dumped exports of power transformers from China. WTC provided a detailed analysis of these lost tenders including the tender price offered by WTC and WTC’s estimate of the winning tender price based on market knowledge or through communication with the tendering entity.

WTC claim that there has been a clear and consistent downward pressure on power transformer pricing from FY 2011-12 onwards driven by competition from dumped imports. REP 219 found that the Australian industry suffered price suppression as a result of dumped exports from Indonesia, Taiwan and Thailand. WTC claim that

following the imposition of measures on certain exporters from those countries in 2014, the volume of dumped exports from China has increased and has become the primary cause of price suppression in the Australian market.

Figure 4 below illustrates the applicant's average selling price per MVA compared to the average cost of production per MVA across the injury analysis period.

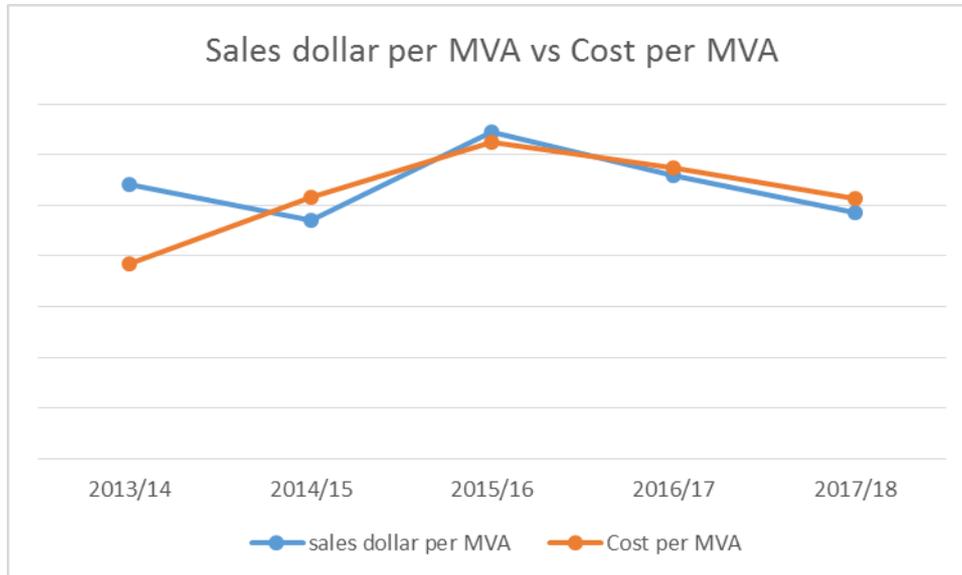


Figure 4 – WTC sales dollar per MVA vs cost of production per MVA

The graph demonstrates that WTC's selling price per MVA recovered somewhat following the imposition of measures on certain exporters of power transformers from Indonesia, Taiwan and Thailand in 2014, however this has decreased over the two most recent financial years. The graph also demonstrates that while production costs per MVA have fallen over this time, the rate of decline has been slower than the decline in the selling price per MVA.

4.6.1 Conclusion – price effects

The Commission has examined the information submitted by WTC in support of its claims that it has suffered injury in the form of price depression and price suppression.

The Commission considers that there appear to be reasonable grounds to support WTC's claim that the Australian industry has suffered injury in the form of price suppression, as the selling price per MVA has declined at a greater rate than the decline in production costs per MVA from FY 2015-16.

The Commission notes that WTC lost tenders during the injury analysis period. However, there is presently insufficient information to make a conclusion in regard to price depression. During the course of the investigation the Commission will examine both successful and unsuccessful tenders to examine price effects.

4.7 Profit and profitability effects

Figure 5 below charts the profitability of WTC across the injury analysis period. The profitability is derived as the net margin before tax divided by total revenue.

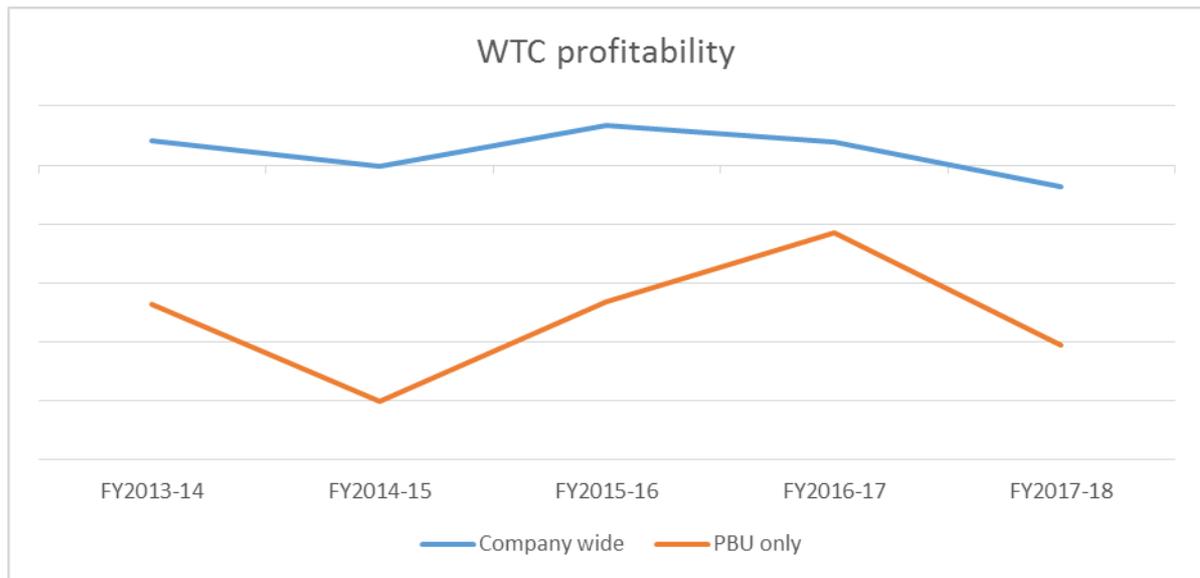


Figure 5 – WTC profitability

The graph demonstrates that the PBU is less profitable than the company as a whole, and in FY 2017/18 the PBU experienced a decline in profitability.

4.7.1 Conclusion – profit and profitability effects

The Commission considers that there appear to be reasonable grounds to support WTC’s claim that the Australian industry has suffered injury in the form of lost profits and reduced profitability.

4.8 Other injury factors

WTC claimed injury in the form of the following “other injury factors”:

- reduced employment;
- reduced wages;
- reduced capacity utilisation;
- reduced ability to raise capital;
- reduced cash flow;
- reduced capital investment;
- reduced assets;
- reduced research and development (R&D) expenditure; and
- reduced return on investment.

4.8.1 Reduced employment and reduced wages

WTC claims that employment and the cost of average wages have diminished over the injury analysis period due to the PBU’s financial performance being impacted by competition from dumped Chinese exports. The Commission observed that WTC’s employment and cost of average wages have declined over the injury analysis period, though there was an uptick in FY 2017-18.

4.8.2 Reduced capacity utilisation

WTC claim that capacity utilisation has reduced during the injury analysis period. The Commission observed that despite a drop in capacity utilisation in FY 2015-16, capacity utilisation has remained relatively stable across the injury analysis period. WTC stated that the reduced capacity utilisation is more severe than indicated by the

supplied data since the capacity utilisation was already at low a level at the base year of FY 2013-14, during which Investigation No. 219 was initiated.

The Commission considers that additional data will be required during the investigation in order to assess this injury factor.

4.8.3 Reduced ability to raise capital

WTC claim that underutilisation of WTC's PBU production facility has resulted in reduced ability to raise capital, however did not provide any further evidence underpinning this claim.

The Commission considers that additional data will be required during the investigation in order to assess this injury factor.

4.8.4 Reduced cash flow

WTC claim that it has suffered reduced cash flow for the PBU over the injury analysis period. WTC based the cash flow measure on the accounts receivable balance for PBU at the end of each financial year. The Commission observed that there has been a decline in cash flow over the injury analysis period.

4.8.5 Reduced capital investment

WTC claim that reduction in capital investment is another injury factor resulting from the impact of dumped imports.

The Commission considers that additional data will be required during the investigation in order to assess this injury factor.

4.8.6 Reduced assets

WTC claim that it has suffered a reduction in assets in the PBU over the injury analysis period. The Commission observed that the value of assets declined over the injury analysis period.

4.8.7 Reduced R&D expense

WTC claim that they have experienced reduced R&D expenditure by the PBU over the injury analysis period. WTC stated that R&D expenditure is difficult to sustain in the absence of business certainty and adequate profitability.

4.8.8 Reduced return on investment

WTC claim that it has experienced reduced return on investment during the injury analysis period.

Figure 6 below illustrates WTC's movements in the rate of return on capital investment over the injury analysis period.

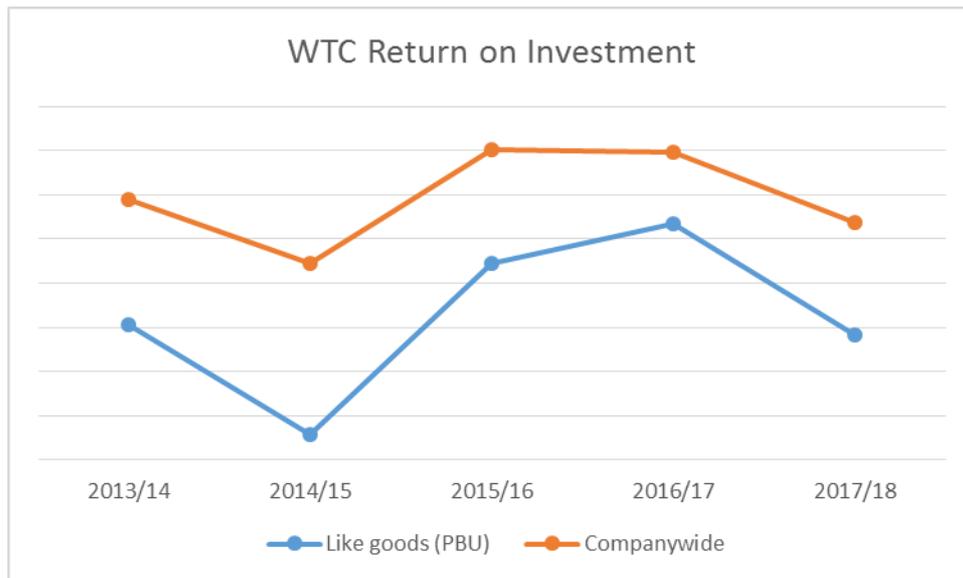


Figure 6 - WTC return on investment

This figure demonstrates that the PBU experienced improved return on investment in FY 2014-15 and FY 2015-16, however these improvements have been eroded in FY 2017-18.

4.8.9 Conclusion – other injury factors

The Commission has assessed the other injury factors claimed by the applicant. The Commission considers that there appear to be reasonable grounds to support WTC’s claims that the Australian industry has experienced injury in the form of the following other injury factors during the injury period:

- reduced employment;
- reduced wages;
- reduced cash flow;
- reduced assets;
- reduced return on investment; and
- reduced R&D expenditure.

While the Commission considers that there appear to be reasonable grounds to support the above detailed injury factors, the Commission considers, for the purposes of this report, that the claims relating to injury in the form of reduced capacity utilisation, reduced capital investment and reduced ability to raise capital are not currently supported by sufficient evidence.

The Commission’s assessment of the economic condition of the Australian industry forms **Confidential Attachment 4: Injury analysis**.

4.9 Threat of material injury

WTC completed section C-2 of the application form relating to threat of material injury. WTC claim that the increasing level of dumped imports from China has caused and will continue to cause material injury. WTC asserted that this is due to the considerable lead times between the award of an order and the delivery of the finished product.

The Commission does not interpret WTC’s claims as relating to a threat of material injury. The Commission notes that it has recommended an investigation period of

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three years in order to fully assess the causal link between the allegedly dumped goods and injury. This longer investigation period takes into account the longer lead times of the goods. The Commission also notes that the injury analysis period is from 1 January 2014 and has no end date. Therefore, the Commission may seek contemporaneous data from the Australian industry to analyse any ongoing effects of dumped goods, if required. The combination of the above means that WTC's claims can be taken into account.

Lastly, the Commission does not consider that WTC established reasonable grounds in section C-2 of the application form to substantiate a claim for threat of material injury, having regards to the specific questions.⁷ If further evidence is provided as part of the investigation, the Commission may revisit this issue.

⁷ Relating to among other things, the rate of increase in dumped imports, changes to the available capacity of the exporters, the prices of imports that will have a significant depressing or suppressing effect on domestic prices and lead to further imports, and inventories of the goods

5 Reasonable grounds – causation factors

5.1 Findings

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has suffered injury caused by dumping, and that the injury is material.

5.2 Cause of injury to the Australian industry

5.2.1 Legislative framework

Under section 269TG, one of the matters that the Minister must be satisfied of in order to publish a dumping duty notice is that the material injury suffered by the Australian industry was caused by dumping. This issue is considered in the following sections.

Matters that may be considered in determining whether the Australian industry has suffered material injury caused by dumped or subsidised goods are set out in section 269TAE.

5.2.2 Size of the dumping margins

Under subsections 269TAE(1)(aa), the Minister may have regard to the size of the dumping margin in respect of the goods exported to Australia.

The dumping margin of 20.3 per cent outlined in section 3.5.2 is not negligible. The Commissioner is satisfied that this dumping margin is likely to enable importers of power transformers to have a competitive advantage on price when negotiating tenders compared to the Australian industry.

5.3 The Applicant's claims

The table below summarises the causation claims of the applicant.

Injury caused by dumping

The Applicant makes the following claims in regard to injury caused to the Australian industry by dumped power transformers from China:

Volume effects

- There has been a significant increase in the volume of Chinese exports of power transformers;
- Almost all of market share lost by exporters following the imposition of dumping duties on imports from Thailand, Taiwan and Indonesia in 2014 was gained by Chinese exporters, through dumped exports, rather than gained by Australian manufacturers; and
- It has lost tenders to dumped Chinese exports and provided a detailed analysis, by volume and value, of those tenders lost to Chinese exporters.

Price effects

- The high level of dumped exports from China has caused significant price suppression, and provided a detailed analysis of “average sales dollars per MVA” to show the reduction in prices caused by dumped exports from China;
- The prices at which sales are being lost are considerably lower than its tender prices, and provided a detailed analysis of tenders lost to Chinese exporters to demonstrate the estimated level of price undercutting.

Profit effects

- The combination of reduced sales volumes and reduced prices caused by the high level of dumped imports from China has negatively impacted profit and profitability.

Other injury factors

- The combination of reduced sales volumes and reduced prices caused by the high level of dumped imports from China has caused the following additional injury factors:
 - reduced employment;
 - reduced wages;
 - reduced capacity utilisation;
 - reduced ability to raise capital;
 - reduced cash flow;
 - reduced capital investment;
 - reduced assets;
 - reduced research and development (R&D) expenditure; and
 - reduced return on investment.

Injury caused by other factors

WTC highlighted the following factors other than dumping of goods from China which may have contributed to the injury experienced by the Australian industry.

- import tariffs on Chinese imports of power transformers that previously were levied at 5 per cent were removed in January 2017; and
- in FY 2016-17 there was an increase in imports from Austria, Korea and Thailand.⁸

⁸ The Thai exports in FY 2016-17 were supplied from a Thai exporter that is exempt from the dumping duty measures.

5.4 The Commission's assessment

5.4.1 Volume effects

The Commission examined the information provided by WTC in conjunction with information available through the ABF import database and was able to identify power transformers that were part of tenders won by Chinese exporters. The Commission was further able to establish that, based on the export price and normal value calculated in relation to these tenders, the power transformers were at what appear to be dumped prices.

On this basis, the Commission considers that there appear to be reasonable grounds to support WTC's claim that sales volume and market share injury has occurred as a result of dumped goods from China.

5.4.2 Price effects

In the analysis of lost tenders submitted by WTC as part of its application, WTC demonstrated that its price offers were significantly undercut by the estimated winning bid prices from Chinese manufacturers. WTC further asserted that if it were to further reduce its prices to match the prices of Chinese power transformers, a significant number of sales would be conducted at negative margins.

The Commission examined the data provided by WTC and compared its formal price offers for all unsuccessful tenders since July 2016 with the estimated prices of the successful Chinese manufacturers.

Figure 7 below illustrates for each lost tender over that period the price offered by WTC and the estimated winning price achieved by the successful Chinese bidder.

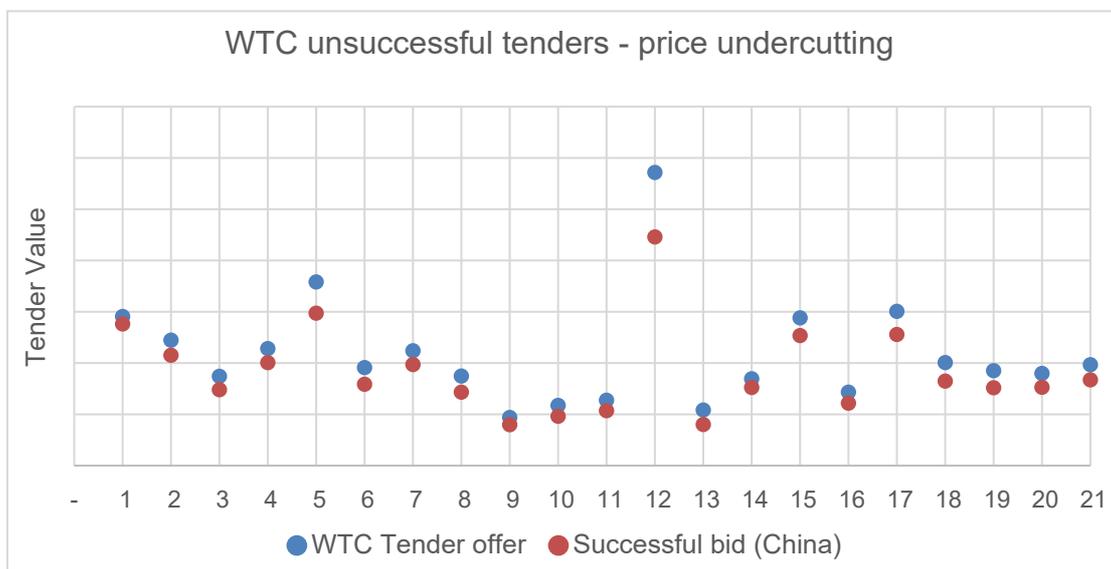


Figure 7 – WTC unsuccessful tenders – price undercutting

The Commission notes that for each of the 21 unsuccessful tenders examined, the winning Chinese tender undercut the price offer of WTC, with the level of undercutting ranging from two per cent to 26 per cent.

The Commission further notes the dumping margins calculated for these unsuccessful tenders ranged from two per cent to 36 per cent.

Based on this examination, the Commission considers that there appear to be reasonable grounds to establish evidence of price undercutting for the purposes of this report.

WTC provided evidence of price suppression in its application by calculating an average selling price per MVA. The Commission considers that sales information alone is not sufficient to establish price suppression, and to that end the Commission examined both sales and cost data submitted by WTC.

The Commission noted that WTC's selling price per MVA recovered somewhat following the imposition of measures on certain exporters of power transformers from Indonesia, Taiwan and Thailand in 2014, however has decreased over the two most recent financial years as WTC's market share and sales volumes have come under pressure from an increased level of exports from China.

WTC's costs of production followed a similar trend to that of sales dollars per MVA however the Commission noted that while production costs per MVA have also fallen over the last two financial years, the rate of decline has been slower than the decline in the selling price per MVA.

Based on this examination, the Commission considers that there appear to be reasonable grounds to support WTC's claims that it has experienced injury in the form of price suppression caused by the increased volume of exports from China at dumped prices which have undercut WTC's selling prices.

5.4.3 Profit and profitability effects

The Commission considers that there appear to be reasonable grounds to conclude that the estimated dumping margins, reduced sales volumes and price effects in relation to imports of power transformers from China contributed to a profit result that was lower than what it would have been in the absence of dumped goods imported from China during the period examined.

5.4.4 Injury caused by factors other than dumping

In its application WTC claimed that injury may have been caused by other factors, notably:

- removal of import duties on power transformers from China in 2017; and
- imports from Austria, Korea and Thailand that are not subject to measures.

The Commission notes that the removal of general duties on Chinese power transformers exported to Australia could serve to increase the flow of power transformers into Australia from China, however this does not detract from the size of the dumping margins estimated and the injurious effects of the price undercutting evidenced in the application.

The Commission also notes WTC's assertions in regard to exports from other sources not subject to the application, however based on its examination of the ABF import data base, these imports represent a small volume of imports relative to those from China.

During the conduct of the investigation, the Commission will review the market for power transformers over the injury analysis period and investigate any other factors that may have impacted the Australian industry producing like goods.

5.4.5 Materiality of the injury

WTC claims that the value of lost tenders identified in its application represents a significant proportion of total PBU sales. WTC asserted that unless the injurious

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effects of dumping by Chinese exporters are curtailed the company will continue to suffer both reduced volumes and prices, severely impacting the profitability, and ultimately the sustainability of the business.

The Commission considers that there appear to be reasonable grounds for WTC to claim that the injury it has experienced is material.

5.4.6 Conclusion – material injury caused by dumping

The Commission considers that based on:

- an increase in the market share of power transformers exported from China;
- the size of the dumping margins calculated; and
- the preliminary assessment of volume, price and profit effects,

there appear to be reasonable grounds for the publication of a dumping duty notice in relation to power transformers exported to Australia from China.

6 Attachments

Attachments	Confidentiality	Title
Attachment 1	Public	Public notice
Attachment 2	Confidential	Australian market analysis
Attachment 3	Confidential	Export price and normal value analysis
Attachment 4	Confidential	Injury analysis