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10 November 2019

Mr Matthew Williams
Director, Investigations 3
Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne VIC 3000

REDACTED DOCUMENT

Dear Matthew,

Anti-Dumping Commission (ADC) Investigation 507 Power Transformers (PTs) exported from the People's Republic of China Wilson Transformer Company's (WTC's) Response to the Statement of Essential Facts (SEF)

Following the release of the SEF and our meeting on 23 October 2019, WTC provides this submission with the expectation that the ADC will withdraw the proposal to terminate the investigation and further investigate the dumping case, including the re-assessment of Chinese manufacturers dumping margins and the link between dumping and material injury.

Below are the contents of this submission which we hope you will find informative.

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1. Summary of WTC's response to the SEF

WTC is of the view that –

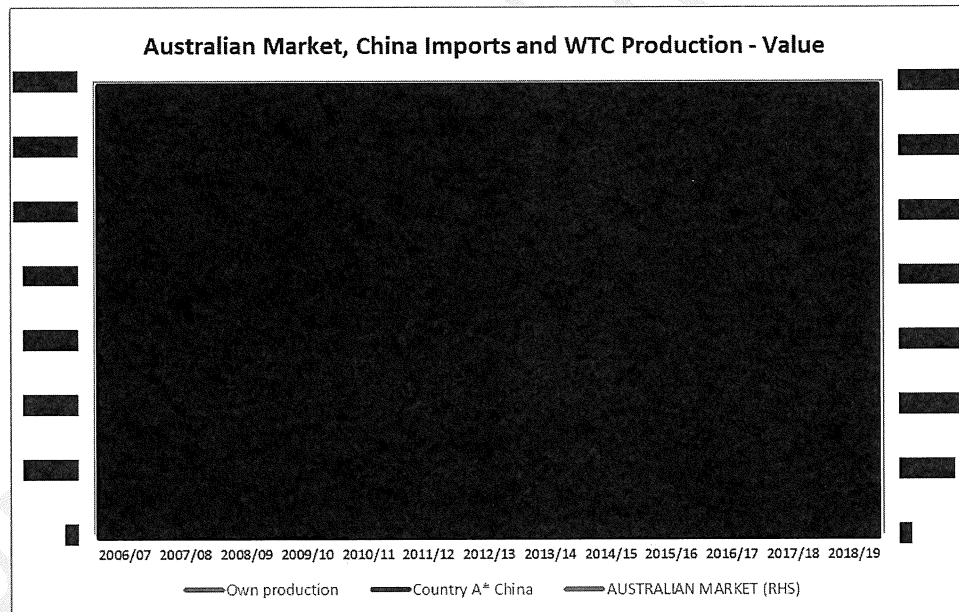
- a) The ADC has erred in its assessment of dumping margins with respect to Siemens and ABB entities in regard to –
 - Exporter costs including Direct and Indirect Materials, Re-work, Production and Corporate Overheads, Normal Value and Profit Margin; and
 - Importer costs including actual Australian costs (including re-work), Operational and Corporate Overheads, and Profit Margins.
- b) The ADC has erred in the assessment of dumping margins with all exporters in that costs incurred after importation and properly chargeable back to the exporter as product costs have not been included. These costs would result in dumping margin uplifts.
- c) Other matters such as importer cost over-runs in Australia and transformer loss cost assessments should also have been factored into the tender bid comparisons, injury and causation analysis.
- d) It is well known in the energy sector that Chinese manufacturers are driven by increased revenue and not necessarily profitability, which is supported by the financial results presented in this document.
- e) The ADC assessment of injury is very narrow and applicable more to commodity type products. Power transformers have unique designs for each application and are elaborately transformed manufactured products. The injury analysis needs to take these issues into account and be redone or reassessed.
- f) The conclusion by the ADC that it cannot be satisfied that material injury has been caused by dumped goods from China is incorrect. In respect of price suppression and particularly price depression (not through fair competition), the ADC's interpretation of events is commercially naïve. The loss of tenders, loss of revenue and loss of profit has been extremely injurious.
- g) Based on the views expressed by the ADC in the SEF, tender dumping appears unlikely to ever be found due to the ADC's inability to understand commercial reality by linking material injury to dumping. This is unsatisfactory and needs to be addressed.

2. Overview and Background on the Australian Power Transformer Market 2010 to 2018

- a) WTC expanded PT production capability significantly between 2009/10 and 2012/13 by investing \$ [redacted] million to increase capability, output capacity and product range.
- b) The PT market peaked at approximately \$ [redacted] million in 2008/09.
- c) It was steady at between \$ [redacted] million and \$ [redacted] million between 2009/10 and 2012/13, after which it declined steadily to a low of \$ [redacted] million in 2015/16 and has subsequently recovered to \$ [redacted] million in 2018/19.
- d) The peaks in PT imports have coincided with large investments in mining 2008/09, LNG 2013/14 and renewables 2017/18 onwards.
- e) PT imports from China have increased significantly from 2011/12.
- f) The Chinese total market share has increased from nil in 2006/07 to a peak of [redacted]% by value and [redacted]% by volume in 2017/18, which coincided with a decline in WTC output. In 2018/19, imports from China declined slightly as some of the importers switched sources for example to India.

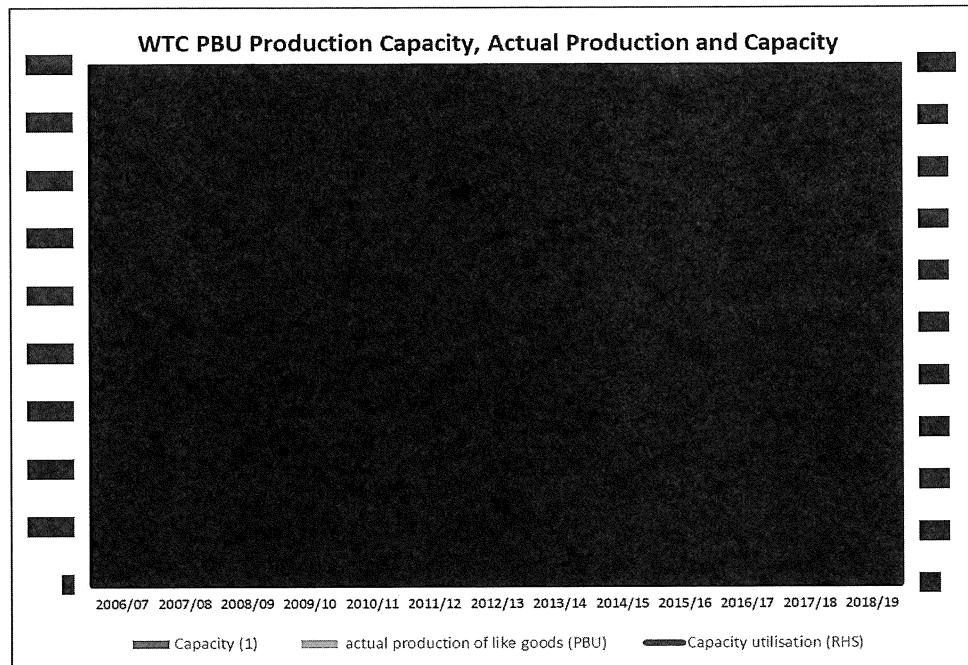
The graph below shows the:

- Total market value
- WTC production, and
- Imports from China.



- g) More particularly, the Chinese share of total imports increased from nil in 2006/07 to a peak of [redacted]% by value and [redacted]% by volume in 2017/18. Large multi-nationals like Siemens, who once imported from Austria, now import from China at much lower prices.
- h) It is clear, that by having such a large share of total imports, Chinese imports have had the **major impact on market pricing**.

- i) The combination of the declining market and increased Chinese imports has had a major impact on the WTC PT Business Unit capacity utilisation. The below graph clearly shows the impact.



- j) The outcome of the ADC Case 219 with respect to China for the three years to June 2013 was –
- Average annual imports from China for the 3 years were \$ [REDACTED] m
 - In Case 219 SEF, Siemens Dumping Duties were assessed at 5.5%, but the case against Siemens was terminated by the ADC based on Low Volume
 - Imports from China only in 2013/14 were \$ [REDACTED] million, predominantly from Siemens, which was three times the preceding three year average.
- k) Demand has increased with renewable projects during the past three years, but the large Chinese PT import volume at dumping prices has caused price suppression, price depression and low capacity utilisation which have resulted in financial losses by the WTC PT Business Unit in recent years.

3. Review of the Australian Market and PT Competitors to WTC

WTC concurs with the PT market analysis, review and findings detailed in Chapter 5 of the SEF with the exception that Chinese exporters now have increased their market share to over █% by value by the end of the investigation period.

In the ADC review of PT projects bid during the dumping investigation period in 2016, 2017 and 2018, WTC's major competitors were all Multi-National Corporations with substantial offices in Australia. While WTC understands most of their PTs were sourced from China, some came from other countries as all these MNCs have multiple plants in low labour cost countries which provides them with the ability to source from a number of countries in our region as shown by plant the locations below –

ABB	China, India, Thailand, Vietnam
GE	China, India, Indonesia
Siemens	China, India, Indonesia (from 2018)
Toshiba	China, India, Japan (not low labour cost)

These four businesses, according to the SEF, supplied 80% by value of PTs exported to Australia from China. While some of these plants are Joint Ventures to assist in winning local in-country business, they also enable these MNCs to country hop to avoid dumping. For example, Toshiba has sourced from India and ABB continues to source from Thailand.

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4. Financial Performance of Chinese PT Exporters and Importers into Australia

ATTACHMENT 1 is a CONFIDENTIAL spreadsheet highlighting the annual financial performance in US\$ for Annual Sales, Pre-Tax Profit, Total Assets and Shareholder Funds (Source – Filings where available). Other ratios are also provided where the data is provided in annual report filings. Please note –

a) For ABB entities –

- ABB Chongqing pre-tax profit on sales was excellent at █% in 2016 but declined to █% in 2017. 2018 filing data has not been received.
- ABB Zhongshan pre-tax profit on sales in 2016, 2017 and 2018 was █%, █% and █%. In 2018, sales declined by █% while profitability improved as a percentage of sales. **These financial results do not make sense and demonstrate irregularities which need further investigation.**
- ABB China, █ achieved exceptional pre-tax profit on sales in 2016, 2017 and 2018 of █%, █% and █%.
- ABB Australia pre-tax profit on sales in 2016, 2017 and 2018 was █%, █% and █%.
- ABB Global pre-tax profit on sales in 2016, 2017 and 2018 was █%, █% and █%.

b) For Siemens entities –

- Siemens Jinan pre-tax profit on sales in 2014, 2015, 2016 and 2017 was █%, █%, █% and █%. 2018 filing data has not been received.
- Siemens Wuhan pre-tax profit on sales in 2015 and 2016 was █% and █%. 2017 and 2018 filing data has not been received.
- Siemens China filing data has not been received.
- Siemens Australia pre-tax profit on sales in 2017 and 2018 was █% and █% with employee remuneration costs representing █% and █% of annual sales in 2017 and 2018.
- Siemens AG annual pre-tax profit on sales to September 2016, 2017 and 2018 was █%, █% and █% with employee remuneration costs representing █%, █% and █% of annual sales in 2016, 2017 and 2018.

c) For CTC (Changzhou Toshiba Transformers Co, Ltd) –

- CTC pre-tax profit on sales in 2016, 2017 and 2018 was █%, █% and █%.

5. Dumping Investigation (ADC SEF Chapter 6)

ATTACHMENT 2 - Provides a CONFIDENTIAL overview of the ADC Dumping Investigation

The dumping margins assessed by the ADC were –

Siemens Jinan	(10.2%)	(4.9%)
Siemens Wuhan	(3.7%)	
ABB Chongqing	(4.6%)	
ABB Zhongshan	(1.0%)	
Chint	20.6%	29.9%
CTC (Toshiba)	16.1%	
GE Wuhan	42.4%	
Jiangsu Huapeng	40.5%	

WTC disputes the dumping margins assessed by the ADC for the Siemens and ABB entities. The dumping margins are so much lower (positive) than the other entities that one must question how Siemens and ABB have structured their costs and bidding for such a result. This is supported by some market knowledge of how these businesses run their operation.

WTC strongly requests the ADC to reassess the matters below –

- a) Manufacturing Costs in China
 - Have all materials, parts including special components, and labour hours been included?
 - Have all fixed manufacturing costs including, production overheads, depreciation and finance costs been included?
 - Have full engineering costs been included?
 - Have full test costs been included?
 - Have all rework costs been costed including materials, labour and overheads?
- b) SG&A Costs in China
 - Have full costs been included?
 - **Have Australian rework costs been charged back to the exporter?**
 - **Have Australian site test failure costs been charged back to the exporter?**
 - **Have all post supply warranty costs been charged back to the exporter?**
 - **Have Liquidate Damages (LD's) for late delivery been included and/or charged back to the exporter?**
 - Have proper corporate overhead costs been included from the China Head Office and the European Head Office?
- c) Profit
 - How have negative margin contracts been treated in assessing the normal profit margin? Have they been removed from the profit assessment?
- d) Dumping Margin
 - How have negative profit margins been treated? Is there an argument for 269TACB(2)(b) to be used for Siemens and ABB when there are loss jobs on their books.
 - From 2016 to 2017, Siemens Jinan increased sales by █% while pre-tax profit on sales fell from █% to a █. Siemens Wuhan operated at a █ on sales in 2016 but on █.
 - While ABB Chongqing operated █, ABB Zhongshan's sales collapsed by █% in 2018.
 - If unforeseen costs are charged back to the exporter, the negative dumping margin for Siemens and ABB entities will change.

- e) Importation, Transport & Offloading, Installation & SAT, and Selling Costs in Australia
- Have full costs from suppliers, service contractors and local entities been included?
 - Have margins from local entities been included?
 - Have materials itemised on the product Bill of Materials not included from the FOB Value (eg. Oil including transportation and demurrage) been included?
 - **Have Australian rework costs been charged back to the exporter?**
 - **Have Australian site test failure costs been charged back to the exporter?**
 - **Have all post supply warranty costs been charged back to the exporter?**
 - **Have LD's for late delivery been included and/or charged back to the exporter?**
 - Have proper operational and corporate overhead costs been included from the Australian Head Office and the European Head Office?

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6. Economic Conditions of the Industry (ADC SEF Chapter 7)

Chapter 7 summarises reasonably well the economic conditions in the industry.

The ADC concluded that it was satisfied that WTC, which represents 85% of the Australian PT industry, experienced injury in the form of:

- i. Reduced sales volumes
- ii. Reduced market share
- iii. Price depression
- iv. Price suppression
- v. Reduced profit
- vi. Reduced profitability
- vii. Reduced cash flow
- viii. Reduced capacity utilisation
- ix. Reduced ROI
- x. Reduced productivity, and
- xi. Reduced revenue.

The ADC concluded that it was not satisfied that WTC had experienced injury in the form of:

- i. Reduced employment
- ii. Reduced wages
- iii. Reduced assets
- iv. Reduced R&D expense, and
- v. Reduced capital investment.

WTC wishes to specifically comment on the forgoing conclusions –

- a) Tenders, Sales and Market Share
 - The decline in market share in 2017 and 2018 was serious. The dumping application was one of the actions that followed this decline.
 - The lower market share, particularly in the ranges 100MVA to <200MVA and >200MVA, was very disappointing in view of the investment WTC had made to increase Australian PT product capability, capacity and product range.
 - During this period, customers commented about the unbelievable pricing they were receiving from China (much lower than previous pricing from the same suppliers).
- b) Price Suppression and Price Depression
 - Price suppression and price depression have led to losses and poor cash flow.
- c) Capacity Utilisation
 - The WTC capacity utilisation has remained low in recent years due to low market demand up to 2015/16, but more recently due to the presence of dumped imports.
 - The only reason WTC have maintained existing low volume is due to the value some customers place on having a local supply chain for these critical infrastructure assets.
- d) Revenue and Profit
 - As a consequence of the forgoing, revenue and profit from WTC's PT business has been unsatisfactory.
- e) Employment and wages
 - Employment has been maintained and increased slightly in the last year to maintain skills and to address a planned increase in sales, particularly to meet the expected short lead times required for the renewable and infrastructure sectors.
- f) Assets
 - There has only been minor investment in the assets of the WTC PT business in the last few years following the major \$■ million upgrade to the plant between 2009 and 2012. These minor investments have been made to improve quality and competitiveness in our products and services.

7. Has Dumping caused Material Injury (ADC SEF Chapter 8)

ATTACHMENT 3 – Summary & Evaluation of Tenders (CONFIDENTIAL)

This document attached summarises and comments on the analysis of the 62 tenders for 102 PTs considered by the ADC as part of the dumping investigation.

WTC has reviewed in detail the contents of Chapter 8 and makes the following observations, statements and claims –

a) Preliminary finding

WTC disagrees very strongly with the ADC's view that injury to the Australian Industry as a result of dumped good from China was negligible. This demonstrates the ADC has not understood the PT market and the impact of winning and losing tenders to dumped pricing. The ADC's conclusion was based on:

- WTC's largest competitor was Siemens Jinan and Siemens Wuhan which the ADC found not to be dumping. **WTC disputes this finding and also notes that Siemens entities supplied approximately █% by value of exports from China.**
- Analysis of won and lost tenders which showed that the lowest priced bidder is not always successful and non-priced factors are often considered to be as important as price. **Tender evaluation includes loss cost and other considerations. These factors may favour or disadvantage WTC, but they are not a reason to find negligible injury.**
- Analysis of tenders lost by Australian Industry to Chinese manufacturers found to be dumped indicated that, in the absence of dumping, the Australian Industry is unlikely to have won these tenders based on submitted bid prices. **WTC disputes these findings as WTC is of the view that it would have won a reasonable proportion of these tenders.**
- **Further, WTC is of the view that the ADC statement is an encouragement for large dumping margins in the future. This would result in the demise of Australian PT manufacturing and leave Australia with no local capability for supply and repair of these critical infrastructure assets, exposing Australia to energy security risks.**

b) Legislative framework and approach to causation analysis

WTC understands under section 269TG, one of the matters the Minister must be satisfied of in order to publish a dumping duty notice is that, **because of the dumping, material injury has been or is being caused, or is threatened to the Australian Industry producing like goods.**

WTC also understands the requirements of 269TAE(1) and 269TAE(2A).

WTC also understands the ADC in this SEF has assessed injury and causation by examining –

- 62 tenders awarded in the investigation relating to the supply of 102 PTs
- Price and volume effects during the investigation period, and
- The broader context of the economic conditions of the Australian Industry (Chapter 7).

c) Size of Dumping Margins

The ADC concluded that Siemens and ABB entities did not dump during the investigation period and as a consequence the ADC has not attributed injury to the Australian Industry to these entities. WTC disputes the Siemens and ABB entities finding which supplied █% by value of Chinese exports to Australia.

By definition, the balance of Chinese exporters, with a combined █% by value of Chinese exports, had dumping margins of █% to █%. These are very substantial dumping margins and would have had a significant impact on tender outcomes, contrary to the ADC's opinion. How is it possible for █% by volume of Chinese exports to have substantial dumping margins and the ADC to draw the conclusion that injury to the Australian Industry as a result of dumped goods was NEGLIGIBLE?

For the ADC to adopt a position that it was not satisfied that the size of the dumping margin was determinative in decisions to award tenders based on –

- The goods being capital intensive and not commodity products. **Does this mean dumping on capital goods sold by tender is not appropriate or too hard for the ADC to assess?**
- Price is only one factor. **It is however the major factor in tender assessments.**
- The ADC’s price undercutting analysis. **Does this mean it pays for an exporter to have a large dump to potentially avoid dumping duties?**
- The ADC’s analysis of bid prices in the absence of dumping. **WTC disagrees with the ADC findings, but will comment on this later.**

WTC accordingly rejects the ADC’s view that the size of the dumping margins have not materially impacted the Australian Industries overall economic performance, including volumes, prices and profits.

d) Tenders (Refer ADC SEF 8.4 and Attachment 3)

Overall 62 projects which included 102 transformers were assessed in the investigation period 2016 to 2018.

Projects won by Chinese manufacturers for which WTC submitted a formal bid (SEF 8.4.2)

- 27 projects with 39 transformers were won by Chinese manufacturers where WTC bid formally
- 18 of these projects (17 Siemens Jinan & Siemens Wuhan; 1 ABB Chongqing) were removed from the ADC causation analysis as they were found by the ADC to be not dumped. If a review of the Siemens dumping margins changed half or all of the Siemens dumping margins from negative to positive, the outcome of the injury case would alter dramatically. **Did the other dumping manufacturers bid any of these projects?**
- 1 project supplied by CTC was also removed as it was found not to be dumped.
- For the remaining 8 projects. WTC comments as follows –

Project 1 Non-priced issues	WTC has interpreted this project as the [REDACTED] kV transformers for [REDACTED]. <i>Project and customer</i> [REDACTED] advised WTC the project was lost based on cost although the ADC understands the WTC price was lower. The losses of the competing bid may have been lower leading to a lower TOC. While there was a non-price issue of a 5-limb core, WTC bid on this basis [REDACTED] [REDACTED] Dumping Duties would have changed the TOC outcome and provided the opportunity to win the tender. Injury has therefore occurred.
Projects 2, 3 & 4 Price outside ADC threshold	Dumping Duties would have put WTC in a position to negotiate. Therefore injury likely.
Project 5 Price within ADC threshold	Dumping Duties would have put WTC well within the threshold to negotiate and win, therefore injury most highly likely.
Project 6 Price within ADC threshold	Dumping Duties would have put WTC well within the threshold to win. While this was a project covered by a panel, WTC was invited to bid. Injury is highly likely.
Project 7 Price within ADC threshold	Dumping Duties would have put WTC well within the threshold to win, therefore injury most highly likely.
Project 8 Price within ADC threshold	WTC has interpreted this project as the [REDACTED] off [REDACTED] transformers for [REDACTED]. <i>Project & customer</i> Dumping Duties, [REDACTED] per transformer loss cost difference, T&Cs, true freight costs, and like for like scope of works would have changed the outcome. WTC suffered injury. Refer to detailed project CONFIDENTIAL bid analysis (Attachment 4)

Project 1 is an appropriate example which demonstrates that price alone is not the right metric for evaluating tender outcomes. The cost of losses needs to be added to the price to get a true product price comparison. There can be significant impact on award decisions due to the 'Total Cost of Ownership' which is the Cost of Product plus the Cost of Losses (No-Load [core] and Load [copper]). The ADC have identified this on page 83 of the SEF, but only considered the Load Loss and not the No-Load Loss.

The impact of relatively low levels of dumping duties as witnessed with measures applicable to Indonesian and Taiwanese manufacturers, can change a manufacturers perception and acceptance in the market.

If the second placed bidder in projects 5 and 6 was from South Korea, it is highly likely they are dumping as measures are in place in Canada and the USA against manufacturers from South Korea.

Projects won by WTC for which Chinese manufacturers, through their Australian affiliates, had submitted a formal bid (SEF 8.4.3)

- Refer to CONFIDENTIAL Attachment 5 - Review of 10 Project won by WTC against Chinese Manufacturers
- Winning projects does not mean that WTC has not suffered injury.
- Injury has been validated in Chapter 7 of the SEF. In 7 of the 10 projects won, WTC reduced prices to win the projects. All projects were quoted at very low prices and most often pushed down through a BAFO process due to dumped competition in the market.
- While two of the ten projects incurred substantial losses, the balance of projects also incurred a small loss.
- When WTC is bidding, in most cases it is unaware of the competitors. With the presence of dumping manufacturers in the market, if WTC wishes to win a contract, the prices it needs to quote will be exceptionally low and most likely at loss levels with resultant material injury.
- Material injury to an Australian Industry has therefore been caused by and is threatened by the presence of dumping manufacturers.

Projects won by non-Chinese overseas manufacturers for which WTC had submitted a formal bid (SEF 8.4.4)

- WTC now understands that 8 of the 22 tenders in the original application were supplied from countries other than China.
- With the exception of the imports from Korea, the four Multi-National Corporations mentioned in Point 3 of this submission (ABB, GE, Siemens and Toshiba who between them supplied █% of the Chinese imports) all have plants in India, while ABB also has a plant in Thailand.
- In the ADC 219 case, dumping from ABB Thailand was found to exist but was dismissed on appeal to the ADRP. WTC understands that the majority of imports from ABB during the investigation period were from Thailand.
- Korean suppliers have been subject to measures in Canada and the USA since around 2012 following action by the local industry █.

Projects won by Chinese manufacturers for which WTC had not made a formal bid (SEF 8.4.5)

Regarding the 16 projects won by Chinese manufacturers for which WTC purportedly did not make a formal bid –

- WTC wishes to make the following corrections to what was identified as ‘WTC elected not to submit a formal bid (6 projects)’ –

[REDACTED]	This was a large bank of three single phase units (equivalent to [REDACTED] MVA) and exceeded WTC’s testing capability.
[REDACTED]	WTC was not invited to bid.
[REDACTED]	WTC did not receive the tender.
[REDACTED]	[REDACTED]
[REDACTED]	WTC provided tenders [REDACTED].
[REDACTED]	WTC did not receive the tender and believe Siemens China won with no local competition. WTC request these units to be excluded from the dumping margin evaluation.

- WTC submitted a budget or indicative bid rather than a formal offer (4 projects) for the projects below.
As indicated by the ADC, WTC were not given an opportunity to bid for reasons other than price. **WTC request these units to be excluded from the dumping margin evaluation as there was no local competition.**

[REDACTED]	WTC not invited to bid
[REDACTED]	WTC not invited to bid
[REDACTED]	WTC not invited to bid
[REDACTED]	WTC not invited to bid

- WTC was unaware of the project (6 projects)
While customers are free to make decisions about the source of supply, every opportunity for capable Australian supply should be provided. Locking out capable Australian supply either via a panel arrangement or closed arrangements should be discouraged and not be grounds for avoiding dumping duties, if applicable.

Panel Arrangements (SEF 8.4.6)

- Nothing to add other than panel arrangements can sometimes preclude Australian Industry supply.

Power Transformers supplied directly rather than through a tender process (SEF 8.4.7)

- The comments in the fourth paragraph are surprising given that WTC often supplies PTs to replace other brands which have failed or at the end of life.
- The deliberate exclusion of Australian Industry in a supply process should be of wider concern for Australia Governments (Federal and State).

Providing transformers as part of a suite of products (SEF 8.4.8)

- EPC contractors should be encouraged to provide Australian Industry with the opportunity to participate in domestic projects.

Australian Industry’s response to a changing market (SEF 8.4.9)

- WTC supports the ADC comments.

Ability to produce various internal core structures (SEF 8.4.10)

- WTC has design, process engineers and staff who can capably build 5-limb cores and as the ADC reported, WTC will build such a core in the near term.

Requirement for experience producing larger transformers (8.4.11)

- WTC reiterates the comments contained in it's submission dated 18 June 2019.

e) Effects of Dumping (SEF 8.5)

Price Suppression (SEF 8.5.1)

- WTC disagrees with and disputes the ADC's finding that injury in the form of price suppression was not caused by dumping.
- The ADC found that 36% by value of imports were from suppliers who had not dumped and therefore the balance of 64% were from suppliers who had dumped. WTC was however for the reasons outlined not able to participate in some of these tenders.
- Firstly, WTC disputes the no dumping findings found for Siemens Jinan, Siemens Wuhan, ABB Chongqing and ABB Zhongshan applicable to 18 of the 27 projects. Refer section 5 and 7 of this submission.
- Secondly, the ADC found that dumping exporters supplied 8 of the 27 projects which are commented upon in section 7 of this submission.
- Further, WTC won 10 projects which were at suppressed **and depressed** prices competing against competitors who it believed were dumping. Subsequently the ADC found some of WTC competitors to be dumping and some to be not dumping.

Price Depression (SEF 8.5.2)

- WTC disagrees with and disputes the ADC's finding that injury in the form of price depression experienced during tender negotiations was not caused by dumping.
- Price suppression and price depression has existed since 2012, but price depression since 2016 has accelerated with dumped transformers impacting the price per MVA. The price per MVA in 2018/19 is no higher than in 2012/13 real terms and when exchange adjusted it is **■**% lower despite inflation. Over the past three years, for WTC the price has reduced in A\$ per MVA in real terms and exchange adjusted terms, while at the same time the average size has also reduced. See the table below.

Demonstration of Price Suppression and Price Depression

Financial Year	Av MVA >10MVA	Av Price A\$/MVA >10MVA	Average A\$/US\$ Exch Rate	Change from 12/13	Relative A\$/MVA c/w 12/13	Relative Exch Adjusted Price
2012/13	■	■	1.0271		■	■%
2013/14	■	■	0.9187	■	■	■%
2014/15	■	■	0.8382	■	■	■%
2015/16	■	■	0.7283	■	■	■%
2016/17	■	■	0.7545	■	■	■%
2017/18	■	■	0.7753	■	■	■%
2018/19	■	■	0.7156	■	■	■%

Note: Price per MVA will normally increase as the MVA decreases.

- The ADC acknowledges that WTC lowered its bids on 9 of the 27 bids covered in SEF 8.4.2 in which Siemens won 7 of the 9 and dumping manufacturers or ABB won 2 of the 9. **Did dumping manufacturers also bid on the 9 contracts won by Siemens and ABB?** This demonstrates price depression despite WTC not being successful.
- The ADC also acknowledges that WTC lowered its bids on 7 of the 10 bids covered in SEF 8.4.3 won by WTC. This demonstrates price depression on won contracts and injury.
- The ADC acknowledges that tenders are generally blind as to who is bidding. As far as WTC is concerned, it was competing against dumping manufacturers in most tenders. For the ADC to consider that the opaque nature of the tender process reduces the potential for a link between dumped prices and bids submitted by Australian Industry, and to then conclude that dumping has not caused injury in the form of price depression in tender negotiations is commercially naive in the extreme.
- Taking the ADC's argument to its logical conclusion means that dumping and injury as a consequence of price depression can never occur in a tender/negotiation process. **Is this what the ADC intends for the Australian Industry in the future? WTC disputes this rationale.**

Volume Effects (SEF 8.5.3)

- WTC disagrees with and disputes the ADC's finding that injury in the form of reduced sales volume and reduced market share was not caused by dumping.
- The ADC concluded that WTC had suffered volume related injury in SEF 7.4 and related injury in the form of reduced capacity utilisation, etc in SEF 7.7.
- In view of WTC comments under "Price Suppression and Price Depression" above and comments elsewhere in this submission, WTC is of the firm view that there is clear link between lost tenders and dumped imports from China. Injury in the form of reduced sales volume and reduced market share has been caused by dumping.

Profit Effects (SEF 8.5.4)

- WTC disagrees with and disputes the ADC's finding that injury in the form of reduced profits was not caused by dumping.
- The ADC concluded that Australian Industry had experienced injury in the form of reduced profits and profitability in SEF 7.6.
- In view of WTC comments under "Price Suppression and Price Depression" above and comments elsewhere in this submission, WTC is of the firm view that there is clear link between lost tenders and dumped imports from China and that Injury in the form of reduced profits and profitability has been caused by dumping.

Other Factors (SEF 8.5.5)

- WTC notes and concurs with the ADC that the other factors covered in SEF 7.7 are largely a function of either volume, price or profit and flow on from lost tenders.
- In view of WTC's comments under 7(d) above on SEF 8.4 and WTC comments above on SEF 8.5.1 to SEF 8.5.4, WTC is of the view that injury experienced in the form of reduced cash flow, capacity utilisation, ROI and revenue as a consequence of dumped exports from China has occurred.

f) Materiality of Injury (SEF 8.6)

- WTC disagrees with and disputes the conclusions reached from the analysis of the 62 tenders.
- The ADC advised in SEF 8.3 that 36% by value of all PTs were supplied from China were from non-dumping Chinese manufacturers Siemens and ABB. The balance of 64% must have therefore been supplied by dumping manufacturers. If the ADC claiming these were lost due to non-price factors, this is wrong.
- The ADC advised in SEF 8.4.2 that of 27 projects won by Chinese manufacturers where WTC had submitted a formal bid, 18 had been won by Siemens (17) and ABB (1). WTC questions the dumping evaluation of these manufacturers.
- The 8 remaining projects referred to in SEF 8.4.2 were supplied by manufacturers found to be dumping by the ADC and WTC has commented on these projects earlier.
- In particular, the ADC has not taken into account the dollar cost assigned by customers to PT losses in the evaluation of tenders and has reached some incorrect conclusions as a consequence in the analysis of the 8 projects.
- In SEF 8.4.3, the ADC advised WTC had won only 10 projects against Chinese manufacturers represented by their Australian affiliates. This is a much lower market share than WTC strives to achieve. In addition, the prices for these projects were depressed.
- There are negligible technical or performance reasons why WTC should not be considered for any PT tender in the range specified in the dumping application. In recent times, WTC has performed much better than most of its Chinese competitors in terms of quality and delivery.
- The 5-limb core issue has been promoted by WTC's competitors as an issue. WTC has the capability to supply such cores. In the project lost to the purported 5-limb core issue, WTC were advised our evaluated Total Ownership Cost (TOC) was just above our competitor.
- WTC questions the conclusions reached in the analysis of at least half of the 8 tenders in 8.4.2 after the addition of dumping duties.
- Further WTC disagrees with the ADC's final statement that it cannot be satisfied that material injury has been caused by dumping.

g) Conclusion (SEF 8.7)

WTC disagrees with and disputes the conclusion that it cannot be satisfied that material injury has been caused by dumped goods.

With the matters detailed in WTC's response, any logical analyst or industry expert could see that dumped prices have caused injury as a result of loss of tenders, price suppression, price depression and financial losses.

8. Proposal to Terminate Investigation (SEF 9)

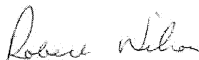
WTC disputes many of the findings and conclusions of the ADC in the SEF.

WTC requests the views expressed in this submission be acknowledged and strongly requests the ADC to take the following actions –

- a) Immediately extend the investigation and withdraw the proposal to terminate;
- b) Reassess dumping for Siemens Jinan, Siemens Wuhan, ABB Chongqing and ABB Zhongshan, addressing all the matters raised in sections 1, 4, 5 and 7 of this submission;
- c) Reassess the link between PT dumping and material injury suffered by Australian Industry as detailed throughout this submission; and
- d) Continue the investigation until these matters are investigated properly and dealt with to the satisfaction of Australian Industry.

Should the ADC require clarification on any of the forgoing statements and observations, we would be pleased to assist.

Yours sincerely,



Robert Wilson
Executive Chairman



Ed Wilson
Managing Director

Confidential Attachments:-

1. ADC 507 – Financial Performance of Competitors
2. ADC 507 – Overview of Dumping Assessment
3. ADC 507 – SEF Chapter 8 – Summary & Evaluation of Tenders
4. ADC 507 – SEF Chapter 8 – Review of Project 8
5. ADC 507 – SEF Chapter 8 – Review of 10 Project won by WTC against Chinese Manufacturers