



Australian Government
Anti-Dumping Commission

CUSTOMS ACT 1901 - PART XV B
ANTI-DUMPING COMMISSION

**PRELIMINARY AFFIRMATIVE
DETERMINATION
REPORT NO. 219**

**POWER TRANSFORMERS EXPORTED FROM THE PEOPLE'S
REPUBLIC OF CHINA, THE REPUBLIC OF INDONESIA, THE
REPUBLIC OF KOREA, TAIWAN, THAILAND AND THE
SOCIALIST REPUBLIC OF VIETNAM**

20 November 2013

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PUBLIC FILE**ABBREVIATIONS & SHORTENED FORMS**

Abbreviation / short form	Full reference
ACBPS	Australian Customs and Border Protection Service
ADN	Anti-Dumping Notice
FOB	free-on-board
SEF	statement of essential facts
the Act	<i>Customs Act 1901</i>
the applicant	Wilson Transformer Company Pty Ltd
The Commission	Anti-Dumping Commission
The Commissioner	The Commissioner of the Anti-Dumping Commission
the Division	Division 2 of Part XVB of the <i>Customs Act 1901</i>
the goods	the goods subject to of the application
The Minister	the Minister for Industry
ADRP	Anti-Dumping Review Panel
WTO	World Trade Organisation

1 PRELIMINARY AFFIRMATIVE DETERMINATION

Under section 269TD of the *Customs Act 1901* (the Act) the Commissioner of the Anti-Dumping Commission (the Commissioner) may, if satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice, make a preliminary affirmative determination (PAD) to that effect. The Commissioner may not make the PAD earlier than 60 days after the date of initiation of the investigation. Day 60 of the investigation occurred on 27 September 2013.

After making a PAD, the Australian Customs and Border Protection Service (ACBPS) may require and take securities under section 42 of the Act in respect of interim duty that may become payable.

This PAD is in relation to the export of the goods to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), the Republic of Korea (Korea), Taiwan and the Socialist Republic of Vietnam (Vietnam).

The goods exported to Australia from Thailand remain under investigation but are not subject to this PAD.

2 APPLICATIONS SEEKING DUMPING MEASURES

On 8 July 2013, Wilson Transformer Company Pty Ltd (Wilson Transformers) lodged an application under subsection 269TB(1) of the Act requesting the publication of a dumping duty notice in respect of power transformers exported to Australia from China, Indonesia, Korea, Taiwan, Thailand and Vietnam.

The application alleged that dumped imports from the nominated countries were causing injury to the Australian industry in the form of:

- loss of sales volumes;
- loss of market share;
- price undercutting;
- price suppression;
- reduced revenues;
- reduced profits;
- reduced profitability;
- reduced orders on hand;
- reduced capacity utilisation; and
- reduced employment.

2.1 Initiation of dumping investigations

On 29 July 2013, following consideration of the application, the Commissioner decided not to reject the application and the Anti-Dumping Commission (the Commission) initiated an investigation. Public notification of initiation of the investigation was made in *The Australian* newspaper on 29 July 2013. Anti-Dumping Notice (ADN) No. 2013/64 provides further details of the investigation and is available on the Commission's website at www.adcommission.gov.au.

In respect of the investigation:

- the investigation period¹ for the purpose of assessing dumping is 1 July 2010 to 30 June 2013; and
- the injury analysis period for the purpose of determining whether material injury has been caused to the Australian industry is from July 2008.

2.2 Statement of Essential Facts

Pursuant to section 269ZHI of the Act, the Minister for Industry (the Minister) has approved an extension of time to publish the Statement of Essential Facts (SEF). The SEF is now due on or before 18 March 2014. The Final Report with the Commission's recommendations is now due to the Minister on or before 30 April 2014. ADN No. 2013/89 refers.

¹ S. 269T(1) of the Act refers.

2.3 Input from interested parties

The Commission has considered all relevant information provided by Wilson Transformers, importers, exporters and end-users. In the course of the investigation to date, the Commission has visited and verified information from:

- the sole Australian producer of like goods, Wilson Transformers;
- major importers of power transformers; and
- cooperating end-users of power transformers in Australia.

In addition, the Commission has had regard to requested information contained in substantially completed exporter questionnaire responses.

Non-confidential versions of submissions, visit reports and questionnaire responses will be made available to interested parties on the public file as soon as they become available.

3 THE GOODS UNDER INVESTIGATION

3.1 The goods under investigation

The goods subject of the investigation are liquid dielectric power transformers with power ratings of equal to or greater than 10 MVA (mega volt amperes) and a voltage rating of less than 500kV (kilo volts) whether assembled or unassembled, complete or incomplete.

Incomplete power transformers are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of power transformers. The active part of a power transformer consists of one or more of the following when attached to, or otherwise assembled with, one another:

- *the steel core;*
- *the windings;*
- *electrical insulation between the windings; and*
- *the mechanical frame.*

The product definition includes step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, traction transformers, trackside transformers and power rectifier transformers.

Distribution transformers are not the subject of this application. Distribution transformers are generally smaller transformers, are manufactured in greater quantities and have design and manufacturing technology which is different from power transformers. Distribution transformers are generally used at the lower end voltages of the power distribution system.

3.2 Tariff classifications

The application states that the goods are classified to subheading 8504.23.00 (statistical codes 26 and 41) to Schedule 3 of the *Customs Tariff Act 1995*. The general rate of duty is currently 5% and applies to power transformers imported from China, Korea, and Taiwan. Indonesia, Thailand and Vietnam are subject to the ASEAN-Australia-New Zealand free trade agreement and the rate for power transformers from these countries is free.

The Commission notes that in describing the goods the applicant incorrectly refers to tariff subheading 8405.23.00, but when nominating the tariff classification of the goods correctly refers to tariff subheading 8504.23.00.

ACBPS Tariff Policy and Implementation Branch confirmed that the correct tariff subheading for power transformers with a power handling capacity exceeding 10 MVA is 8504.23.00. The tariff subheading for power transformers with a power handling capacity above 0.65 MVA up to and equal to 10 MVA is 8504.22.00. It also advised that these classifications apply whether the power transformers are assembled or disassembled and also includes incomplete articles, assembled or disassembled.

3.1 Like goods

The term “like goods” is defined in section 269T of the Act to mean goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

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The Commission has examined information on the physical and technical characteristics of power transformers produced by known exporters from the nominated countries and those produced by Wilson Transformers. Information submitted by end-users for selected tenders shows that whilst power transformers differed across the various suppliers in terms of their engineering technology, both locally produced and imported power transformers complied with required technical specifications.

No interested party has suggested to the Commission that power transformers produced by Wilson Transformers and those produced by the overseas manufacturers from the nominated countries are not like goods.

On the available information, the Commission is preliminarily satisfied that there is an Australian industry producing like goods to the goods the subject of the application.

4 PRELIMINARY DUMPING ASSESSMENT

4.1 Preliminary assessment

At the time of publishing this report, substantially completed questionnaire responses were received by the Commission from the following exporters of power transformers:

- ABB Chongqing Transformer Co., Ltd - China
- ABB Zhongshan Transformer Co., Ltd - China
- SEC Alstom (Shanghai Baoshan) Transformer Co Ltd - China
- SEC Alstom (Wuhan) Transformer Co Ltd - China
- CHINT Electric Co., Ltd - China
- Jiangsu Huapeng Transformer Co., Ltd - China
- Siemens Transformer (Guangzhou) Co., Ltd - China
- Siemens Transformer (Jinan) Co., Ltd - China
- Siemens Transformer (Wuhan) Co., Ltd - China
- TBEA Shenyang Transformer Group Co Ltd - China
- PT CG Power Systems Indonesia
- PT. Unelec Indonesia
- Hyosung Corporation - Korea
- Hyundai Heavy Industries Co., Ltd - Korea
- Fortune Electric Co Ltd - Taiwan
- Shihlin Electric & Engineering Corporation - Taiwan
- ABB Thailand
- Tirathai Public Company Limited - Thailand
- ABB Vietnam

Using information provided by the above exporters, the Commission was able to construct normal values using the cost of production of the exported goods and selling, general and administration incurred in domestic sales plus a reasonable rate of profit. In accordance with Regulation 181A, the amount of profit added to constructed normal values reflects profits achieved on like good sales made in the ordinary course of trade.

A comparison of weighted average free-on-board (FOB) normal values with weighted average FOB export prices shows the following dumping margins from the nominated countries:

Country	Exporter	Dumping margin
China	ABB Chongqing Transformer Co., Ltd	de minimis
	ABB Zhongshan Transformer Co., Ltd	de minimis
	SEC Alstom (Shanghai Baoshan) Transformer Co Ltd	23.1%
	SEC Alstom (Wuhan) Transformer Co Ltd	23.1%
	CHINT Electric Co., Ltd	de minimis
	Jiangsu Huapeng Transformer Co., Ltd	de minimis
	Siemens Transformer (Guangzhou) Co., Ltd	2.6%
	Siemens Transformer (Jinan) Co., Ltd	2.6%
	Siemens Transformer (Wuhan) Co., Ltd	2.6%

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	TBEA Shenyang Transformer Group Co Ltd	35%
Indonesia	PT CG Power Systems Indonesia	5.4%
	PT. Unelec Indonesia	5.4%
Korea	Hyosung Corporation	5.3%
	Hyundai Heavy Industries Co., Ltd	5.9%
Taiwan	Fortune Electric Co Ltd	10%
	Shihlin Electric & Engineering Corporation	20%
Thailand	ABB Thailand	de minimis
	Tirathai Public Company Limited	22.5%
Vietnam	ABB Vietnam	3.4%

4.2 Volumes

The Commission examined the volume of exported goods over the investigation period to preliminarily determine if the volume of those goods calculated to be dumped was of a negligible volume.

When expressed as a percentage of the total Australian imported volume of the goods, the volume of dumped goods from Thailand were estimated to be less than 3%. For each of the other nominated countries, volume of dumped goods was greater than 3%.

Therefore, the Commission considers that for the purposes of the PAD, the volume of dumped goods from Thailand is of a negligible volume.

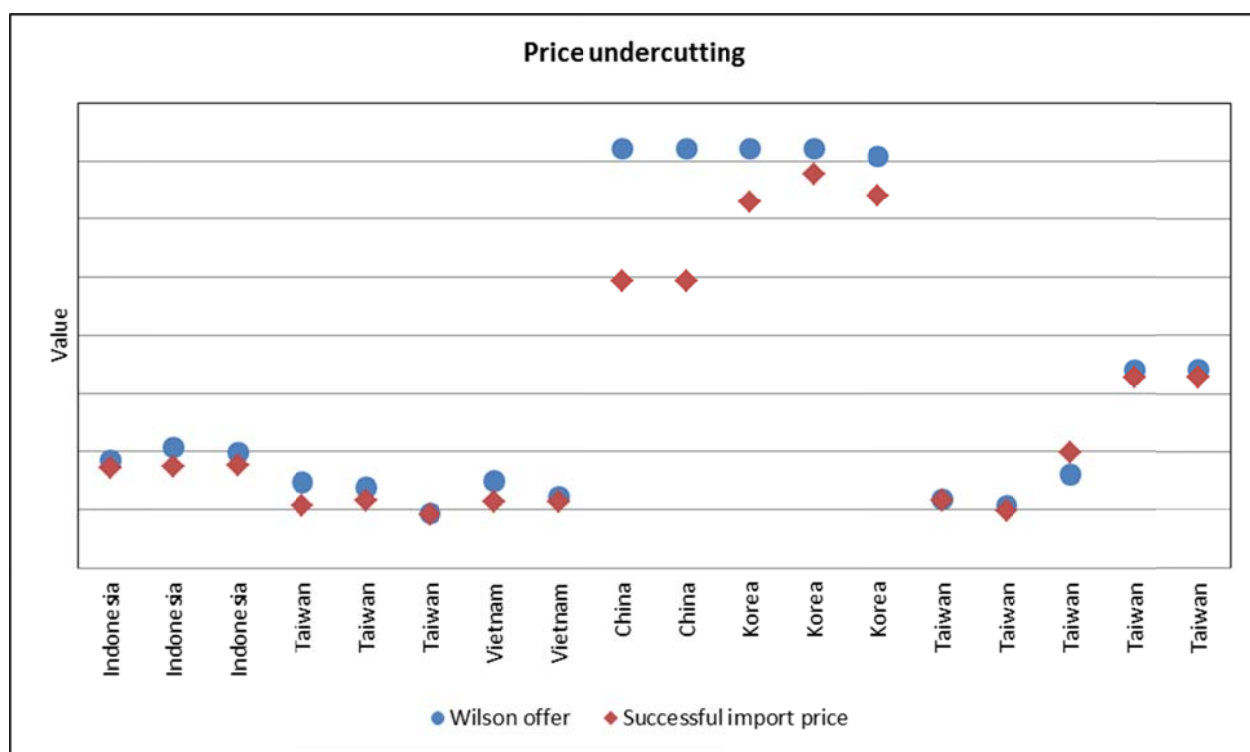
5 PRELIMINARY MATERIAL INJURY ASSESSMENT

In its application, Wilson Transformers stated that price is the most important factor considered by purchasers when evaluating tender bids. Evidence gathered from interested parties during the investigation shows that whilst various factors were taken into consideration in the awarding of tenders, price was attributed the greatest weighting.

Wilson Transformers provided a detailed analysis of lost tenders showing dumped price offers were significantly undercutting its prices for the injury period. It also claimed that these lower prices from overseas manufacturers were putting pressure on the industry to further reduce its price offers.

The Commission updated the undercutting analysis submitted by Wilson Transformers with actual price offers made by various exporters from the nominated countries. The graph below shows that exports from China, Korea, Indonesia, Taiwan, Thailand and Vietnam undercut the Australian industry's comparable prices in the identified tenders. The Commission considers that it is reasonable at this preliminary stage of the investigation to find that dumped prices of power transformers enabled exporters to successfully win domestic contracts by undercutting Wilson Transformers' tender prices.

It is also reasonable to expect that the undercutting experienced by industry contributed to Wilson Transformers revising its tender prices lower in direct competition to dumped prices.



The contracts won by dumped exports have been estimated to represent approximately \$80 million in potential lost revenue to the Australian industry. The injury is also represented by the lost potential volume, market share and associated reduction in capacity utilisation as a result of the lost contracts.

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Whilst the Commission has preliminary determined for the purposes of this PAD that dumping exists and it has caused material injury to the Australian injury, the Commission will continue to examine other possible causes of injury to the Australian industry.

6 REASONS FOR MAKING A PAD

6.1 General

The Commission has been able to complete preliminary assessments of dumping based on verified and unverified information. The preliminary assessments show that exports of power transformers by certain exporters from China, Korea, Indonesia, Taiwan and Vietnam during the investigation period were at dumped prices. Furthermore, the volume and dumping margins of the dumped goods were not negligible from those nominated countries.

The Commission has preliminarily found that dumped exports of power transformers undercut competing tender offers made by Wilsons Transformers for selected projects. It is reasonable to expect that the increased competition from dumped imports caused the Australian industry to suffer from price suppression, price depression, lower revenues, lower sales volume, reduced market share and reduced profits and profitability.

Based on the available information as at 18 November 2013, the Delegate of the Commissioner is satisfied for the purpose of the PAD that:

- power transformers have been exported from China, Korea, Indonesia, Taiwan and Vietnam at less than their normal value;
- there is an Australian industry producing like goods that is experiencing injury; and
- the dumped goods are causing material injury to the Australian industry.

Consequently, the Delegate of the Commissioner is satisfied that there appear to be sufficient grounds for the publication of a dumping duty notice in respect of power transformers exported to Australia from China, Korea, Indonesia, Taiwan and Vietnam.

The Delegate of the Commissioner has therefore made PAD No. 219 under section 269TD of the Act to that effect.

In making the PAD, the Delegate of the Commissioner has had regard to the applications, verified and unverified submissions received within 40 days of the publication of the notice of initiation, and other matters the Commissioner considers relevant.

Additionally, the Delegate of the Commissioner has also had regard to other relevant information and data submitted by interested parties to the investigations and gathered by the Commission during its investigation so far (where appropriate), including:

- data from importers;
- data from exporters;
- data submitted by the Australian industry; and
- submissions made to the investigations from day 40 of the investigation to the date of making the PAD (where possible).

7 PROVISIONAL DUMPING MEASURES

7.1 Preliminary finding

ACBPS will require and take securities under section 42 of the Act in respect of interim duty that may become payable. Securities will apply in respect of imports of power transformers from China, Korea, Indonesia, Taiwan and Vietnam and entered for home consumption on or after 18 November 2013.

No securities will apply in respect of imports of power transformers from Thailand as the imports from Thailand are not subject to this PAD.

7.2 Preliminary assessment

The Commission understands that tender contracts continue to be assessed by end-users and that exporters of preliminarily dumped goods from the nominated countries continue to submit tender offers for the supply of those contracts. Given the lengthy extension granted by the Minister for Industry to the publication of the statement of essential facts, the Commission is satisfied that securities are warranted to prevent material injury being suffered by Wilsons Transformers whilst the investigation continues.

7.3 Preliminary provisional measures

Recent changes to the legislation allow the Minister to utilise additional methods of calculating the interim dumping duty beyond the single form that was previously available in the Act. The new forms of duty are prescribed in the *Customs Tariff (Anti-Dumping) Regulation 2013* and include;

- combination of fixed and variable duty method;
- floor price duty method;
- fixed duty method (\$X per tonne); or
- *ad valorem* duty method (ie a percentage of the export price).

Given that each power transformer is unique in its technical specifications and prices range from as low as \$100,000 up to \$5 million, the Commission considers that an *ad valorem* rate of duty is the most reasonable option for imposing securities. The amount of provisional duties will be calculated as a proportion of actual declared export prices based on the level of the full dumping margins calculated for the PAD, as tabulated below:

Manufacturer/Exporter	Country	Preliminary Dumping margin
Siemens Transformer (Guangzhou) Co., Ltd	China	2.6%
Siemens Transformer (Jinan) Co., Ltd	China	2.6%
Siemens Transformer (Wuhan) Co., Ltd	China	2.6%
SEC Alstom (Shanghai Baoshan) Transformer Co Ltd	China	23.1%
SEC Alstom (Wuhan) Transformer Co Ltd	China	23.1%
TBEA Shenyang Transformer Group Co Ltd	China	35%
All other Chinese exporters	China	35%

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PT CG Power Systems Indonesia	Indonesia	5.4%
PT. Unelec Indonesia	Indonesia	5.4%
All other Indonesian exporters	Indonesia	5.4%
Hyosung Corporation	Korea	5.3%
Hyundai Heavy Industries Co., Ltd	Korea	5.9%
All other Korean exporters	Korea	5.9%
Fortune Electric Co., Ltd	Taiwan	10%
Shihlin Electric & Engineering Corporation	Taiwan	20%
All other Taiwanese exporters	Taiwan	20%
ABB Vietnam	Vietnam	3.4%
All other Vietnamese exporters	Vietnam	3.4%

PUBLIC FILE**8 ATTACHMENTS**

Attachment / Appendix No.	Attachment / Appendix title
Non-Confidential Attachment 1	Public notice - PAD
Confidential Attachment 2	Commissioner Determination for PAD No. 219
Confidential Appendix 1	Preliminary export prices, preliminary normal values and preliminary dumping margins