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The Director - Investigations 3  
Anti-Dumping Commission  
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## Submission - Case 507 - Dumping Investigation on power transformers from China

Dear Director

Voith Hydro makes this submission as a person who is or is likely to be directly concerned with the importation into Australia of the goods or like goods to the goods that are the subject of the investigation for Case 507.

### Introduction

Voith Hydro is one of the world's leading suppliers of hydroelectric equipment, technology and services. As a full-line supplier, our portfolio of products covers the entire life cycle of new and existing large and small hydro power plants. We offer turnkey plant solutions applying to both the field of power generation and the area of storing electric power.

Currently we are in the process of executing a hydroelectric project to one of our clients in Australia. At Voith Hydro, we build large and long running power plants which are tailored to exactly meet the requirements to our customers in Australia and globally.

Voith Hydro sources power transformers for our power plant projects. We wish to share with the Commission key considerations in our selection of power transformers. We trust these details illustrate that non-price factors in selecting the required technical solution very much drive procurement decisions.

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## **Voith Supplier Management Process**

The complexity of our power plant projects requires an effective management system, especially for purchasing and project management of inputs including power transformers. Our supplier selection process focuses on the evaluation of the prospective supplier's technical capability, experience and demonstrated ability to deliver to the specific design and component characteristics of the particular project. Financial ability to handle the job size, management skills and tools (e.g. project management, engineering) are also key factors.

The selected supplier must meet Voith Hydro's requirements on the above matters so that Voith Hydro can be confident it can meet the major goals on Quality and Just in Time Supplies for our projects.

## **Technical Assessment of power transformers**

The transformer we need to supply to our Australian client (like the transformer the subject of Case 507) is always specifically designed and tailor-made for a specific project. Non-price bespoke requirements include but are not limited to:

- environmental behaviors,
- definition of current rating, voltage level and losses,
- insulation class,
- guarantee and warranty time,
- allowable tolerances for losses,
- type tests by independent organization,
- mechanical forces,
- size and weight limits,
- noise level, and
- accessories.

A standardized evaluation procedure which is based primarily on price considerations cannot be assumed at all. While price is of course a relevant consideration, the supplier's ability to meet the bespoke non-price considerations are the key drivers in our supplier choices.

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## **Cost considerations for sourcing supplies from outside Australia**

There are already several significant costs that an importer of power transformers into Australia would incur compared to a domestic manufacturer. For example import duties. Furthermore, we highlight tremendous freight charges for such heavy and large power transformers, which non-Australian suppliers (or we, Voith Hydro, as a customer) would need to consider, in order to ship those transformers to Australia.

Voith Hydro has previously received "no-bid decisions" from prospective suppliers of transformers located outside of Australia due to concerns that the high cost of supplying their goods to Australia would make their bid commercially non-competitive.

## **Chinese Transformer Market**

Voith Hydro views the Chinese transformer market as an important and well-established market for the power transformer industry, reflecting a moderate number of potential suppliers with long established supply chains, able to consistently meet the requirements for large power transformers on a global scale. Reflecting the local Chinese grid and power distribution market developments, Voith Hydro's observation is that the highest technical requirements and standards for power transformers are currently reflected in the Chinese market.

We additionally note that large US and EU transformer manufacturers have established new manufacturing facilities in China, to serve this highly sophisticated market.

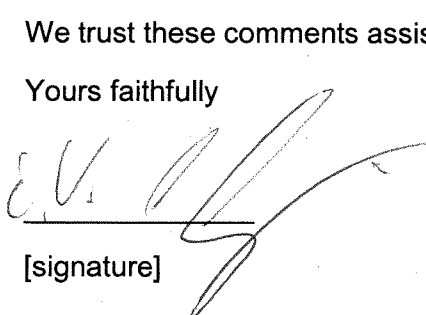
The depth of the Chinese market is important to an organisation like Voith Hydro, as it provides strong viable supplier options in assessing which supplier can best meet Voith Hydro's bespoke non-price requirements for power transformers for a project.

## **Impact of dumping measures**

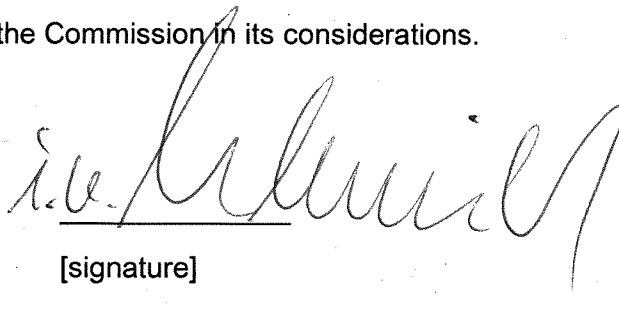
Given the above considerations, the application of dumping measures is unlikely to have any effective deterrent effect on any perceived dumping activity. Non-price considerations will continue to remain key to selection of power transformers. Any supplier with the best price is unlikely to be considered particularly if it cannot meet the non-price bespoke requirements.

We trust these comments assist the Commission in its considerations.

Yours faithfully



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