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Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 507

**ALLEGED DUMPING OF POWER TRANSFORMERS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

VERIFICATION VISIT REPORT - IMPORTER

GE GRID AUSTRALIA PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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1 BACKGROUND

On 24 January 2019, an application was lodged by Wilson Transformer Company Pty Ltd (WTC) seeking the 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).

Public notification of the investigation was published on the Anti-Dumping Commission (the Commission) website on 18 March 2019. The background relating to the initiation of this inquiry is contained in Anti-Dumping Notice (ADN) No. 2019/35.

Following the initiation, GE Grid Australia Pty Ltd (GE AU) contacted the Commission to advise that it was an importer of power transformers from China during the investigation period, and wished to participate in the investigation. GE AU completed the importer questionnaire and relevant attachments.

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of GE AU's sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to audited financial statements.

2.2 Verification of sales to source documents

The verification team verified the accuracy of GE AU Australia's sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team found the following issue with the verification of the sales listing to source documents.

2.2.1 Discrepancy in revenue in Part B and Part C

The verification team noted that the total shipment revenue as detailed on the Part B cost to import and sell spreadsheet for one project did not reconcile to the revenue detailed for that project on the Part C sales listing. The verification team was able to confirm using GE AU's financial management system and source documents that the amount detailed on the Part B cost to import and sell spreadsheet was the correct amount. The Part C sales listing was amended to reflect the corrected amount.

2.3 Related party customers

The verification team did not find any evidence that GE AU is related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

GE AU confirmed that it imported power transformers from China during the investigation period which match the description of the goods that are the subject of this application.

3.2 Verification of importation and selling costs

The verification team sought to verify the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

The verification team identified the following issues with the verification of importation and selling costs to source documents:

3.2.1 Identification of non like goods

GE AU advised the verification team that one shipment identified from the ABF import database was not the goods. While the shipment had been classified to a tariff classification indicative of the goods, sufficient information had not been available in the goods description of the ABF import data for the verification team to determine whether the shipment met the goods description. The verification team was satisfied from source documents that the importation was a power transformer of less than 10MVA capacity, and therefore not the goods. This shipment was excluded from the Part B listing.

3.2.2 Accuracy of importation and selling costs

GE AU had rounded some of the data in the cost to import and sell spreadsheet, often to the nearest one thousand dollar. The verification team requested that the data be updated to reflect the actual values incurred in the importation and sale of the goods. GE AU provided an updated version with accurate figures.

3.2.3 Overseas freight

The verification team noted that for CIF shipments, GE AU had identified an amount for ocean freight and marine insurance that had been incurred by its related party manufacturer GE High Voltage Equipment (Wuhan) Co., Ltd (GE Wuhan). The verification team was able to reconcile these amounts to the information contained in the exporter questionnaire response provided by GE Wuhan for all but one shipment. GE AU reviewed the amount detailed for that shipment and confirmed an incorrect amount had been included. This was corrected in the updated version provided.

The verification team noted that for one FOB shipment the amount recorded for overseas freight marginally differed from the source documents. The verification team amended the freight cost for that shipment to reflect the amount detailed on source documents.

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3.2.4 Selling, general and administrative costs (SG&A)

GE AU provided the verification team with an SG&A calculation workbook covering the three year investigation period. While the verification team was satisfied with the method employed to calculate SG&A, a formula error was detected in the workbook that understated the SG&A allocated to the goods. The verification team corrected this error and transferred the corrected SG&A percentage to the cost to import and sell spreadsheet.

The verification team noted from the cost to import and sell spreadsheet that GE AU had included the percentage rate of SG&A applicable to the shipments however had not calculated a dollar amount for the purposes of calculating the total cost to import and sell inclusive of SG&A expenses. The verification team calculated an SG&A amount for each shipment by applying the SG&A percentage calculated to the revenue for each shipment. The cost to import and sell spreadsheet was amended to include this amount.

3.3 Import listing

GE AU advised the Commission that the import listing initially supplied by the Commission was not a complete listing of its importation of the goods during the investigation period. GE AU provided information on an additional four consignments that it identified as the goods. GE AU provided source documents to evidence that these additional consignments were the goods. The verification team reviewed the ABF import database and was able to confirm these consignments were imported by GE AU, however they had been declared under a tariff classification not traditionally applied to the goods, and insufficient information had been provided in the goods description to allow the Commission to identify the shipments as the goods. GE AU provided cost to import and sell and sales information in relation to these additional consignments.

3.3.1 Exception – Import listing

The values in the ABF database did not match the cost and sales information for one of the additional consignments declared. GE AU advised that these transformers were shipped across two consignments and provided evidence of the additional consignment, which the verification team reconciled to the ABF database.

3.3.2 Finding – Import listing

With the addition of these shipments, the verification team and GE AU are satisfied that the updated import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team noted in reconciling information from GE Wuhan's exporter questionnaire response that two additional transformers had been exported during the investigation period however had not been entered for home consumption during the investigation period. The verification team requested any available cost to import and sell and sales information in relation to these shipments, which GE AU supplied. GE AU noted that the power transformers relating to these shipments were not yet operational and additional costs will be incurred in the future.

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The reconciliation of imports of the goods relevant to the investigation period to the ABF database is at **Confidential Appendix 1**.

3.4 Forward orders

In its response to the importer questionnaire, GE AU provided a list of forward orders.

3.4.1 Exception – Imports in 2019

In addition to the two transformers exported in the investigation period but imported in 2019 (refer to 3.3.2), the verification team identified an additional two consignments imported in 2019 that had not been declared as forward orders. GE AU advised that these consignments were the goods, but had not been listed in the importer questionnaire, as they were technically not imports in the investigation period or forward orders.

GE AU provided information on these consignments as requested by the verification team.

The list of forward orders and other imports identified as an exception above are at **Confidential Appendix 2**.

3.5 The importer

The verification team reviewed the source documents provided in respect of the selected shipments and notes that GE AU (or entities now known as GE AU):

- is named on the commercial invoices issued by its supplier;
- arranges and pays for all the importation charges;
- is listed as the consignee on the bill of lading;
- is declared as the importer on the importation declaration to ABF; and
- arranges and pays for a service provider to deliver the goods from the port to the installation site.

Section 269T(1) of the Act defines the importer as the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed.

Subject to further inquiries, and based on the evidence detailed above, the verification team considers GE AU to be the beneficial owner of the goods at the time of importation. As such, GE AU is considered to be the importer of the goods.

3.6 The exporter

Subject to further inquiries, the verification team considers that GE Wuhan, or entities now known as GE Wuhan, manufactured and transferred title to the goods, knowing that they were destined for Australia, and hence GE Wuhan is the exporter of the goods.¹

3.7 Profitability of imports

The verification team determined a profit for each sale of the transformer equipment by deducting the actual costs to import and sell plus an amount for SG&A from the total revenue generated from that consignment. The verification team determined that not all transformer equipment sales were profitable during the investigation period. The verification team noted however that across all segments of its business, GE AU showed increasing profitability across the investigation period.

The verification team's assessment is at **Confidential Appendix 3**.

3.8 Related party suppliers

GE AU confirmed that it is related to its supplier of the goods exported from China during the investigation period.

3.9 Arms length

In light of the verification team's profitability findings at section 3.7 above, the verification team examined the cost consolidation model from which prices are determined by GE Wuhan for its related and unrelated customers, including GE AU.

The verification team was satisfied that the cost consolidation model ensures that GE AU is subject to the same commercial considerations as unrelated parties when GE Wuhan determines a price for the power transformer to be supplied.

In respect of imports of the goods to Australia by GE AU during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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Therefore, subject to further inquiries, the verification team is satisfied satisfied that the imports between GE AU and its suppliers are arms length transactions.

4 SUPPLY TENDERS AND CONTRACTS

The verification team requested and received a listing of GE AU's lost bids for power transformer projects during the investigation period. This listing is at **Confidential Attachment 2**.

From this listing, and the sales and forward order listings provided by GE AU, the case team identified a range of projects and requested information about the bids submitted for these tenders, including specifications and pricing schedules. This information was sought in order to compare with other bidders to gain an understanding of the importance of price in tender negotiations.

In relation to the tendering process and the position of GE AU in the Australian market relative to WTC, GE AU asserted that WTC was not a genuine competitor for contracts won by GE AU as either:

- the power transformer was of specifications of which WTC was not a proven supplier;
- the contract was only open to members of the customer's existing panel of suppliers (which did not include WTC);
- the power transformer was a small part of a turn-key project; or
- WTC was not invited to tender by the customer.

GE AU have addressed these claims in a submission on the Commission's electronic public record².

² See document no. 30 on the Commission's case page for Investigation 507

5 RECOMMENDATIONS

The verification team are of the opinion that for the goods imported by GE AU from GE Wuhan:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions.

The verification team recommends that the export price for goods imported by GE AU from GE Wuhan can be established under s.269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

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6 ATTACHMENTS

Confidential Appendix 1	Imports
Confidential Appendix 2	Forward orders
Confidential Appendix 3	Profitability of sales
Confidential Attachment 1	Verification Work Program
Confidential Attachment 2	GE AU list of lost bids