

16 May 2019

Mr Reuben McGovern
Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne VIC 3000

Dear Reuben,

Power Transformers exported from China (Investigation No 507)

1. Introduction

I refer to the submission from Clayton Utz dated 24 April 2019 (Document No. 507-005). A number of issues arising from the submission require a response by Wilson Transformers Co. Pty Ltd ("WTC"). Set out below are responses to a range of statements, comments and claims made in the submission.

2. Dumping

2.2. The methodology used to calculate the constructed normal value is consistent with that used in the Investigation No. 219 and accepted as a valid basis for measuring dumping.

2.3. Relevant factors:

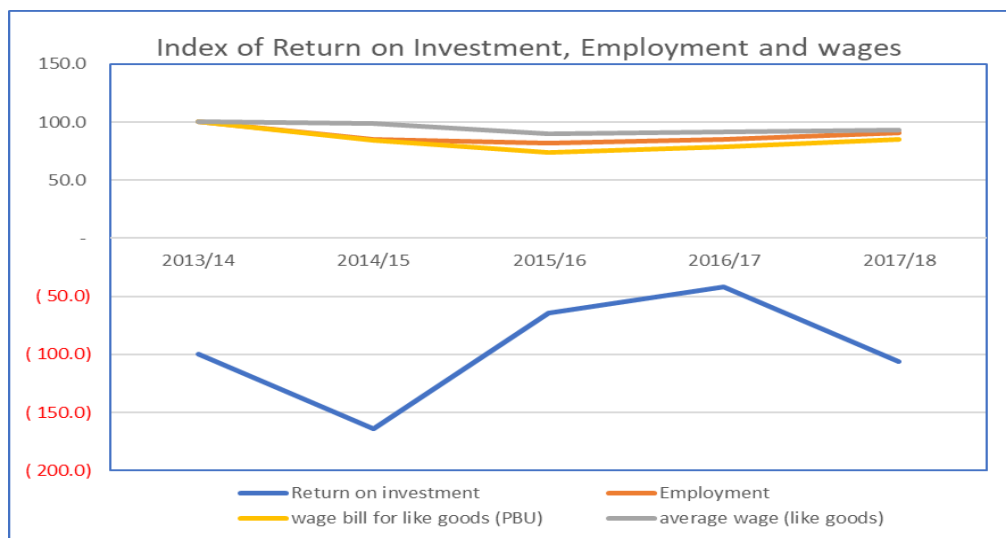
- (a) Unsuccessful bids are the only logical basis for calculating injury as lost business is the basis of the injury. Price depression and suppression, and the injury resulting from them, occurs when contracts are lost when awarded to lower price tenders. It would not be rational for a business to endeavour to calculate injury on the basis of successful bids. The degree of injury in the application is an estimate and the actual extent will be determined during the ADC verification visits to manufacturers.
- (b) The World Bank 2017 Labour costs are a reasonable basis for making adjustments and are consistent with those that were accepted in Investigation 219.
- (c) There is no basis for making exchange gain or loss allowances and there is no basis for the claim that no allocation of administrative costs has been made.
- (f) As the Applicant does not have access to actual Siemens data, the calculations must be estimates. The basis of the estimates is consistent with those used in Investigation 219. Actual data will be verified by the ADC during the verification visits.

3. Material Injury

3.1. The Applicant's sales volume between 2009/10 and 2017/18 reduced by 44.1%. This is a significant and not insubstantial decline. The assertion that the Australian industry is faring well and has not suffered any injury indicates that Siemens either does not understand the Application or is simply trying to change the facts with an uninformed assertion.

- 3.1.1. Most importantly, the Chinese imports have increased by 18% between 2013/14 and 2017/18 and by a very significant 257% in the past year, and exceed the level in 2013/14, despite the 25% reduction in the total market.
- 3.1.2. The comment 3.2 (e) that there is increasing profitability of the Applicant's business is in conflict with the statement on page 28 of WTC's Application.
- 3.2. Australian Industry experience:
 - 3.2.1. The claims of increasing demand are simply incorrect. Refer to Table 2 on Page 18 of WTC's Application. There has been a very small recovery of demand in the last two years after six years of very substantial declines in demand, albeit a small improvement in demand, from a low base, in 2016/17 and 2017/18.
 - 3.2.2. The assertion that "the market share of power transformers imported from China has followed a significant downward trend, except for FY2017/18 is simply incorrect. Refer to tables 5 and 6 on page 25 of the Application which provides this information.
- 3.6. Volume effects:
 - 3.6.1. It is worth noting the "Conclusion – volume effects" comments in Consideration Report 507, page 23, 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."* The Commission's comments support those of the Applicant.
- 3.7. ChAFTA is intended to increase trade between China and Australia. It contains no exemptions for dumped products.
- 3.9. The statement about the limited protection for Australian PT manufacturers is a fact. The inferred conclusions are baseless and self-serving.
- 3.13. Australian Dollar Value:
 - 3.13.1. To achieve the 25% devaluation figure stated in the Siemen's submission, it is necessary to compare the highest value of the Australian Dollar in the review period of A\$1.00 = US\$0.9258 on 23 October 2013 per the Reserve Bank of Australia with the lowest value in the review period of A\$1.00 = US\$0.6908 on 18 January 2016 resulting in a devaluation of 25.4%. This are clearly a very selective rates simply to support the argument.
 - 3.13.2. Between 20 September 2015 and 2 February 2018, the exchange rate increased from 0.6949 to 0.7997, a revaluation of 13.6%
 - 3.13.3. The average exchange rate for 2016/17 was 3.6% higher than the average exchange rate of 2015/16. Similarly, the average exchange rate of 2017/18 was 2.8% higher than the average exchange rate of 2016/17.
- 3.17. The issue of which tender information should be used in the submission to address the various issues has been addressed in item 2.3 above.
- 3.18. The same incorrect logic has been used in this assertion.
- 3.19. The process of multiple tender prices has been addressed in WTC's Application. Customers, logically, request revised bids from all tenderers in an endeavour to solicit the lowest price in the market.

- 3.23. The Applicant does not, by definition, have access to the final winning price and will need to use its best estimate of the price.
- 3.25. Please refer to item 3.1.2 addresses Siemen’s fundamental misunderstanding or misrepresentation of the issue.
- 3.26. The profitable trading of other Applicant businesses in the same sector indicates the capacity of the Applicant to operate a business successfully in the absence of dumped import competition.
- 3.27. The logic of this argument collapses in the light of the statement on page 28 of WTC’s Application.
- 3.28. Please refer, again, to tables 5 and 6 on page 25 of the Application for the increase in share of imports from China and the increase in market share.
- 3.29. The expectation, expressed in page 18 of WTC’s Application, is that the various Government programs will generate “some” demand. There was no assertion of “significant” increases in demand. It is perfectly reasonable to expect that increases in demand will encourage import competition. The overstatement of WTC’s Application argument is “baseless and self-serving”, and the argument should be ignored.
- 3.31. Below is a graph of the indices in the submission:

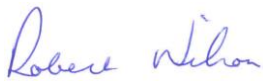


- 3.31. From the graph it is clear that the argument about WTC selectively allowing profits to increase whilst reducing employment and wages is clearly incorrect and should be ignored.
- 3.36. It is clearly logical that when losses are incurred, cash flow is weak. The statements in the Siemen’s submission are simply invalid and should be ignored.
- 3.37. The assertion that WTC could have afforded to increase R&D expenditure and chose not to is simply invalid and should be ignored.
- 3.39. This assertion is equally invalid and should simply be ignored.
- 3.40. The same response applies to this assertion.

3.44. It should be noted that the withdrawal of two multinationals related to the high levels of competition in Australia and that the withdrawal of Alstom Grid Australia Ltd overlapped with the previous Investigation 219.

3.46. The statement that exports from China were found to be dumped under Application 219 are correct. Please refer to the SEF 219, page 27, the Termination Report TER 219 page 51, and the Final Report 219, page 31. All these reports refer to the dumping margin of 5.5% by Siemens companies, but were excluded under the “de minimus” rule.

Yours sincerely,



Robert Wilson
Executive Chairman