INVESTIGATION 507

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

VERIFICATION VISIT REPORT - IMPORTER

Toshiba International Corporation 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

July 2019
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1 BACKGROUND

On 24 January 2019, an application was lodged by Wilson Transformer Company Pty Ltd (WTC) seeking 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, the Commission wrote to Toshiba International Corporation Pty Ltd (TIC) and other importers of the goods inviting them to cooperate with the investigation. TIC completed the importer questionnaire and relevant attachments.

The investigation period is 1 January 2016 to 31 December 2018.
2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team attempted to verify the completeness and relevance of TIC’s sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30. However, the verification team was unable to complete certain procedures based on the information provided to it and as such, could not verify the completeness and relevance of TIC’s sales listing to audited financial statements.

However, based on information from the ABF import database and other relevant information available to the Commission, the verification team is satisfied that TIC’s sales listing is a complete and relevant list of TIC’s sales of the goods during the investigation period.

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

2.2 Verification of sales to source documents

The verification team verified the accuracy of TIC’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 did not identify any issues with the verification of the sales listing to source documents.

2.3 Related party customers

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

3.1 The goods

TIC 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. TIC outlined that each power transformer supplied into the Australian and domestic markets has unique technical specifications and supply terms with corresponding variations in total operational life of the transformer, among other factors.

During the investigation period, TIC imported from its related party supplier, Changzhou Toshiba Transformer Co., Ltd. (CTC).

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 at Confidential Attachment 1.

TIC advised that one of the shipments did not relate to the goods, and during the verification it advised that an error had been made relating to a foreign exchange rate. The verification team identified an issue relating to selling general and administrative (SG&A) expenses during the verification of importation and selling costs to source documents. Following revisions, the verification team is satisfied that the importation and selling costs provided by TIC to the verification team are accurate.

3.2.1 Foreign exchange rate

During the verification visit, TIC advised that a foreign exchange rate listed in its import listing was incorrect. TIC provided a revised version of the import listing that amended the foreign exchange rate. The verification team reconciled the rate to commercial invoices and considers that it is accurate.

3.2.2 Non-goods

One shipment imported by TIC during the investigation period from China related to a power transformer that exceeded the voltage threshold in the goods description. Therefore, it was not the goods under consideration and the verification team removed this shipment from the import listing.

3.2.3 Selling, general and administrative (SG&A) expenses

TIC did not include certain costs in SG&A associated with corporate overhead expenses. An example of an expense in corporate overheads is the company’s marine insurance policy. The verification team is of the view that corporate overhead expenses relate to the goods under consideration and as such has revised the import listing to include all associated costs in the calculation of SG&A.
3.3 Import listing

TIC confirmed that the import listing extracted from the ABF import database is a complete list of imports of the goods over the investigation period.

The verification team calculated a Free On Board export price for the goods under consideration at Confidential Appendix 1.

3.4 Forward orders

In its response to the importer questionnaire, TIC provided a list of forward orders. The list of forward orders is 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:

- In accordance with TIC’s delivery terms, CTC’s related Australian company TIC arranges and pays for all the importation charges;
- In accordance with TIC’s delivery terms, TIC is listed as the consignee on international freight invoices; and
- Of the relevant selected imports, all consignments listed TIC as the sender of purchase orders to CTC and as the recipient of commercial invoices from CTC.

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.

Based on the evidence detailed above, the verification team considers TIC to be the beneficial owner of the goods until they are sold to Australian customers, including at the time of importation. As such, the verification team considers that TIC is the importer of the goods.

3.6 The exporter

The verification team reviewed the source documents provided in respect of the selected shipments and notes that:

- CTC is the manufacturer of the goods;
- CTC is listed as the recipient of purchase orders from TIC and as the sender of commercial invoices to TIC;
- CTC is listed as the shipper on the bills of lading for relevant projects;
- CTC is listed as the consignor on international freight invoices;
Based on the evidence detailed above, the verification team considers that CTC manufactured the goods that are exported to Australia and hence CTC is the exporter of the goods.¹

### 3.7 Profitability of imports

The verification team notes that a shipment unrelated to the goods under consideration was removed from the import listing (chapter 3.2.1 refers).

The verification team considers that the shipments in TIC’s import listing relate to the goods under consideration imported from China during the investigation period and are relevant for assessing profitability.

To determine the profit for the relevant shipments in TIC’s import listing, the verification team subtracted unit values of the purchase price, importation costs, all installation and commissioning costs, and SG&A expenses, of the goods from the net selling price of the goods during the investigation period.

Of the relevant imports, the verification team found that the majority were profitable and, on a weighted average basis, were profitable overall. The verification team’s assessment is at Confidential Appendix 3.

### 3.8 Arms length

TIC and its supplier CTC have a common shareholding company, Toshiba Corporation. Toshiba Corporation has a controlling share in TIC and is a joint venture partner in CTC. Toshiba Corporation is also a technology service provider for TIC.

In respect of imports of the goods to Australia by TIC from CTC 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.

Based on the above considerations, the verification team considers that the imports by TIC from CTC are at arms length.

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.
4 SUPPLY TENDERS AND CONTRACTS

4.1 Information provided by TIC on supply tenders and contracts

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

TIC also provided information relating to feedback from a customer relating to tender awarded to TIC during the investigation period. This information is at Confidential Attachment 3.

The verification team requested tender documents for several tenders, both won and lost by TIC during the investigation period. TIC provided the requested documents for these tenders. This information is at Confidential Attachment 4.

4.2 TIC’s comments concerning the tender process

TIC advised that the customer will provide a specification document to the potential bidders. There may be differences in design which is a function of how the supplier plans to meet the specification. This means that there may be price differentials in the bids as a result of design. TIC claimed that one of the winning bids during the investigation period was won on superior technical specifications even though its bid price may have been higher than its competitors. TIC advised that most of the tenders during the period involved one bid and did not provide an opportunity for revised bids. There is generally minimal feedback from customers concerning the bidder’s position in comparison to competitors and where feedback is provided it is in broad terms and does not specify competitors.

It was noted that of the six shipments during the period, one did not meet the goods description and the other was an insurance claim for a tender that was completed prior to the commencement of the investigation period. In addition to TIC’s successful sales, the verification team also requested bids submitted for tenders for which it was unsuccessful during the investigation period. This was in order to compare with other bidders to gain an understanding of the importance of price in tender negotiations.

4.3 Observations on market positioning

It was the observation of the verification team that TIC aims to position itself to supply the larger end of transformers specifically to utilities. TIC claimed that while the specifications required by utilities are more complex, they are generally less price sensitive. This is due to the utilities owning the power transformer asset for the duration of its life and as such they are more interested in its technical performance.

4.4 Claims concerning the applicant

TIC claimed that there have been some concerns with Factory Acceptance Testing (FAT) with the applicant’s product. FAT is conducted after the transformer is built but before it is delivered to site. TIC claimed that it has not experienced any quality related issues with the transformers it has imported from its Chinese facility.
TIC claimed that there may be some limitations to the design and size of power transformers that the applicant is able to produce and test, which provides TIC with an advantage. This is an observation based on projects for which TIC believes the applicant did not submit a bid.
5 RECOMMENDATIONS

The verification team considers that the goods imported by TIC from CTC:

- have been exported to Australia otherwise than by the importer;
- 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 TIC from CTC can be established under subsection 269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.
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