Large Power Transformers from Korea

Investigation No. 731-TA-1189 (Preliminary)

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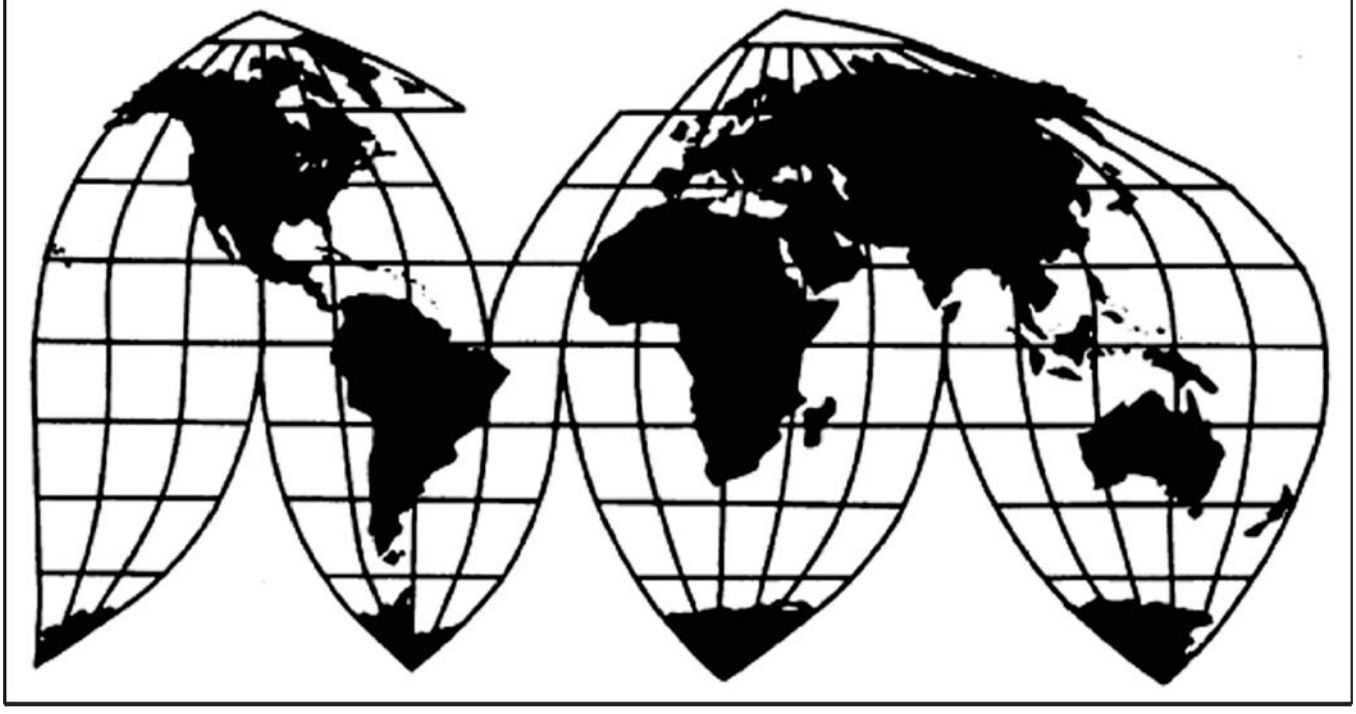
U.S. International Trade Commission



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U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1189 (Preliminary)

LARGE POWER TRANSFORMERS FROM KOREA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Korea of large power transformers, provided for in subheadings 8504.23.00 and 8504.90.95 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATION

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On July 14, 2011, a petition was filed with the Commission and Commerce by ABB Inc., Cary, NC; Delta Star Inc., Lynchburg, VA; and Pennsylvania Transformer Technology Inc., Canonsburg, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of large power transformers from Korea. Accordingly, effective July 14, 2011, the Commission instituted antidumping duty investigation No. 731-TA-1189 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of July 20, 2011 (76 FR 43343). The conference was held in Washington, DC, on August 4, 2011, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Commissioner Daniel R. Pearson did not participate in this investigation.

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of large power transformers ("LPTs") from Korea that are allegedly sold in the United States at less than fair value ("LTFV").[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. BACKGROUND

The petition in these investigation was filed on July 14, 2011, by ABB Inc., Delta Star, Inc., and Pennsylvania Transformer Technology, Inc. (collectively "Petitioners"). Petitioners participated in the staff conference and filed a postconference brief. Hyosung Corporation and HICO America Inc. (collectively "HICO"), a producer/exporter in Korea of LPTs and its affiliated U.S. importer, and Hyundai Heavy Industries Co., Ltd. and Hyundai Corporation, USA (collectively "HHI"), also a producer/exporter in Korea of LPTs and its affiliated U.S. importer, participated in the staff conference and submitted postconference briefs (HICO and HHI are referred to collectively as "Respondents").

U.S. industry data are based on the questionnaire responses of six U.S. producers that accounted for all U.S. production of LPTs during 2010.[4] U.S. import data are based on questionnaire responses from

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[1] Commissioner Pearson did not participate in this investigation.

[2] 19 U.S.C. § 1673b(a) (2000); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chem. Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[3] American Lamb Co., 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] Confidential Staff Report ("CR") and Public Staff Report ("PR") at III-1 and Table III-1. In addition to the responses from these six producers, the Commission received a partial questionnaire response from Hyundai Power Transformers USA, Inc. ("Hyundai Power USA"), an affiliate of Hyundai Heavy Industries Co., Ltd., which is building a new production facility in the United States that it expects to complete in November 2011. CR/PR at III-1 n. 2. Hyundai Power USA reported *** in this questionnaire response.

three importers whose imports are believed to account for all subject imports over the period of investigation.[5]

The Commission received questionnaire responses from two Korean producers of the subject product, Hyosung Corporation and Hyundai Heavy Industries Co., Ltd., which are believed to account for virtually all, if not all, subject imports in 2010.[6]

III. DOMESTIC LIKE PRODUCT

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[7] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[8] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ... ."[9]

A. Scope Definition

In its notice of initiation, the U.S. Department of Commerce ("Commerce") defined the imported merchandise within the scope of this investigation as follows:

> large liquid dielectric power transformers (LPTs) having a top power handling capacity greater than or equal to 60,000 kilovolt amperes (60 megavolt amperes), whether assembled or unassembled, complete or incomplete.
>
> Incomplete LPTs are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of LPTs. The "active part" of the transformer consists of one or more of the following when attached to or otherwise assembled with one another: the steel core or shell, the windings, electrical insulation between the windings, the mechanical frame for an LPT.
>
> The product definition encompasses all such LPTs regardless of name designation, including but not limited to step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, and power rectifier transformers.[10]

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[5] CR/PR at IV-1. LPTs are imported under three tariff statistical reporting numbers. Because one of these includes nonsubject merchandise, the use of questionnaire responses is deemed to be more accurate. CR at IV-1 n. 1, PR at IV-1 n.1.

[6] CR at VII-2, PR at VII-2.

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(10).

[10] Large Power Transformers from the Republic of Korea: Initiation of Antidumping Duty

continue...

LPTs are used to increase, maintain, or decrease electric power in high voltage transmission and distribution systems and are principally employed by electric power utility companies. LPTs are large, heavy pieces of capital equipment, and their life spans range from 15 to 40 years, with a targeted span of around 30 years.[11]

No party has advocated that the Commission adopt any domestic like product definition other than the one proposed by Petitioners, who argue that the Commission should define a single domestic like product consisting of all LPTs described in the scope definition.[12] As discussed below, the record of this preliminary phase investigation supports finding a single domestic like product that is coterminous with the scope of the investigation.

B. Analysis

Physical Characteristics and End Uses. Although LPTs are custom-built pieces of equipment and come in a wide variety of sizes and configurations,[13] they all share a number of basic physical characteristics. All LPTs have an "active part" where the electromagnetic induction occurs. This consists of the core, the windings, electrical insulation between the windings, and a mechanical frame and enclosure called the "tank." The core is made of high permeability, grain-oriented, silicon electrical steel (GOES), which is layered in pieces. Windings are the copper conductors that are wound around the core, providing both electrical power input and output. The copper conductors are wrapped in several layers of insulation paper or another, similar coating and then wound around forms that are fitted on the limbs of the core. There are two typical configurations of the core and windings, the core form and the shell form.[14] The core form has windings in cylindrical shapes that are then set over the legs of the magnetic core. In the shell form, the windings of the primary and secondary inputs are wrapped around the center leg of the magnetic core, so that more of the windings enclose the core. LPTs are produced as "single phase" or "three phase" models. A single phase LPT has one primary and secondary set of windings, while a three phase LPT has three primary and secondary windings around three core limbs.[15]

The tank of an LPT is the mechanical frame and enclosure, typically in a rectangular, box-like shape that houses the core and windings. The tank is filled with special transformer oil that dissipates the heat generated by the transformer. As the oil expands, it may travel to a separate tank attached to a frame

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[10]...continue
Investigation, 76 FR 49439 (August 10, 2011). Commerce's notice explains that the products subject to this investigation are classified in the Harmonized Tariff Schedule of the United States (''HTSUS'') under subheadings 8504.23.0040, 8504.23.0080 and 8504.90.9540. Commerce notes that, although the HTSUS subheadings are provided for convenience and Customs purposes, the written description of the merchandise is dispositive. Id.

[11] Conference Transcript at 63 (Cusak) and 91 (Stiegemeier).

[12] Petition at 16-19. Although HICO and HHI both questioned whether the dividing line between large power transformers and small transformers should be set at 60 megavolt amperes ("MVA") (as proposed by Petitioners) or at 10 MVA, they both stated that they accept Petitioners' definition of the domestic like product for purposes of the preliminary phase of this investigation. They both, however, reserved the right to propose a different like product definition in any final phase of this investigation. HHI Postconference Brief at 2-3 and HICO Postconference Brief at 2-3.

[13] CR at I-11, PR at I-9.

[14] All U.S. producers ***. CR at I-11, PR at I-9.

[15] CR at I-5-7, PR at I-4-5.

called an oil conservator. Heat exchangers or radiators, frequently cooled by fans, are also mounted to the frame.[16]

Other parts of an LPT include the bushings (used to connect transmission lines to the LPT), tap changers, power cable connectors, gas-operated relays, thermometers, relief devices to "release excess pressure in the tank, dehydrating breathers (to dry air in contact with the oil expansion system), oil level indicators, and other controls."[17]

All LPTs use electromagnetic induction between circuits of the same current to increase, decrease, or regulate power.[18] They are used to step up (increase) voltage from electric power generation plants to high voltages in order to achieve an efficient transmission that reduces electricity losses across long distances and are also used at transmission substations to step down (decrease) voltages prior to distribution to consumers such as businesses and residences. In addition, LPTs are used by manufacturers that require high voltages in their production processes, such as in the metals and chemicals industries.[19] They are typically used to move power through the electrical grid, whereas smaller transformers are typically used to distribute power.[20]

Interchangeability. Because LPTs are custom built to customers' specifications, they are typically not interchangeable with each other.[21]

Channels of Distribution. Most LPTs are sold directly to electric utilities.

Manufacturing Facilities, Production Processes, and Employees. All LPTs are made in similar manufacturing facilities, using similar production processes and employees. Some U.S. producers make LPTs in separate plants from those used to make smaller transformers, but other firms make both products in the same plants.[22] LPT production requires large crane capacities, ample floor space, and suitable testing and drying equipment, which are not required for the production of smaller transformers.[23]

Producer and Customer Perceptions. Petitioners contend that there is a consensus among producers and customers that transformers above 60 MVA are LPTs.[24] There is, however, little information on the record on this point. Petitioners' counsel argued at the conference that, although there is no standard establishing 60 MVA as the dividing line between large and small transformers, "there is consensus that from {60} up, you're starting to work in the complexity, the size range, performance characteristics, and the physical characteristics that allow those performance characteristics that are generally considered large."[25]

Price. The prices of LPTs vary depending on a number of factors, such as MVA rating, primary line voltage, number of tappings, winding specification, auxiliary equipment, and testing requirements.[26]

Conclusion. Based on the evidence of record, we find that LPTs constitute a continuum of products, with certain common physical characteristics and uses, channels of distribution, manufacturing

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[16] CR at I-8, PR at I-6.

[17] CR at I-8, PR at I-6.

[18] CR at I-5, PR at I-4.

[19] CR at I-9-10, PR at I-7.

[20] CR at I-9, PR at I-7.

[21] Petition at 18.

[22] Petitioners' Postconference Brief at 7.

[23] Petitioners' Postconference Brief at 7.

[24] Petitioners' Postconference Brief at 7.

[25] Id.

[26] Petition at 8.

facilities, production processes, employees, and – perhaps – producer and customer perceptions. Although producers can manufacture smaller transformers on equipment designed to produce LPTs and all transformers share certain basic physical characteristics, the limited evidence of record suggests differences between LPTs and smaller transformers. In light of this and the fact that all parties agree with the proposed definition of the like product for purposes of the preliminary phase of this investigation, we define a single domestic like product that is coextensive with the scope of the investigation.[27]

IV. DOMESTIC INDUSTRY

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[28] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. We define the domestic industry to include all U.S. producers of LPTs. There are no related party issues in this preliminary phase investigation.[29]

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT MERCHANDISE FROM KOREA

A. Legal Standard

In the preliminary phase of antidumping duty or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[30] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[31] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[32] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all

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[27] Should any party wish to advocate a different definition of the domestic like product in a final phase of this investigation, it should do so when we give parties the opportunity to comment on drafts of questionnaires. This would allow the Commission to collect the appropriate information in any such final phase investigation. See 19 C.F.R. §207.20(b).

[28] 19 U.S.C. § 1677(4)(A).

[29] As noted above, an affiliate of HHI, Hyundai Power USA, is building a new production facility in the United States, which it expects to complete in November 2011. Because this plant is not yet operational, Hyundai Power USA was not a domestic producer during the period of investigation, and it is unnecessary to consider whether it should be excluded from the domestic industry as a related party.

[30] 19 U.S.C. §§ 1671b(a), 1673b(a).

[31] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[32] 19 U.S.C. § 1677(7)(A).

relevant economic factors that bear on the state of the industry in the United States.[33] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[34]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[35] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[36] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[37]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[38] In performing its examination, however, the Commission need not

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[33] 19 U.S.C. § 1677(7)(C)(iii).

[34] 19 U.S.C. § 1677(7)(C)(iii).

[35] 19 U.S.C. §§ 1671b(a), 1673b(a).

[36] Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), aff'g 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[37] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in Mittal Steel Point Lisas Ltd. v. United States, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" See also Nippon Steel Corp. v. United States, 458 F.3d 1345, 1357 (Fed. Cir. 2006); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[38] Statement of Administrative Action ("SAA") on Uruguay Round Agreements Act ("URAA"), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the

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isolate the injury caused by other factors from injury caused by unfairly traded imports.[39] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[40] It is clear that the existence of injury caused by other factors does not compel a negative determination.[41]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[42] [43] Indeed, the

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[38]...continue
export performance and productivity of the domestic industry"); accord Mittal Steel, 542 F.3d at 877.

[39] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001) ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); see also Softwood Lumber from Canada, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[40] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[41] See Nippon Steel Corp., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[42] Mittal Steel, 542 F.3d at 877-78; see also id. at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... . {and has} broad discretion with respect to its choice of methodology.") citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[43] Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal, held that the Commission is required, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports, albeit without reliance on presumptions or rigid formulas. Mittal explains as follows:

> What Bratsk held is that "where commodity products are at issue and fairly traded, price-competitive, nonsubject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether nonsubject or non-LTFV imports would have replaced LTFV subject imports during the period of
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Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[44]

The Federal Circuit's decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[45] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission's interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[46] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[47] [48]

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[43]...continue

> investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[44] Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also Mittal Steel, 542 F.3d at 879 ("Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[45] Mittal Steel, 542 F.3d at 875-79.

[46] Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

[47] Commissioner Lane also refers to her dissenting views in Polyethylene Terephthalate Film, Sheet, and Strip from Brazil, China, Thailand, and the United Arab Emirates, Inv. Nos. 731-TA-1131-1134 (Final), USITC Pub. 4040 (Oct. 2008), for further discussion of Mittal Steel.

[48] To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United

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The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[49]

B. Data Issues

A threshold question in this investigation is what measure of industry data and trends is the most reliable: units (individual transformers), MVAs,[50] or value. We decline to rely upon units for this purpose because they are a relatively inaccurate form of measurement given the wide range of sizes of LPTs in this investigation.[51] Petitioners note that producers of LPTs track shipments on the basis of total MVAs, and they argue that total MVAs would be a more accurate measure of industry trends than units. Because official import statistics do not track MVAs, however, Petitioners argue that the use of the value of shipments would be the most meaningful indicator of industry trends and market share.[52] For purposes of this preliminary phase investigation, we use both MVAs and value to assess industry trends. We invite the parties to address the appropriate unit of measurement in any final phase investigation.[53]

C. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

(1) Demand Conditions

U.S. demand for LPTs is affected by the demand for electric power and by other variables, including industrial construction and housing starts. There was no clear trend in the demand for electric power during the period of investigation; total electricity generation from all sources fluctuated from month to month due to seasonal factors.[54] U.S. demand for LPTs also is affected by the replacement market, specifically by the age of the installed base of transformers. The parties agree that the installed base of transformers in the United States is aging, but there is disagreement over how soon the need to

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[48]...continue
States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

[49] Mittal Steel, 542 F.3d at 873; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[50] MVAs are a measure of a transformer's size. CR at I-3 n.4, PR at I-3 n.4.

[51] CR at I-3 n.4, PR at I-3 n.4. The parties appear to agree with this assessment. Petition at 21, HICO Postconference Brief at 28, Hearing Transcript at 136 (Lee).

[52] Petition at 20-21.

[53] The parties should do so when we give them the opportunity to comment on drafts of questionnaires, as this would allow the Commission to collect the appropriate information in any such final phase investigation.

[54] CR at II-5-6, PR at II-4.

replace aging transformers will translate into increased demand.[55] New sources of renewable energy also are a source of potential demand for LPTs.[56]

The purchasers of LPTs are investor-owned and publicly-owned electric utilities, electric cooperatives, and large industrial users, such as steel mills.[57] Most electric utilities in the United States are investor owned.[58]

Demand for LPTs, as measured by the value of apparent U.S. consumption, decreased by *** percent from 2008 to 2010 and also was lower by *** percent in January-June 2011 ("interim 2011") than in January-June 2010 ("interim 2010").[59] As measured by quantity in MVA, apparent U.S. consumption decreased by *** percent from 2008 to 2010 and was lower by *** percent in interim 2011 than in interim 2010.[60]

(2) Supply Conditions

Six firms accounted for all of the domestic production of LPTs in 2010.[61] Of these six, two firms, ABB and Waukesha, accounted for *** percent of domestic production in that year.[62] One firm, Efacec, a subsidiary of a manufacturer of transformers in Portugal, is a new entrant in the U.S. market; it opened its U.S. plant in November 2009 and delivered its first U.S.-produced LPT in December 2010.[63] Two other foreign transformer producers, Hyundai Heavy Industries Co., Ltd. and Mitsubushi Electric Power Products, are building transformer production plants in the United States, and one existing U.S. producer, Waukesha, has announced plans to expand its plant.[64] Another existing U.S. producer, Delta Star, also announced expansion plans, ***.[65]

The domestic industry's market share, by value, *** percent in 2008 to *** percent in 2009 and then *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. The market share of subject imports *** percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. The market share of nonsubject imports ***

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[55] Compare Conference Transcript at 42 (Kerwin) (general belief that demand will increase over the long term as aging elements of the power grid are replaced) and 92 (Stiegemeier) (large scale replacement of installed base not imminent) with Conference Transcript at 147-148 (Maloney) (United States power grid is aging).

[56] Conference Transcript at 42 (Kerwin) and 145-146 (Lee).

[57] CR/PR at II-1.

[58] See HHI Postconference Brief at 9.

[59] CR/PR at Table C-1.

[60] CR/PR at Table C-1.

[61] CR/PR at Table III-1.

[62] CR/PR at Table III-1.

[63] CR/PR at III-3.

[64] CR/PR at III-3. Hyundai reportedly expects to focus on producing nonsubject transformers initially. CR/PR at VI-1 n.1.

[65] CR at III-4, PR at III-3.

percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011.[66]

Measured by quantity in MVA, the domestic industry's market share *** percent in 2008 to *** percent in 2009 and then *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. The market share of subject imports *** percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. The market share of nonsubject imports *** percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011.[67]

(3) Other Conditions

LPTs are large, made-to-order pieces of capital equipment that are produced in a wide variety of sizes and configurations as specified by purchasers.[68] LPTs are not produced for inventory.[69]

LPTs are purchased by utilities through a bid process. Generally, purchasers require producers to be pre-qualified to be eligible to bid. The qualification process can be rigorous, especially when purchasers require higher voltage transformers, and can be costly for purchasers.[70] It is not uncommon for certain domestic and foreign LPT producers to be excluded from bidding on contracts because they have not been approved as suppliers by the purchaser.[71]

Typically, a purchaser sends commercial specifications to LPT producers, who design an LPT to meet the specifications, estimate the cost, and submit a bid to the purchaser. Bids generally cover not only the transformer, but also services such as transportation and installation, as well as warranties. Purchasers typically conduct only one round of bidding. In most cases, purchasers do not discuss the bids of competing firms with producers. As discussed below, purchasers typically evaluate competing bids on the basis of their "total ownership cost" or "evaluation cost." LPT producers report that it is difficult to obtain direct information about the outcome of particular bids; producers generally will only be told whether they have won the bid and must rely on market intelligence for further information.[72]

Some large investor-owned utilities enter into "blanket agreements," which are long-term alliances with specific LPT producers. These alliances are typically for a period of two to five years and lock in one producer for the period of the agreement. Both U.S. and Korean producers participate in such agreements. These alliances reportedly account for a significant percentage of sales of LPTs in the domestic market.[73]

The degree of substitutability between domestic and imported LPTs depends on factors such as relative prices, quality (e.g., grade standards, reliability of supply, and defect rates), and conditions of sale (e.g., discounts and rebates, lead times, payment terms, warranty, and product services).[74] The evidence on the record regarding the degree of substitutability between LPTs produced domestically and those

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[66] CR/PR at Table IV-2.

[67] CR/PR at Table IV-2.

[68] CR at I-11, PR at I-9.

[69] CR at III-5, PR at III-4.

[70] Conference Transcript at 65-66 (Newman) and 103-104 (Stiegemeier).

[71] CR at V-2, PR at V-1.

[72] CR at V-1-V-2, PR at V-1, Hearing Transcript at 135-136 (Lee) and 140 (Morgan), HHI Postconference Brief at 6-7, and HICO Postconference Brief at 5-12 and 20.

[73] CR at II-1-II-2, PR at II-1.

[74] CR at II-9, PR at II-7.

imported from Korea is mixed. Five of the six domestic producers reported that domestically produced LPTs and imports from Korea were "always" interchangeable, and one producer reported that they were "sometimes" interchangeable.[75] Among importers, one reported that they were "always" interchangeable, four reported that they were "sometimes" interchangeable, and two reported that they were "never" interchangeable.[76]

As noted above, there is a wide range of sizes of transformers within the scope of this investigation. The extent to which domestic and Korean producers compete for bids across this range of sizes is unclear on the record of this preliminary phase investigation. The Korean producers reported that a large share of their exports to the United States consist of LPTs with an MVA rating of 300 or more.[77] The Korean producers contend that U.S. producers are either incapable of making transformers in that larger size range or produce only small quantities of them.[78] Petitioners, however, maintain that four of the six U.S. producers have the ability to make LPTs above 300 MVA.[79] HICO maintains that the substitutability of domestically produced and imported LPTs is further attenuated by the inability of U.S. producers to make shell form transformers.[80] Petitioners argue, however, that U.S. producer Efacec makes shell form LPTs and that purchaser requests for shell form transformers are very rare.[81] Finally, according to HHI, there is little competition between domestically produced LPTs and subject imports in the public utility part of the U.S. market (which accounted for about 20 percent of electricity generated in the United States, according to HHI), because Korean producers do not participate in this part of the market to any significant degree.[82] We intend to seek further information in any final phase of this investigation on the extent of competition between domestic producers and the subject imports for transformers with ratings above and below 300 MVA, for shell type transformers, and for sales to public utilities.

Although price is a significant factor,[83] utilities' LPT purchasing decisions may also be affected by a number of other considerations, such as efficiency rating, load loss, no load loss, fan loss, the manufacturer's failure rate, its on-time delivery rate, other aspects of its past performance, lead time, freight costs, and warranty. Utilities will often evaluate these factors in the aggregate, along with price, to

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[75] CR at II-10 and Table II-1, PR at II-7 and Table II-1.

[76] CR at II-10 and Table II-1, PR at II-7 and Table II-1.

[77] HICO reported that such transformers accounted for *** percent of its total U.S. sales in 2010, and HHI reported that they accounted for *** percent of its exports to the United States in that year. CR at II-10, PR at II-7.

[78] HICO Postconference Brief at 12-14, HHI Postconference Brief at 8-9.

[79] Petitioners' Postconference Brief at 15-16. The record shows that ***, produced LPTs of over 300 MVA in 2010. They accounted for *** production and *** production in 2010. *** accounted for ***, in 2010. CR/PR at Table III-1. ***. CR at II-10, PR at II-7.

[80] HICO Postconference Brief at 21. The shell form is used for industrial transformers in steel mills and in some very large transformers. CR at II-10, PR at II-7. Among U.S. producers, only Efacec makes shell form LPTs. Id.

[81] Conference Transcript at 102 (Cusack) and Petitioners' Postconference Brief at 16.

[82] HHI Postconference Brief at 8-9.

[83] Most producers reported that differences among bids other than price are "never" a factor in LPT sales, but most importers reported that they are "always" a factor. CR at II-11 and Table II-2, PR at II-8 and Table II-2.

arrive at a "total ownership cost" or "total evaluated cost" for each bid.[84] In any final phase investigation, we will examine further the roles that price and non-price factors play in purchasers' buying decisions in the U.S. LPT market, including the extent to which factors identified as non-price by the parties can be monetized by purchasers and included in the calculation of total cost.

D. Volume of Subject Imports from Korea

Section 771(7)(C)(I) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[85]

Subject imports were already present in substantial volumes and market share at the beginning of the period and maintained a significant presence in the U.S. market throughout the period. The value of subject imports *** in 2008 to $*** in 2010. The value of subject imports was $*** million in interim 2010 and $*** in interim 2011.[86] The market share of subject imports measured by value *** percent in 2008 to 42.1 percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011.[87]

Measured by quantity in MVA, the volume of subject imports *** MVA in 2008 to *** MVA in 2009 and *** MVA in 2010. The volume of subject imports was *** MVA in interim 2010 and *** MVA in interim 2011.[88] The market share of subject imports on an MVA basis *** percent in 2008 to *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011.[89]

We recognize that much of the increase in market penetration by subject imports from 2008 to 2010 came at the expense of nonsubject imports, but we note as well that the domestic industry lost some market share to subject imports on a value basis. During that period, while the subject import share of apparent U.S. consumption increased overall by *** percentage points on a value basis and *** percent on an MVA basis, the domestic industry's market share *** percentage points on a value basis and *** percent on an MVA basis. The nonsubject import share of U.S. consumption *** percentage points on a value basis and *** percentage points on an MVA basis.[90] Moreover, regardless of the extent to which the increases in subject imports took additional market share from the domestic industry, subject import volume was significant in absolute terms throughout the period.

The ratio of subject imports to domestic production on an MVA basis *** percent in 2008 to *** percent in 2009 but then *** percent in 2010. This ratio was *** percent in interim 2010 and *** percent in interim 2011.[91]

Based on the data collected in this preliminary phase investigation, we conclude that the volume of subject imports is significant both in absolute terms and relative to consumption and production in the United States.

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[84] Conference Transcript at 133-134 (Lee); HHI Postconference Brief at 7-12.

[85] 19 U.S.C. § 1677(7)(C)(i).

[86] CR/PR at Table IV-1.

[87] Id.

[88] CR/PR at Table IV-1.

[89] Id.

[90] CR/PR at Table IV-3.

[91] CR/PR at Table IV-3.

E. Price Effects of the Subject Imports from Korea

> Section 771(C)(ii) of the Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether – (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[92]

As addressed above in the discussion of the conditions of competition, the evidence on the record regarding the degree of substitutability between LPTs produced domestically and those imported from Korea is mixed. Price is a significant factor in purchasing decisions, but a number of other considerations may also play a role. Purchasers will often evaluate these factors in the aggregate, along with price, to arrive at a "total ownership cost" or "evaluation cost" for each bid.[93]

Raw materials account for a substantial share of the cost of LPTs.[94] Petitioners maintain that blanket agreements in long-term alliances have typically contained escalation clauses to accommodate fluctuations in raw material costs, but the parties disagree about whether this remains the standard practice.[95] In any final phase investigation, we will seek additional information from the parties and from purchasers, about the use of escalation clauses.

Because of the customized nature of each LPT and the nature of the process by which LPTs are sold, the LPTs offered in different bids to different customers may not be comparable to one another. Accordingly, the Commission's conventional approach to pricing analysis, which compares average quarterly prices for comparable periods, is not useful in this investigation. For this reason, the Commission sought to collect pricing information relating to the bidding process, as it has done in other investigations involving "big ticket," customized items.[96]

The Commission asked U.S. producers and importers to submit data on their 25 largest bids on LPTs since 2008. Six producers and seven importers submitted such data. Although these data show that U.S. producers and importers from Korea and other sources often submitted bids to the same customers, the information provided by the questionnaire responses was not sufficient to allow identification of instances where U.S.-produced LPTs competed with subject imports for the same sales.[97]

The Commission also sought bid data from the LPT purchasers identified by Petitioners in their lost sales allegations. These purchasers were asked to provide information on their two largest bids since

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[92] 19 U.S.C. § 1677(7)(C)(ii).

[93] See, e.g., HHI Postconference Brief at 6, HICO Postconference Brief at 5-12. As noted previously, in any final phase investigation we will further explore substitutability issues, including the role of non-price factors in purchasing decisions.

[94] CR/PR at V-1. The share of the cost of goods sold accounted for by raw material costs ranged from 66.9 percent in 2009 to 57.6 percent in 2010. Id.

[95] Conference Transcript at 92-93 (Cusack). Petitioners contend that Korean producers have been willing to enter into blanket agreements without such escalation clauses. Id. HHI states that it is "unaware of ***." HHI Postconference Brief at 16.

[96] See, e.g., Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Italy, Inv. Nos. 731-TA-736 and 737 (Final), USITC Pub. 2988 (Aug. 1996) at 29-33.

[97] CR at V-3, PR at V-2.

2008. Eight purchasers provided bid data covering a total of 15 bids and 43 LPTs. U.S. and Korean producers competed in 12 of these 15 bids. Korean producers won or partially won 10 of these 12 bids, involving a total of 28 LPTs.[98] In seven bids, Korean producers underbid the domestic bidder(s). Record information suggests that in these seven bids where competition can be seen, the bid price for the Korean product was below that for the domestic product. We note, however, that this limited information does not allow us to compare bids on an evaluated, or total cost basis. Bid price information was not provided to the Commission for two of the 11 bids for which U.S. and Korean producers competed.[99]

These data, although limited, suggest that the subject imports were bid at prices lower than the domestic LPTs during the period. We intend to seek further information regarding prices and to examine this issue further in any final phase of the investigation.[100]

The ratio of the domestic industry's aggregate cost of goods sold ("COGS") to net sales increased sharply between 2008 and 2010 and over the interim periods, showing a cost-price squeeze.[101] The record of this preliminary investigation is unclear as to whether or to what extent the inability of the domestic industry to raise prices to recoup rising costs may have been due to the price effects of subject imports. We intend to examine this issue further in any final phase of this investigation.

U.S. producers reported 55 instances of lost sales due to competition from Korean imports and one instance of lost revenues associated with such imports.[102] The lost sales allegations totaled $140.9 million involving 91 LPTs. Staff received responses for 12 lost sales allegations.[103] Responding purchasers agreed with two lost sales allegations involving three LPTs, and disagreed with eight of the allegations, which involved 20 LPTs.[104] The allegations confirmed by purchasers in the preliminary phase of this investigation totaled ***.

In sum, the data in this record on price effects are mixed, but show some evidence of underselling by subject imports.[105] We will seek further information on price effects of the subject imports in any final phase investigation.

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[98] In two instances, the bids were divided among Korean producers and producers from nonsubject countries. CR at V-7, PR at V-3.

[99] CR/PR at Table V-1, CR at V-7, PR at V-3, and email from *** to Commission Staff dated August 8, 2011.

[100] If the parties wish to suggest other approaches to gathering pricing information in any final phase investigation, they should do so when we give them the opportunity to comment on drafts of questionnaires.

[101] The ratio of COGS to net sales was *** percent in 2008, *** percent in 2009, and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. CR/PR at Table VI-1.

[102] CR at V-7, PR at V-3.

[103] There was no response confirming or denying the lost revenue allegation.

[104] Of the remaining two responses, in one instance the purchaser ***, and in the other the purchaser ***. CR at V-12, PR at V-3.

[105] Commissioner Aranoff is unable to conclude, based on the current record, that there is clear and convincing evidence of the absence of adverse price effects due to subject imports. American Lamb,785 F.2d at 1001.

F. Impact of the Subject Imports from Korea[106]

Section 771(7)(C)(iii) of the Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[107] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[108]

Domestic industry performance indicators were mixed over the period of investigation. Production rose overall, increasing from 18,219 MVA in 2008 to 20,972 MVA in 2009, then falling to 19,807 MVA in 2010. Production was 9,981 MVA in interim 2010 and 10,318 MVA in interim 2011.[109] Production capacity rose overall, increasing from 46,805 MVA in 2008 to 51,346 MVA in 2009, then falling to 49,685 MVA in 2010. Production capacity was 24,696 MVA in interim 2010 and 27,150 MVA in interim 2011.[110]

Capacity utilization improved slightly but remained at very low levels. It increased from 38.9 percent in 2008 to 40.8 percent in 2009 and then declined to 39.9 percent in 2010. Capacity utilization was 40.1 percent in interim 2010 and 38.0 percent in interim 2011.[111]

Domestic producers' U.S. shipments rose overall, increasing from 17,969 MVA in 2008 to 20,258 MVA in 2009, then falling to 19,279 MVA in 2010. U.S. shipments were 9,831 MVA in interim 2010 and 9,418 MVA in interim 2011.[112] The domestic industry's share of apparent U.S. consumption, on a value basis, rose from 20.1 percent in 2008 to 22.5 percent in 2009 and then fell to 18.9 percent in 2010. It was 19.2 percent in interim 2010 and 18.7 percent in interim 2011. Measured by quantity in MVA, the domestic industry's share of apparent U.S. consumption increased from 13.9 percent in 2008 to 17.2 percent in 2009 and then declined to 15.1 percent in 2010. It was 13.7 percent in interim 2010 and 18.1 percent in interim 2011.[113]

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[106] In its notice initiating an antidumping duty investigation on LPTs from Korea, Commerce reported estimated dumping margins ranging from 43.01 to 60.81. 76 Fed. Reg. 49439 (August 10, 2011).

[107] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[108] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

[109] CR/PR at Table III-2.

[110] CR/PR at Table III-2.

[111] CR/PR at Table III-2.

[112] CR/PR at Table III-3.

[113] CR/PR at Table IV-2.

The number of production workers increased from *** in 2008 to *** in 2009 and *** in 2010. The number of production workers was *** in interim 2010 and *** in interim 2011.[114] Hours worked increased from *** million in 2008 to *** million in 2009 and *** million in 2010. Hours worked were *** million in interim 2010 and *** million in interim 2011.[115] Hourly wages also increased, rising from $*** to *** in 2010. Hourly wages were $*** in interim 2010 and $*** in interim 2011.[116] Productivity rose from *** MVA per hour in 2008 to *** MVA per hour in 2009 but then fell to *** MVA per hour in 2010. Productivity was *** MVA per hour in interim 2010 and *** MVA per hour in interim 2011.[117]

The quantity and value of the industry's total net sales increased overall, rising from *** MVA and $*** million in 2008 to *** MVA and $*** million in 2009 but then declined to *** MVA and $*** million in 2010. The quantity and value of the industry's total net sales were *** MVA and $*** million in interim 2010 and *** MVA and $*** million in interim 2011.[118] The industry went from recording operating income of $*** million in 2008 and $*** million in 2009 to a loss of $*** million in 2010. It had operating income of $*** million in interim 2010 and an operating loss of $*** million in interim 2011.[119] The domestic industry's operating margins were *** percent in 2008, *** percent in 2009 and *** percent in 2010. They were *** percent in interim 2010 and *** percent in interim 2011. The number of firms reporting operating losses increased from 2009 to 2010 (from *** firms to *** firms), and was higher in interim 2011 (*** firms) than in interim 2010 (*** firms).[120]

Finally, capital expenditures were $8.2 million in 2008, $*** in 2009 and $34.7 million in 2010,[121] while return on investment was *** percent in 2008, *** percent in 2009, and *** percent in 2010.[122]

Accordingly, although many of the industry's performance indicators improved over the period of investigation, its financial performance deteriorated sharply in 2010 as subject imports reached their highest levels for the period. For purposes of this preliminary determination, we find that the substantial presence of subject imports in the U.S. market, along with at least some evidence that the Korean LPT producers were awarded projects at bid prices lower than those of domestic producers, negatively affected the domestic industry's performance.

In considering whether a causal nexus exists between subject imports and material injury to the domestic industry, we recognize that issues have been presented calling into question whether there is sufficient head-to-head competition between subject imports and the domestic like product for such a

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[114] CR/PR at Table III-5.

[115] CR/PR at Table III-5.

[116] CR/PR at Table III-5.

[117] CR/PR at Table III-5.

[118] CR/PR at Table VI-1.

[119] CR/PR at Table VI-1.

[120] CR/PR at Tables VI-1 and VI-2.

[121] In addition, two foreign-based producers have reported building U.S. plants to produce LPTs. Hyundai reported capital expenditures of *** in 2009, *** in 2010, and *** in interim 2011 related to building a new production facility in Montgomery, AL. Reportedly, Mitsubishi Electric Power Products, Inc. announced that it will construct a transformer plant near Memphis, TN at a cost of approximately $200 million. CR at VI-15-16, PR at VI-6. We intend to gather additional information on recent investments in new domestic productive capacity and to examine this issue more closely in any final phase investigation.

[122] CR/PR at Tables VI-4 & VI-5. The ***.

causal nexus to exist.[123] We intend to gather additional information and to examine these issues more closely in any final phase investigation.

We have considered the role of the following other factors – declining demand, nonsubject imports, and the start-up of Efacec's new plant in 2009 – to ensure that we are not attributing injury from such other factors to the subject imports. We find that demand trends are unlikely to explain the deterioration of the domestic industry's financial condition in 2010. Measured on a value basis, demand declined by *** percent from 2009 to 2010.[124] On an MVA basis, demand increased by *** percent.[125] Nevertheless, the domestic industry went from an operating income margin of *** percent in 2009 to a loss of *** percent in 2010.

We have also considered the role of nonsubject imports.[126] Although nonsubject imports held the largest share of the U.S. market during the period of investigation, their volume and market share declined throughout the period.[127] Thus, nonsubject imports do not appear to have played a role in the sharp deterioration of the domestic industry's condition in 2010.

In addition, we have considered the effect of the start-up of Efacec's new plant in 2009 on the domestic industry's overall condition. Efacec started producing in November 2009. ***.[128] Thus, although Efacec's start-up posture adversely affected the industry's overall performance in 2010 and interim 2011, it does not fully explain the sharp drop in the domestic industry's financial performance in those periods.

Consequently, the record in this preliminary phase investigation indicates a causal nexus between the subject imports and the declines in the condition of the domestic industry's performance and thus demonstrates a reasonable indication of material injury by reason of subject imports.[129] We therefore conclude, for purposes of this preliminary phase investigation, that subject imports have had an adverse impact on the domestic industry.

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[123] E.g., HHI Postconference Brief at 8-9, HICO Postconference Brief at 12-18.

[124] CR/PR at Table IV-2.

[125] Id.

[126] Commissioner Pinkert notes that the Federal Circuit in Bratsk and Mittal established that a replacement/benefit analysis is required only when, inter alia, "commodity products" are at issue. Based on the evidence of record in this investigation (as well as the arguments made by respondents), however, he finds it clear that LPTs are not commodity products. Consequently, he does not undertake a replacement/benefit analysis.

[127] On a value basis, nonsubject imports declined from $*** million in 2008 to $*** million in 2009, to $*** million in 2010. They were $*** million in interim 2010 and $*** million in interim 2011. On an MVA basis, nonsubject imports declined from *** MVA in 2008 to *** MVA in 2009 and *** MVA in 2010. They were *** MVA in interim 2010 and *** MVA in interim 2011. The market share of nonsubject imports on a value basis *** percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. On an MVA basis, the market share of nonsubject imports *** percent in 2008 to *** percent in 2009 and *** percent in 2010. It was *** percent in interim 2010 and *** percent in interim 2011. CR/PR at Table IV-2.

[128] CR/PR at Table VI-1 Note.

[129] Commissioner Aranoff determines that the record as a whole does not contain clear and convincing evidence that there is no material injury or threat of such injury. American Lamb,785 F.2d at 1001.

CONCLUSION

For the above-stated reasons, and based on the record in the preliminary phase of this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly dumped imports of LPTs from Korea.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed on June 14, 2011, by ABB Inc., ("ABB"), Cary, NC; Delta Star Inc., ("Delta Star"), Lynchburg, VA; and Pennsylvania Transformer Technology Inc., ("PTTI"), Canonsburg, PA (collectively "petitioners") alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of large power transformers ("LPTs") from Korea. The following tabulation provides information relating to the background of this investigation:[1]

Effective date	Action
July 14, 2011	Petition filed with Commerce and the Commission; institution of Commission investigation (76 FR 43343, July 20, 2011).
August 4, 2011	Commission's conference.[1]
August 10, 2011	Commerce's notice of initiation (76 FR 49439).
August 26, 2011	Commission's vote.
August 29, 2011	Commission's determination to Commerce.
September 6, 2011	Commission's views to Commerce.
[1] A list of witnesses that appeared at the conference is presented in app. B.	

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .

[1] *Federal Register* notices cited in this tabulation are presented in app. A of this report.

In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

. . .

In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of Report

Information on the subject merchandise, alleged margins of dumping, and domestic like product is presented in *Part I*. Information on conditions of competition and other relevant economic factors is presented in *Part II*. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. The volume and pricing of imports of the subject merchandise are presented in *Part IV* and *Part V*, respectively. *Part VI* presents information on the financial experience of U.S. producers. The statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury are presented in *Part VII*.

MARKET SUMMARY

LPTs are used in high voltage electrical power transmission systems to transfer power by electromagnetic induction between circuits at the same frequency, usually with changed values voltage and current.[2] Over the period examined, six firms accounted for all of the LPTs manufactured in the United States, while leading producers of LPTs outside the United States include Hyosung Corporation ("Hyosung") and Hyundai Heavy Industries ("HHI") of Korea. The leading U.S. importers of LPTs from Korea include HICO America Sales & Technology, Inc. ("HICO") and Hyundai Corporation, USA ("Hyundai Corp.").[3]

Apparent U.S. consumption of LPTs totaled $1.1 billion in 2010, of which 18.9 percent was sales of U.S.-produced LPTs. U.S. shipments of imports from subject sources accounted for *** percent of the

[2] Conference transcript, p. 22 (Stiegemeier).

[3] U.S. importer HICO is a wholly-owned subsidiary of Hyosung Corporation, a foreign producer/exporter of LPTs in Korea. U.S. importer Hyundai Corp. is a wholly-owned subsidiary of HHI, a foreign producer/exporter of LPTs in Korea.

U.S. market by value in 2010, while U.S. shipments of imports from nonsubject sources accounted for *** percent of the U.S. market by value.

SUMMARY DATA

Appendix C presents a summary of data collected in this investigation.[4] U.S. industry data are based on questionnaire responses from six U.S. producers (see Part III of this report).[5] U.S. import data are based on questionnaire responses from 11 U.S. importers (see Part IV of this report).[6] Information on the industries that produce LPTs in Korea is based on questionnaire responses from two foreign producers and exporters and publicly available data (see Part VII of this report). Data from other sources are referenced and footnoted where appropriate.

PREVIOUS INVESTIGATIONS

On June 14, 1972, the U.S. Department of Treasury issued antidumping duty findings on large power transformers from France, Italy, and Japan.[7] These findings were revoked by Commerce as of January 1, 2000.[8]

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Alleged Sales at LTFV

On August 10, 2011, Commerce initiated its antidumping investigation concerning LPTs from Korea. The estimated dumping margins for Korea firms selling LPTs in the U.S. market range from 43.01 to 60.81 percent.[9]

[4] Transformer size is determined on the basis of megavolts amperes (MVA) ratings. Conference transcript, p. 28 (Stiegemeier). Therefore, data presented in the body of this report as well as table C-1 in appendix C present quantities in terms of top rated MVA. The Commission also collected data in units of LPTs, which are presented in table C-2. Units in table C-2 may be understated because ***. LPTs are highly customized and encompass a diverse product mix due to differences in capacity and voltage; therefore, average unit values, whether measured in terms of dollar per top rated MVA or dollar per unit, may not be meaningful. Petition, p. 21. Conference transcript, p. 131 (Connelly) and p. 136 (H. Lee). Respondent Hyosung's postconference brief, p. 28.

[5] The Commission received useable data from six firms: ABB, Delta Star, Efacec USA Inc. ("Efacec"), PTTI, Virginia Transformer Corp. ("VTC"), and Waukesha Electric Systems, Inc. ("Waukesha").

[6] Official Commerce statistics for a portion of HTS statistical reporting number 8504.23.0040 include non-subject merchandise (transformers ranging between 10 MVA and 60 MVA); therefore, questionnaire data was deemed to be more appropriate. Petitioners' postconference brief, p. 23. Respondent HHI's postconference brief, p. 12. Respondent Hyosung's postconference brief, p. 18.

[7] 37 FR 11772 (June 14, 1972). The scope of the 1972 findings included "all transformers rated 10 MVA or above, by whatever name designated, used in the generation, transmission, distribution, and utilization of electrical power, including but not limited to shunt reactors, autotransformers, rectifier transformers, and power rectifier transformers." *Large Power Transformers from France, Italy, Japan, Switzerland, and the United Kingdom*, United States Tariff Commission Publication 476, April 1972.

[8] *Final Results of Sunset Review and Revocation of Antidumping Findings: Large Power Transformers from Italy, et al.*, 63 FR 54441 (January 1, 2000).

[9] *Large Power Transformers From the Republic of Korea: Initiation of Antidumping Duty Investigation*, 76 FR 49439 (August 10, 2011).

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce has defined the scope of this investigation as follows:

The scope of this investigation covers large liquid dielectric power transformers (LPTs) having a top power handling capacity greater than or equal to 60,000 kilovolt amperes (60 megavolt amperes), whether assembled or unassembled, complete or incomplete.

Incomplete LPTs are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of LPTs. The "active part" of the transformer consists of one or more of the following when attached to or otherwise assembled with one another: the steel core or shell, the windings, electrical insulation between the windings, the mechanical frame for an LPT.

The product definition encompasses all such LPTs regardless of name designation, including but not limited to step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, and power rectifier transformers.

The LPTs subject to this investigation are currently classifiable under subheadings 8504.23.0040, 8504.23.0080 and 8504.90.9540 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive. [10]

Tariff Treatment

LPTs (including goods treated by the tariff schedule as parts and covered by Commerce's scope) are classifiable in the Harmonized Tariff Schedule of the United States ("HTS") under subheadings 8504.23.00 and 8504.90.95 and imported under statistical reporting numbers 8504.23.0040, 8504.23.0080, and 8504.90.9540.

THE PRODUCT

Physical Characteristics and Uses[11]

LPTs are used to increase, maintain, or decrease electric power in high voltage transmission and distribution systems and are principally employed by electric power utility companies. LPTs are large, heavy pieces of capital equipment, and their life spans range from 15 to 40 years, with a targeted span of around 30 years.[12] LPTs use electromagnetic induction between circuits of the same current to increase, decrease, or regulate power.[13] Electromagnetic induction takes advantage of the fact that electricity moving through a conductor creates a magnetic field. Induction occurs when that electromagnetic field crosses a second electrical conductor and thereby generates a voltage in the second conductor although

[10] *Large Power Transformers From the Republic of Korea: Initiation of Antidumping Duty Investigation*, 76 FR 49439 (August 10, 2011).

[11] Conference transcript, pp. 22-30 (Stiegemeier).

[12] Conference transcript, p. 63 (Cusak) and p. 91 (Stiegemeier).

[13] Petition, p. 17.

the two conductors are not directly connected. This requires a fluctuating magnetic field typically generated by alternating current (AC) entering into an input conductor.

LPTs have an "active part" where the electromagnetic induction occurs that consists of the core, the windings, electrical insulation between the windings, and a mechanical frame and enclosure called the tank. The core is made of high permeability, grain-oriented, silicon electrical steel (GOES) around which are wound with the primary (electrical power input) and secondary (output) conductors.[14] The core is made of very thin GOES that is laser scribed, and coated with a glass film known as carlite. GOES is cut to shapes for the vertical sections of the core called limbs or legs, and the horizontal sections called the yoke. These sections of the core are made by layering the cut GOES pieces to format a lamination of either a limb or yoke. Later, the limbs are set vertically on top of the bottom yoke and another yoke is laid across the top of the limbs. The core contains the magnetic flux generated by the AC moving through the primary conductor. The size of the core is minimized to reduce electrical losses and to reduce the size of the LPT for transport through tunnels and under bridges.

Windings are the primary and secondary conductors that are wound around the core. Copper conductor is wrapped in several layers of insulation paper or other similar coating and then wound around forms that are fitted on the limbs. Conductors of various types, such as copper wire with a rectangular cross section, multiple conductor, or transposed conductor (several individually covered conductors twisted) are used depending upon the specifications for the transformer (voltage and capacity). The ratio of the number of turns of conductor in the primary conductor can be varied and thus the secondary conductor output voltage will either be increased or decreased. The ratio can also be changed by inserting transformer taps which are connection points in the primary winding. These taps can be changed either manually or by motor depending if the transformer is energized.

LPTs are produced as "single phase" or "three phase" models. A single phase LPT has one primary and secondary set of windings, while a three phase LPT has three primary and secondary windings around three core limbs. The three phase transformer manipulates the timing of voltage and current stoppages that occur in AC electricity multiple times per second to allow transmission lines to be more completely utilized. Most commercial electric power transmission uses three phase LPTs, while lower voltages and distribution typically use transformers with one phase.[15]

There are two typical configurations of the core and windings, the core form and the shell form (see figure I-1). The core form has windings in cylindrical shapes that are then set over the legs of the magnetic core. In the shell form, the windings are of the primary and secondary inputs are wrapped around center leg of the magnetic core, thus more of the windings are enclosed the core. Shell form LPTs use more GOES than core types.[16] In performance, shell form LPTs are more resilient to short circuits in the transmission system and are frequently used in industrial applications, such as steel mills where short circuits frequently occur.[17]

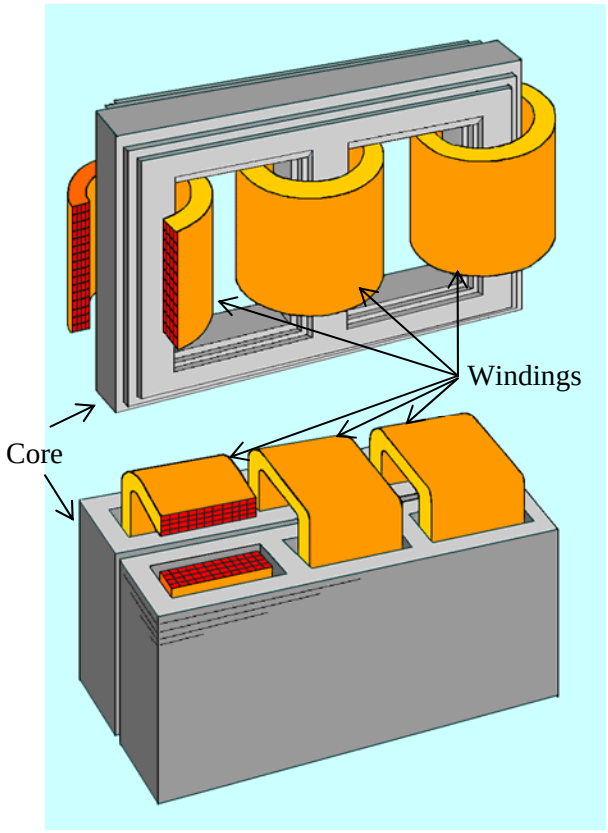
[14] Commerce issued antidumping duty orders on GOES imported from Italy and Japan in June and August 1994 and a countervailing duty order on imports from Italy in June 1994. Sunset reviews of these orders were completed in 2000 and Commerce revoked the orders in March 2006 because of no domestic party participation in the initiated second Sunset reviews. 71 FR 15376, March 28, 2006. The Commission's last report on GOES was *Grain-Oriented Silicon Electrical Steel from Italy and Japan: Investigations Nos. 701-TA-355 (Review) (Third Remand) and 731-TA-659-660 (Review) (Third Remand)*, USITC Publication 3798, September 2005.

[15] Petition, p. 12.

[16] Conference transcript, p. 58 (Stiegemeier).

[17] Conference transcript, pp. 58-59 (Stiegemeier); Respondent Hyosung's postconference brief , p. 22.

Figure I-1
LPTs: Core type (top) and shell form (bottom) configurations of core and windings



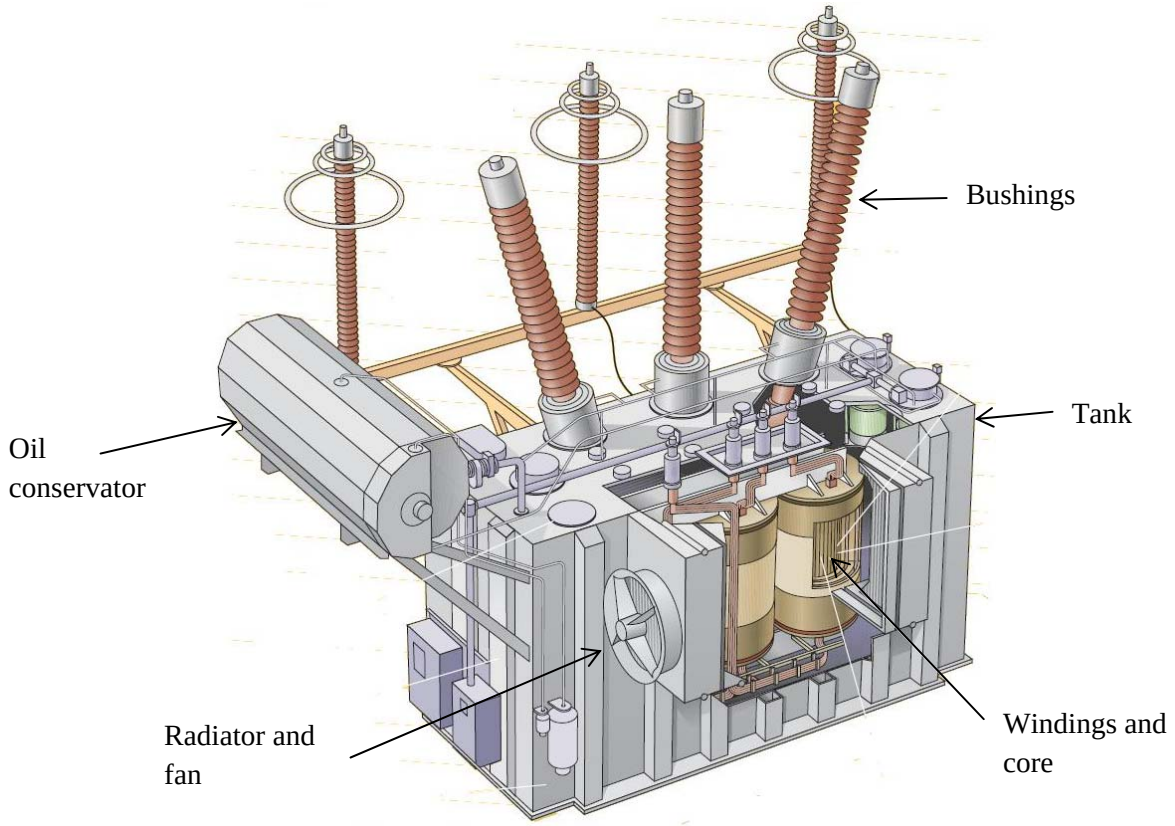
Source: Conference transcript, Petitioners' exhibit 1, slide 6.

The tank is the mechanical frame and enclosure, typically in a rectangular, box like shape that houses the core and windings. The tank is filled with special transformer oil which dissipates heat generated by the transformer. As the oil expands it may travel to a separate tank attached to a frame called an oil conservator. Heat exchangers or radiators, frequently cooled by fans, are also mounted to the frame.

Bushings, which are devices that allow a conductor to pass through the tank and insulate the conductor from the tank, are used to connect transmission lines to the LPT. Other parts include tap changers, power cable connectors, gas-operated relays (to detect certain types of problems and minimize subsequent damage within the transformers), thermometers, relief devices to "release excess pressure in the tank, dehydrating breathers (to dry air in contact with the oil expansion system), oil level indicators, and other controls."[18] A partial cut-away diagram of an LPT is shown in figure I-2.

[18] Petition, p. 11.

Figure I-2
Large power transformer showing major internal components



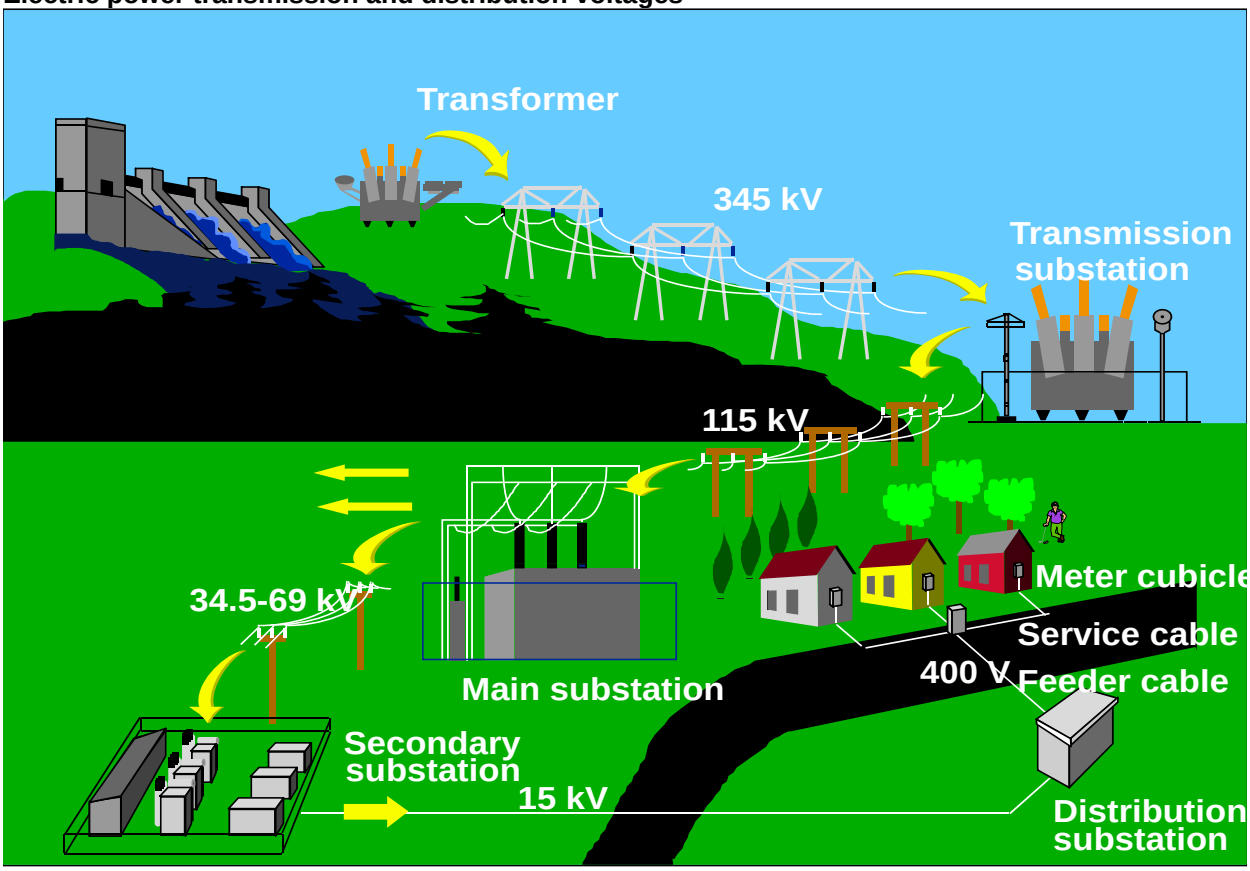
Source: ABB, "Liquid-Filled Power Transformers,"p. 6 http://www05.abb.com/global/scot/scot252.nsf/veritydisplay/299a52373c3fd0e6c12578be003a476f/$file/ptr_mpt_brochure_2406pl170-w1-en.pdf (accessed August 16, 2011).

Uses

LPTs are typically used to move power through the electrical grid, as opposed to distributing electric power.[19] Electricity is typically generated at 5 to 34.5 kV and distributed at 15 to 34.5 kV, but transmitted at 115 to 765 kV (figure I-3).[20] LPTs are used to step up (increase) voltage from electric power generation plants to high voltages in order to have efficient transmission that reduces electricity losses across long distances. LPTs are used at transmission substations to then step down (decrease) voltages prior to distribution to consumers such as businesses and residences. LPTs are also used by manufacturers that require high voltages in their production processes, such as in metals and chemicals industries.

[19] Respondent HHI's postconference brief, p. 3.
[20] Petition, pp. 5 and 8; petitioners' postconference brief, pp. 4-5.

Figure I-3
Electric power transmission and distribution voltages



Source: Conference transcript, Petitioners' exhibit 1, slide 1.

Ratings

The size of an LPT is determined by the load measured by megavolt-amperes (MVA), the secondary output voltage, and the primary input voltage.[21] However, for this investigation, the MVA capacity is used in defining LPTs. The MVA rating system is based on the cooling system and is an industry standard.[22] Typically, customer requests for bids will specify the MVA for the transformer at 55 degrees Celsius and then one or two stages of forced cooling. These ratings are displayed as three numbers, for example, 115/153/192 MVA.[23] A higher MVA capacity may be obtained with the addition of cooling systems to dissipate heat. Some LPT manufacturers in the United States market their products based on the top rated MVA, but others use the bottom (or base) MVA.[24] For example, HHI likely will produce LPTs up to 300 base rated MVA after it begins production at its new plant in the United States, but that is the equivalent of 500 to 550 MVA top rated.[25] *** .[26]

[21] Conference transcript, p. 28 (Stiegemeier).
[22] See ANSI/IEEE Standard C57.12.00 that defines the cooling attributes of the transformer.
[23] Conference transcript, p. 57 (Luberda).
[24] ***. Petition, p. 11. ***. Email from ***, August 10, 201. Email from ***, August 9, 2011.
[25] Conference transcript, pp. 155-156 (G. Lee).
[26] Email from ***, August 9, 2011.

Manufacturing Processes[27]

LPTs are "large, made-to-order, pieces of capital equipment" and are produced to the individual specifications of the customer.[28] The major steps in the production of LPTs are: (1) engineering and design; (2) core building; (3) windings production and assembly of core and windings; (4) drying operations; (5) tank production; (6) final assembly of the LPT; and (7) testing. Respondents noted that virtually all U.S. production is of core type LPTs.[29] ***.[30] Therefore, the manufacturing processes listed below are for core type LPTs.

Engineering and design

The design of LPTs is complex, with optimum transformer design balancing the costs of materials (e.g., steel, copper, and cooling oil), electrical losses, manufacturing labor hours, plant capability constraints, and shipping constraints, such as tunnel and bridge dimensions.[31] Design capability may be enhanced by a large record of prior LPT installations which allows for access to design data. Both electrical and mechanical engineering software is utilized in the design stage.

Core building

The core is made of laminations of GOES shaped into the legs and yokes of the core. GOES parts are cut to shape by computerized shearing machines and these thin strips are called laminations. These laminations are carefully stacked either by hand or machine so as to not damage the electrical properties of the laminations. Bundles of like shaped laminations are then bound together with epoxy polyester shrink tape to form either legs and yokes. The legs are then attached to the bottom yoke.

Windings production and core and windings assembly

The windings are formed by winding conductor of insulated copper wire over a cylindrical framework, typically by hand.[32] The conductor is typically purchased already wrapped. Spacers between various turns of conductors and tap changers are inserted. Depending on the type of LPT being produced, different types of conductor and patterns of winding will be used. The windings are set over the legs with clamping machines used to put pressure onto the windings. The top yoke is affixed, and then the core and windings are tightened together and further insulation and cleat and conductor lead structures added.

Drying operations

The windings or the core and the windings then undergo drying operations in a vapor phase drying chamber to remove excess moisture that degrades the dielectric strength of the insulation. In the chamber, solvent vapors condense on the windings and core, resulting in heating the article, and thus evaporating moisture out of the insulation. The vapor chamber is then flooded with transformer oil to impregnate the insulation materials; once this is complete, the chamber is drained of oil and the assembly is removed.

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[27] Waukesha Electric, "Manufacturing," undated. http://www.waukeshaelectric.com/transformers/manufacturing.html (accessed July 18, 2011).

[28] Conference transcript, pp. 36 and 79-80 (Stiegemeier).

[29] Conference transcript, p. 115 (Neal).

[30] Email from ***, July 29, 2011.

[31] Waukesha Electric, "Engineering: Design," undated. http://www.waukeshaelectric.com/transformers/engineering.html (accessed August 12, 2011).

[32] Conference transcript, p. 26 (Steigemeier) and Conference exhibit 1, slide 4.

Tank production

The tank is a rectangular box shaped fabrication made from hot-rolled, low carbon steel plates that are typically arc welded together. The tank has wall stiffeners, jack pads and lifting hooks, guides to fit the windings and core assembly inside, and a variety of access openings for maintenance. The interior is usually coated with epoxy and the exterior is painted. Construction of the tank must be completed before the windings and core assembly finish the drying phase so that the core and windings do not start to reabsorb moisture. The core and windings are lowered into the tank and the tank top is welded on. Openings are closed off, the tank is filled with oil, a high vacuum is applied to remove surface moisture, and then the tank is refilled with hot processed transformer oil for the final impregnation of the insulation.

Final assembly of the LPT

Final assembly of the active part and other components is performed in a clean environment. Components such as bushings, cooling systems (e.g., radiators and fans), tap changers, controls, and indicators are added.

Testing

Testing is performed to ensure the accuracy of voltage ratios, verify power ratings, and determine electrical impedances.[33] Testing is also performed to simulate certain events that may affect the LPT, including lightning strikes, short circuits, overvoltages (voltages in the circuit that are above the design limits), and accessories such as the cooling systems, indicators, and tap changers.

Manufacturing environment and production processes

The manufacturing environment and capability may significantly affect the LPT manufacturer's product reliability. LPT plants, particularly for the high voltage products, necessitate almost clean room environments, especially in both windings and assembly areas; for example, dust particles will ruin an 800 kV LPT.[34]

The operation and physical characteristics of an LPT manufacturing plant can result in the LPT manufacturer being either not qualified by the customer to bid on a proposal or being not recommended during the bid process. As part of process of qualifying potential bidders, customers will visit LPT manufacturers, audit their production and quality processes, and verify their certifications and adherence to International Standards Organization standard 9001.[35] Reportedly, having an advanced facility that shows well to potential customers or their consultants reflecting efficient production, shorter lead times, and better delivery to customers may allow a company to be better evaluated in a competitive bid.[36] ***.[37] ***.[38]

[33] Conference transcript, p. 28 (Stiegemeier) and p. 133 (H. Lee).
[34] Conference transcript, p. 104 (Stiegemeier).
[35] Conference transcript, pp. 103-104 (Stiegemeier).
[36] Conference transcript, pp. 122-123 (Neal).
[37] Facsimile from ***, July 26, 2011.
[38] *** U.S. Producers' Questionnaire, question IV-4.

DOMESTIC LIKE PRODUCT

Petitioners argue that the domestic like product mirrors the scope of the petition and consists of all large liquid dielectric power transformers with a top rated capacity of 60 MVA or more.[39] For the purposes of the preliminary phase of this investigation, respondents Hyosung and HHI accept the petitioners' like product definition; however, Hyosung and HHI question whether there is a clear dividing line between power transformers below and above 60 MVA, and reserve the right to request the Commission to collect information for power transformers below 60 MVA in any final phase investigation.[40]

[39] Petitioners' postconference brief, p. 4.
[40] Respondent Hyosung's postconference brief, pp. 2-3. Respondent HHI's postconference brief, pp. 2-3.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

INTRODUCTION

The LPTs subject to this investigation are components used in high voltage electrical power transmission system. LPTs transfer power by electromagnetic induction between circuits at the same frequency usually by changing values of voltage and current. They are used to increase, transfer, or decrease the output voltages being transmitted. LPTs are expensive pieces of capital equipment that are expected to last 20 to 30 years.[1]

All LPTs are built to order with physical characteristics, power ratings, line voltages, and other characteristics specified by the purchasers, which include investor owned utilities, public utilities, electrical cooperative power plants, and industrial users.[2] Each LPT is designed for the specific application and situation dictated by the purchasers. These purchasers request quotes from suppliers with precise specifications. These are highly detailed documents, and LPT producers invest significant time in reviewing the specifications, costing out the elements of design and putting together a formal bid.[3] All producers and responding importers reported that bids for LPTs also include other services such as warranties, and transportation and installation. In most cases, suppliers only have one opportunity to bid on a particular contract.[4]

Some of the large investor-owned utilities set up what are called blanket agreements with long-term alliances for specific suppliers. These alliances are typically for periods of two to five years and lock in one supplier of LPTs for the investor-owned utility over that period of time. Both U.S. producers and suppliers of LPTs from Korea participate in such agreements. The benefit for the utility is that once they buy one transformer from a supplier, with a specific design, additional LPTs can be produced and shipped more rapidly. Sales under these alliances account for a significant percentage of sales of LPTs.[5]

CHANNELS OF DISTRIBUTION

During January 2008 through June 2011 practically all sales by U.S. producers, and *** sales by importers from Korea went to end users (table II-1). The *** went to end users, although the share going to distributors *** than for U.S. producers, imports from Korea, and nonsubject sources other than Mexico.

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[1] Conference transcript, p. 91 (Stiegemeier).

[2] Petitioner's postconference brief, p. 5 and conference transcript, p. 40 (Kerwin) .

[3] Open bids are more common with public utilities while closed bidding is more common with private utilities, conference transcript, (Neal), p. 118.

[4] Responses to producer and importer questionnaires (see Part V).

[5] Conference transcript (Newman) p. 34, (Blake) p.85, (Neal) p. 118. Actual estimates of the percentages of sales under these agreements are not available.

Table II-1
LPTs: U.S. producers' and importers' shares of reported U.S. shipments, by source and channel of distribution, 2008-10, January-June 2010, and January-June 2011

Item	Calendar year			January-June	
	2008	2009	2010	2010	2011
	Share of reported shipments *(percent)*				
Domestic producers' U.S. shipments of LPTs:					
Distributors	0.4	1.2	1.0	0.0	1.3
End users	99.6	98.8	99.0	100.0	98.7
U.S. importers' U.S. shipments of LPTs from Korea to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. shipments of LPTs from Mexico to:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. shipments of LPTs from all other sources:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***

Source: Complied from data submitted in response to Commission questionnaires.

GEOGRAPHIC DISTRIBUTION

U.S.-produced and imported LPTs from Korea and nonsubject sources are sold throughout the United States. Four of the six U.S. producers sell throughout the continental United States and in Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands and the remaining two sell only in the continental United States. Both of the largest importers from Korea and two importers from nonsubject sources also ***. Of the other three responding importers, one importer from nonsubject sources sells throughout the continental United States, another importer from nonsubject sources sells only in the Midwest and on the Pacific Coast, and one smaller importer from ***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, the U.S. LPT industry has the ability to respond to changes in demand with large changes in the quantity of shipments LPT s to the U.S. market. The main contributing factors to this degree of responsiveness of supply is substantial excess capacity.

Industry capacity

During 2008-10, the industry's capacity ranged from a low of 46,805 MVA in 2008 to a high of 51,346 MVA in 2009. Its capacity utilization rate increased from 38.9 percent in 2008, to 40.8 percent in 2009 and then decreased to 39.9 percent in 2010. The rate was 38.0 percent in interim 2011 as compared with 40.1 percent in interim 2010.

Alternative markets

During 2008-10, exports as a share of total shipments ranged from a low of *** percent in 2008 to a high of *** percent in 2009. During January-June 2011 they accounted for *** percent of total shipments as compared to *** percent in January-June 2010.

When U.S. producers were asked how easy it would be to shift their sales to alternative country markets, all firms indicated that it would be difficult due to such factors as the lack of a sales organization, formal and informal trade barriers, transportation issues, and different technical standards.

Inventory levels

U.S. producers do not maintain inventories of LPTs.[6]

Production alternatives

*** of the U.S. producers reported that ***.

Subject Imports

Based on available information, the Korean LPT industry has the ability to respond to changes in demand with *** changes in the quantity of shipments of LPTs to the U.S. market. The main contributing factors to this degree of responsiveness of supply are ***.

Industry capacity

During 2008-10, annual Korean capacity ranged from a low of *** MVA in 2008 to a high of *** MVA in 2010. Capacity is projected to reach *** MVA for 2011 and *** MVA for 2012. During 2008-10, capacity utilization rates ranged from a low of *** percent in 2008 to a high of *** percent in 2010. During January-June 2011, capacity utilization was *** percent as compared with *** percent in January-June 2010. Capacity utilization is projected to reach *** percent in 2011 and *** percent in 2012.

[6] Conference transcript, p. 80 (Kerwin).

Alternative markets

During 2008-10 Korea's combined home market shipments and exports to markets other than the United States consistently accounted for between *** and *** percent of its total shipments. During January-June 2011 these combined shipments accounted for *** percent of the total as compared with *** percent in interim 2010. These combined shipments are projected to reach *** percent of total shipments in 2009 and *** percent in 2012.

When importers were asked how easily they could shift sales of LPTs between the United States and alternative country markets, ***.

Inventory levels

During 2008-10, the ratio of inventories to shipments ranged from a high of *** percent in 2008 to a low of *** percent in 2009. During January-June 2011 the ratio was *** percent as compared with *** percent in January-June 2010. The ratio is projected to be *** percent in 2011 and *** percent in 2012.

Production alternatives

***, reported making power transformers of less than 60 MVA on the equipment and machinery used to produce LPTs.

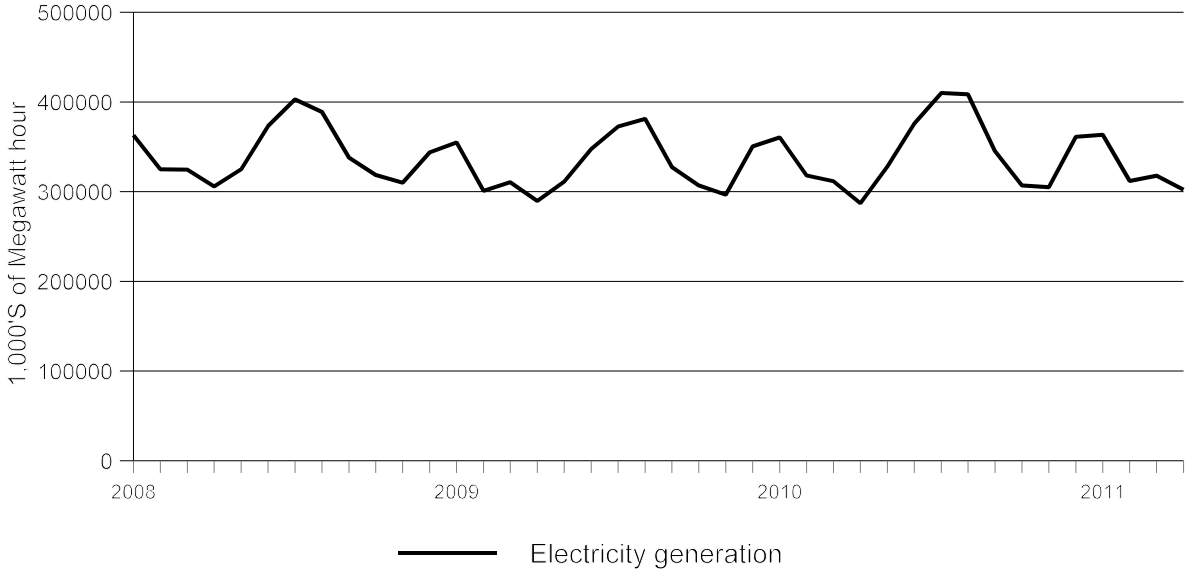
U.S. Demand

Demand Characteristics

The overall U.S. demand for LPTs depends on the demand for electric power and other variables including industrial construction and housing starts.[7] Monthly levels of total electricity generation from all sources for the period January 2008 through April 2011 are shown in figure II-1. Despite frequent fluctuations from month to month due to seasonal factors, no clear trend is evident. Data from the Energy Information Administration indicate that for the period January-April 2011, total U.S. energy consumption in billions of kilowatts was 1,295,702 as compared with 1,256,020 during January-April 2010, an increase of approximately three percent. However, monthly new housing starts declined sharply during 2008 and then fluctuated within a narrow range during January 2009-June 2011 (figure II-2).

[7] Conference transcripts, p. 88 (Mucha)

Figure II-1
Electric power generation in the United States: Monthly, January 2008-April 2011



Source: Energy Information Administration

Figure II-2
Housing starts: Annualized rate of monthly housing starts, seasonally adjusted, January 2008-June 2011

Source: U.S. Census Bureau, www.census.gov/const/starts

When asked whether the LPT market is subject to business cycles or conditions of competition (including seasonal business) distinctive to LPTs, three of six producers answered "yes" and three answered "no." Among the eight responding importers, six answered "yes" and two answered "no." When asked to explain the nature and duration of business cycles and conditions of competition, responses were varied. One producer reported that the replacement market is influenced by the aging installed base of transformers. One importer reported that the market is subject to the construction cycle in the spring and summer.

When asked whether the business cycle or conditions of competition in the LPT industry have changed since 2008, the majority of both producers and importers answered "yes." Changes frequently cited were the expansion of imports from Korea and China into the U.S. market and the construction of new facilities by U.S. producers and foreign firms in the United States.

Apparent Consumption

Apparent U.S. consumption of LPTs decreased from *** MVA in 2008 to *** MVA in 2009 and then recovered to *** MVA in 2010. During January-June 2011, apparent consumption was *** MVA as compared with *** MVA in January-June 2010.

Demand Perceptions

When producers and importers were asked how U.S. demand within the United States for LPTs had changed since January 2008, responses were varied. Among the six producers, three reported that demand had fluctuated, two reported that it had decreased, and one reported that it was unchanged. Among eight importers, two reported that demand had increased, three reported that it had fluctuated, and three reported that it had decreased. Trends in the U.S. economy, the residential and nonresidential construction industry, and the replacement market for transformer were all cited as factors affecting demand for LPTs.

Substitute Products

When asked whether other products can be substituted for LPTs, all U.S. producers and importers answered no.

Cost Share

LPTs account for a substantial share of the final cost of the end-use products in which they are used, though estimates ranged widely. This wide variability in estimates may be due to the fact that each LPT is unique and costs from project to project and from supplier to suppliers depend upon product specifications and many other factors. Two U.S. producers, Efacec and Waukesha provided separate estimates for the cost share of LPTs used in distributor substations, generator substations and transmission line substations. Efacec estimated that LPTs typically account for ***. Waukesha estimated that LPTs account for ***

***. None of the other producers or importers provided detailed estimates.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported LPTs depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.).

Lead Times

The average lead time between a customer's order and the date of delivery on sales of LPTs ranges from 5 to 12 months for producers, and 6 to 16 months for importers.

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

The respondents have argued that there is a very limited degree of competition between U.S.-produced LPTs and imports from Korea. Hyosung and HHI both reported that a large share of their exports to the United States consist of LPTs with an MVA rating of 300 or more and that U.S. producers are either incapable of making transformers in that size range or only produce very small quantities.[8] The petitioners argue that four of six U.S. producers do have the ability to manufacture LPTs above 300 MVA and that attenuated competition in the 300 MVA size range is not supported by the record. They reported that ***.[9]

Hyosung reported that LPTs with MVA ratings of 300 or above accounted for *** percent of its total U.S. sales in 2010, and HHI reported that they accounted for *** percent of its U.S. exports in 2010.[10] Two U.S. producers, ***. [11]

Hyosung also stated that U.S. producers are unable to compete in some bids because they are unable to produce shell transformers, a higher-priced product than the more standard core transformers. Among U.S. producers, only Efacec produces shell transformers.[12] The shell form is used in industrial transformer in steel mills and in very large transformers.[13] The petitioners have argued that specific requests for shell transformers are very rare.[14]

Five of six producers reported that U.S.-produced products and imports from Korea are "always" interchangeable and one reported that they are "frequently" interchangeable. Among importers, one reported that they are "always" interchangeable, four reported that they are "sometimes" interchangeable, and two reported that they are "never" interchangeable (table II-1). In discussing factors that may limit interchangeability, one importer, ***, reported that some bids require designs that suppliers within a certain [15] country may not be able to produce. *** cited shell transformers, and

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[8] Respondent Hyosung's postconference brief, p. 4, and Respondent HHI's postconference brief, Appendix 1.

[9] Petitioners' postconference brief, pp. 15-16.

[10] Hyosung postconference brief, exhibit 17 and HHI postconference brief, exhibit 1.

[11] Emails to Commission staff. For the petitioner, the email was from ***, August 9, 2011; for Efacec, from ***, July 29, 2011; for Waukesha ***; for V.C. from ***, August 2, 2011.

[12] Hyosung and HICO America's postconference brief, p. 21.

[13] Conference transcript. pp. 58-59 (Steigemeier).

[14] Conference transcript, p. 102 (Cusack).

[15] *** did not name the countries. However, *** and the majority of the other importers reported that imports from the United States, Korea, Mexico and other nonsubject countries are only sometimes substitutable with each other.

large capacity units that exceed the capacity of suppliers in certain countries, and certain requirements including special sound levels, loss evaluation, and basic impulse voltages.

Table II-1
LPTs: Perceived degree of interchangeability of product produced in the United States and in other countries, by country pairs

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. Korea	5	1	0	0	1	0	4	2
U.S. vs. Mexico	6	0	0	0	1	0	3	2
U.S. vs. nonsubject	4	1	1	0	1	0	4	0
Korea vs. Mexico	5	1	0	0	1	0	4	1
Korea vs. nonsubject	4	1	1	0	1	0	4	0
Mexico vs. nonsubject	4	1	1	0	1	0	4	0

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

A majority of producers reported that the differences in factors other than price are "never" a factor in sales of LPTs, and a majority of importers reported that they are "always"a factor (table II-2). One producer *** reported that the U.S. market for LPTs is much more open to free trade than many foreign markets. It said that in many foreign markets there are significant formal and informal barriers that can include language requirements, plant qualification requirements and differences in understanding or explaining technical requirements. One importer, ***, reported that technical support is a large contributing factor that differentiates manufacturers.

Table II-2
LPTs: Perceived importance of factors other than price between products produced in the United States and in other countries, by country pairs

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. Korea	1	1	0	4	4	1	1	0
U.S. vs. Mexico	1	1	0	4	2	1	1	1
U.S. vs. nonsubject	1	1	1	3	3	1	0	0
Korea vs. Mexico	0	2	0	4	3	1	1	0
Korea vs. nonsubject	0	2	0	3	3	1	0	0
Mexico vs. nonsubject	0	2	0	3	3	1	0	0

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, and "N" = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of six firms that accounted for all of U.S. production of LPTs over the period examined.[1]

U.S. PRODUCERS

Of the six firms that responded to the Commission's questionnaires, *** opposed the petition; *** supported the petition and *** took no position on the petition.[2] Table III-1 lists U.S. producers of LPTs, their production locations, positions on the petition, production, and shares of reported production in 2010.[3]

[1] Conference transcript, p. 51 (Luberda). As noted earlier, transformer size is determined on the basis of megavolts amperes (MVA) ratings. Conference transcript, p. 28 (Stiegemeier). Therefore, quantities are presented in terms of top rated MVA, rather than units. LPTs are highly customized and encompass a diverse product mix due to differences in capacity and voltage; therefore, average unit values, whether measured in terms of dollar per top rated MVA or dollar per unit, may not be meaningful. Petition, p. 21. Conference transcript, p. 131 (Connelly) and p. 136 (H. Lee). Respondent Hyosung's postconference brief, p. 28.

[2] The Commission received useable data from six firms: ABB, Delta Star, Efacec, PTTI, VTC, and Waukesha. ***. Additionally, Hyundai Power Transformers USA, Inc. ("Hyundai Power USA") submitted a partial questionnaire response on behalf of its Montgomery, AL facility, which it expects to be completed in November 2011. Conference transcript, p. 145 (G. Lee). Hyundai Power USA is a subsidiary of HHI, a foreign producer/exporter of LPTs in Korea.

[3] *** of the responding producing firms are related to producers of LPTs in Korea.

Table III-1
LPTs: U.S. producers of LPTs, their positions on the petition, production locations, production, and shares of reported production, 2010

Firm	Position on petition	Production location(s)	Total production (MVA)	Share of production (percent)
ABB[1]	Support, petitioner	South Boston, VA St. Louis, MO	***	***
Delta Star	Support, petitioner	Lynchburg, VA San Carlos, CA	***	***
Efacec[2]	***	South Rincon, GA	***	***
PTTI	Support, petitioner	Canonsburg, PA	***	***
VTC[3]	***	Roanoke, VA Pocatello, ID	***	***
Waukesha[4]	***	Goldsboro, NC Waukesha, WI	***	***
Total			19,807	100.0

[1] ABB is related to firms producing LPTs in Brazil, Canada, China, Germany, India, Poland, Spain, Sweden, Thailand, and Turkey.
[2] Efacec is wholly owned by Efacec Energia, Maquinas e Equipamentos Electricos, SA, a manufacturer of transformers and other electrical equipment in Portugal.
[3] VTC is related to a subsidiary VTCU Corp., which produces LPTs in Pocatello, ID.
[4] Waukesha is wholly owned by SPX Corporation.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-2 presents U.S. producers' production, capacity, and capacity utilization.

Table III-2
LPTs: U.S. producers' production, capacity, and capacity utilization, 2008-10, January-June 2010, and January-June 2011

Item	Calendar year			January-June	
	2008	2009	2010	2010	2011
			Quantity (MVA)		
Capacity	46,805	51,346	49,685	24,696	27,150
Production	18,219	20,972	19,807	9,891	10,318
			Capacity utilization (*percent*)		
Capacity utilization	38.9	40.8	39.9	40.1	38.0

Source: Compiled from data submitted in response to Commission questionnaires.

In their questionnaire responses, several U.S. producers indicated changes in relation to the production of LPTs since January 1, 2008. ***.[4] ***. ***.[5] ***.

Additionally, several firms announced plans to either commence production of LPTs or expand existing production of LPTs in the United States. Hyundai is currently investing $130 million to

[4] ***. Email from ***, August 9, 2011.
[5] Email from ***, August 15, 2011.

construct a 220,000 square foot facility in Montgomery, AL, which is scheduled to be completed in November 2011, with production beginning in early 2012.[6] In February 2011, Mitsubishi Electric Power Products announced it would build a $200 million, 350,000 square foot facility in Memphis, TN. Production at the Memphis facility is scheduled to begin in 2013.[7] In May 2010, Waukesha announced plans for a $70 million, 140,000 square foot expansion at its Waukesha, WI facility. This expansion, which will increase the facility's size by 50 percent, is expected to be completed by the end of 2011.[8] In March 2011, Delta Star announced a $10 million, 30,000 square foot expansion of its Lynchburg, VA facility; however, Delta Star has not gone forward with those plans.[9]

Over the period examined, *** firms reported constraints in equipment (cranes, ovens, testing, winding and vapor phase systems) and the availability of trained personnel that set limits on their production capacity.[10] *** firms reported manufacturing products other than LPTs on the same equipment and machinery used in the production of LPTs and/or using the same production and related workers employed to produce LPTs.[11]

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Over the period examined, U.S. commercial shipments accounted for the vast majority of U.S. producers' revenue in this industry, with *** reporting exports.[12] *** reported internal consumption or transfers to related firms. Table III-3 presents U.S. producers' U.S. shipments, export shipments, and total shipments.

[6] "Hyundai Heavy Industries Puts Plant in Alabama," http://www.businessfacilities.com/news/hyundai-heavy-industries-puts-plant-in-alabama.php, retrieved August 11, 2011. Conference transcript, p. 145 (G. Lee). Respondent HHI's postconference brief, p. 1.

[7] "Mitsubishi Electric Power Products to Build Transformer Factory in Memphis," http://www.businesswire.com/news/home/20110214005520/en/Mitsubishi-Electric-Power-Products-Build-Transformer-Factory, retrieved August, 1, 2011. Conference transcript, p. 114 (Neal). Respondent HHI's postconference brief, p. 32.

[8] "SPX Announces a 50 Percent Expansion of Waukesha Electric Systems' Manufacturing Facility," http://www.prnewswire.com/news-releases/spx-announces-a-50-percent-expansion-of-waukesha-electric-systems-manufacturing-facility-93920014.html, retrieved August, 1, 2011. Conference transcript, p. 114 (Neal) and p. 147 (Maloney). Respondent HHI's postconference brief, p. 32. Respondent Hyosung's postconference brief, p. 40.

[9] Conference transcript, pp. 53-54 (Newman). ***. Petitioners' postconference brief, pp. 12-13.

[10] Other constraints involved in the production of LPTs include dryer equipment and a given facility's layout and size. Conference transcript, p. 138 (Morgan).

[11] ***.

[12] ***.

Table III-3
LPTs: U.S. producers' U.S. commercial shipments, export shipments, and total shipments, 2008-10, January-June 2010, and January-June 2011

Item	Calendar year			January-June	
	2008	2009	2010	2010	2011
			Quantity (*MVA*)		
U.S. commercial shipments	17,969	20,258	19,279	9,831	9,418
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Value (*1,000 dollars*)		
U.S. commercial shipments	263,505	280,185	213,070	117,990	89,226
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Unit value (*per MVA*)		
U.S. commercial shipments	$14,664	$13,831	$11,052	$12,002	$9,474
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Share of quantity (*percent*)		
U.S. commercial shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
			Share of value (*percent*)		
U.S. commercial shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

No U.S. producer maintains inventories of LPTs largely because these products are made to order and have particular applications as specified by the customer.[13]

U.S. PRODUCERS' IMPORTS

*** U.S. producers of LPTs reported imports of LPTs during the period.[14] These data are presented in table III-4.

[13] Conference transcript, p. 80 (Kerwin).
[14] ***. ***.

Table III-4
LPTs: Select producers' U.S. production, imports, and imports as a ratio to production, 2008-10, January-June 2010, and January-June 2011

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-5 shows U.S. producers' employment-related data during the period examined. ***.[15]

Table III-5
LPTs: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2008-10, January-June 2010, and January-June 2011

* * * * * * *

[15] Petitioners' postconference brief, p. 37.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

Part IV of this report presents information on imports of subject merchandise and overall U.S. market composition. Reported shipments of imports are based on the questionnaire responses of 11 U.S. importers.[1] The Commission received questionnaire responses from three firms that reported imports of LPTs from Korea which are believed to account for all subject imports over the period examined.[2] The Commission received questionnaire responses from eight firms that reported importing LPTs from nonsubject sources, which are believed to account for a substantial proportion of nonsubject imports over the period examined.[3]

U.S. IMPORTERS

Of the three U.S. importers that reported imports of LPTs from Korea over the period, Hyundai Corp. and HICO accounted for all of the total reported U.S. imports from Korea in 2010.[4] As noted earlier, Hyundai Corp. is a wholly-owned subsidiary of HHI, which is engaged in exporting LPTs from Korea to the United States. HICO is a wholly-owned subsidiary of Hyosung, which is engaged in exporting LPTs from Korea to the United States.[5] Leading nonsubject sources of LPTs include Canada and Mexico.[6]

*** firms reported being related to firms, either foreign or domestic, that are engaged in the production of LPTs.[7] No importers reported entering or withdrawing LPTs from foreign trade zones or bonded warehouses. In addition, no importers reported imports of LPTs under the temporary importation under bond program.

U.S. IMPORTERS' U.S. SHIPMENTS OF IMPORTS

Table IV-1 presents information on U.S. shipments of imports of LPTs over the period examined. U.S. shipments of imports of LPTs from Korea increased by 46.4 percent, by value, between 2008 and 2010 and U.S. imports of LPTs from nonsubject sources decreased by 32.8 percent over the same period.[8]

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[1] The Commission sent questionnaires to those firms identified in the petition, along with firms identified by data provided by U.S. Customs and Border Protection ("Customs") as potential importers of LPTs. Official Commerce statistics for a portion of HTS statistical reporting number 8504.23.0040 include non-subject products (transformers of top rated MVA between 10 MVA and 60 MVA); therefore, questionnaire data was deemed to be more appropriate. The following firms certified that they had not imported LPTs from any country since 2008: ***.

[2] Conference transcript, p. 52 (Luberda) and p. 154 (Connelly).

[3] Respondent Hyosung's postconference brief, p. 24.

[4] Conference transcript, p. 52 (Luberda) and p. 154 (Connelly). ***.

[5] HICO began operations in 2001 and employs 50 workers in its Pittsburgh, PA, Greensburgh, PA, and Los Angeles, CA offices. Respondent Hyosung's postconference brief, p. 4.

[6] U.S. importers of subject merchandise from Canada include: ***. U.S. importers of subject merchandise from Mexico include: ***.

[7] ***.

[8] As noted earlier, transformer size is determined on the basis of megavolts amperes (MVA) ratings. Conference transcript, p. 28 (Stiegemeier). Therefore, quantities are presented in terms of top rated MVA, rather than units. LPTs are highly customized and encompass a diverse product mix due to differences in capacity and voltage; therefore, average unit values, whether measured in terms of dollar per top rated MVA or dollar per unit, may not be meaningful. Petition, p. 21. Conference transcript, p. 131 (Connelly) and p. 136 (H. Lee). Respondent Hyosung's postconference brief, p. 28.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible. Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. In this investigation, imports of LPTs from Korea are not negligible. In the most recent 12-month period for which data are available (July 2010 through June 2011), U.S. imports of LPTs from Korea accounted for *** percent, by value, of total imports.[9]

Table IV-1
LPTs: U.S. shipments of imports by source, 2008-10, January-June 2010, and January-June 2011

* * * * * * *

APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES

Table IV-2 presents data on apparent U.S. consumption and U.S. market shares over the period examined.

[9] Market share data for July 2010-June 2011 is based on official Commerce statistics for HTS 8504.23.0040 and 8504.23.0080.

Table IV-2
LPTs: Apparent U.S. consumption and U.S. market shares, 2008-10, January-June 2010, and January-June 2011

Source	Calendar year			January-June	
	2008	2009	2010	2010	2011
			Quantity (*MVA*)		
U.S. producers' U.S. shipments	17,969	20,258	19,279	9,831	9,418
U.S. shipments of imports from--					
Korea	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	110,977	97,596	108,030	61,834	42,652
Apparent U.S. consumption	128,946	117,854	127,309	71,665	52,070
			Value (*1,000 dollars*)		
U.S. producers' U.S. shipments	263,505	280,185	213,070	117,990	89,226
U.S. shipments of imports from--					
Korea	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	1,048,263	965,981	911,863	495,492	388,864
Apparent U.S. consumption	1,311,768	1,246,166	1,124,933	613,482	478,090
			Market share by quantity (*percent*)		
U.S. producers' U.S. shipments	13.9	17.2	15.1	13.7	18.1
U.S. shipments of imports from--					
Korea	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	86.1	82.8	84.9	86.3	81.9
			Market share by value (*percent*)		
U.S. producers' U.S. shipments	20.1	22.5	18.9	19.2	18.7
U.S. shipments of imports from--					
Korea	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	79.9	77.5	81.1	80.8	81.3
Source: Tables III-3 and IV-1.					

RATIO OF U.S. SHIPMENTS OF IMPORTS TO U.S. PRODUCTION

Table IV-3 presents data on the ratio of U.S. shipments of imports to U.S. production.

Table IV-3
LPTs: Ratio of U.S. shipments of imports to U.S. production, 2008-10, January-June 2010 and January-June 2011

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials account for a substantial share of the cost of LPTs. During 2008-10 their share of the cost of goods sold ranged from a high of 66.9 percent in 2009 to a low of 57.6 percent in 2010. During January-June 2011 they accounted for 64.3 percent of the cost of goods sold. The main raw material used to produce LPTs include windings, GOES, and other inputs.

U.S. Inland Transportation Costs

Estimates by producers and importers of the cost of U.S. inland transportation as a percentage of the total delivered cost of LPTs varied. For producers, the estimates ranged from less than 3.0 percent to 10 percent, and for importers, they ranged from 3.0 to 10 percent.

Questionnaire respondents were also asked to estimate the share of their sales that were delivered within 100 miles, 101 to 1,000 miles, and over 1,000 miles from their production or storage facilities. For all six producers, 90 percent or more of their shipments were for distances of 101 miles or more. The share of producer shipments between 101 and 1,000 miles ranged between 40 and 90 percent for the six producers and the share of producer shipments of distances over 1,000 miles ranged from 4 to 50 percent. Among six responding importers, three reported that all of their shipments were for distances of over 1,000 miles, one reported that 95 percent of its shipments exceeded 101 miles, one reported that 80 to 85 percent of its shipments exceeded 1,000 miles, and one reported that 72 percent of its shipments exceeded 1,000 miles.

PRICING PRACTICES

Pricing Methods

Transaction prices for LPTs are determined through bid competition. Bid prices are determined on the basis of current market prices as well as the costs of labor, materials, and installation. All producers and responding importers reported that bids for LPTs also include other services such as warranties, transportation, and installation. In most cases, suppliers only have one opportunity to bid on a particular contract.[1] Additional bids may be allowed when there are changes to specifications or location. In most cases, purchasers do not discuss bids among competing suppliers.

When questionnaire respondents were asked whether they have ever been excluded from bidding on sales of LPTs at any time since January 1, 2008, five of six producers and five of seven responding importers answered "yes." Reasons cited included lack of approval as a supplier,[2] and requirements to purchase products manufactured in the United States, or North America. One firm also reported that in cases where its bids have been too high, the purchaser did not always solicit future bids from the supplier.

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[1] When asked how often there is more than one chance to bid on a sales agreement, five of six producers answered "rarely" and one answered "sometimes." When the same question was asked of seven responding importers, one answered "always," two answered "never," three answered "rarely," and one answered "sometimes."

[2] One U.S. producer *** reported that in some cases customers lacked knowledge of its ability to produce large power capability. Another producer *** reported that it has sometimes been excluded as a bidder because of the age of its plant ***. One importer *** reported that quality issues or a lack of experience have been a factor.

Contracts for multiple shipments to purchasers account for a relatively small share of total sales. Among producers, three firms reported that 1 to 20 percent of their sales involved contracts for multiple shipments, and three reported that such contracts accounted for 20 to 40 percent of their sales.[3] Among six responding importers, one reported that none of its sales involved contracts for multiple shipments, four reported that 1 to 20 percent involved such contracts, and one reported that such contracts involved 60 to 80 percent of its sales. When asked to report the average number of transformers in multiple shipment contracts, estimates by producers ranged from two to seven units and estimates by importers ranged from two to four units. When asked whether prices can be renegotiated during contract periods, three producers answered "yes," and three answered "no." Among five responding importers, two answered "yes" and three answered "no."

Sales Terms and Discounts

Prices are quoted on both an f.o.b. and delivered basis by producers and importers. Four producers reported that they quote prices on a delivered basis and two quote prices on an f.o.b. basis. Among six responding importers, four quote prices on a delivered basis, and two quote prices on an f.o.b. basis.

Discount policies on sales of LPTs are varied. Among producers, three firms reported that they do not provide discounts and three reported that they do offer discounts in certain cases. Three firms reported that they sometimes offer discounts based on early payment or on transaction volumes. Among seven responding importers, two reported that they do not offer discounts, and four reported that they do offer discounts in some instances based upon such factors as early payment of accounts and the transaction volume.

PRICE DATA

Questionnaire Bid Data

In order to obtain bid data for comparisons, U.S. producers and importers were asked to submit data on their 25 largest bids on LPTs since January 2008 in chronological order. In their bid data, the questionnaire respondents were asked to include the costs of any services, such as installation or training. The information requested was the customer name, the project location, the number of units involved, the total project size in MVA, the initial bid, the final bid, the final bid date, the contract date if won, the delivery date if won, and the winning bidder if known. While U.S. producers and importers from Korea and other sources often submitted bids to the same customers, efforts to find direct competition between suppliers on particular bids from the data collected were not successful. In many cases, firms that competed on bids did not know the names of the winning bidders.

Bid Data Requested With Lost Sales Information

Along with requests to provide information on lost sales allegations, purchasers who were asked to respond to the allegations were also asked to provide information on their two largest bids since January 2008. The information requested for the bids included a product description, the quantity involved, the bid date, and the bidder's name and country source, the bid amount in dollars, and the name

[3] Some of the large investor-owned utilities set up what are called blanket agreements with long-term alliances for specific suppliers. These alliances are typically for periods of two to five years and lock in one supplier of LPTs for the investor-owned utility over that period of time. Both U.S. producers and suppliers of LPTs from Korea participate in such agreements (see Part II).

of the winning bidder and bid. Eight purchasers provided information. Data from six of the purchasers, *** who provided the information in the form requested are presented in table V-1. Data from two other purchasers, *** and ***, on their largest purchases was also provided but in a form that was not suitable for the table. All 11 of the bids shown in the table included one or more Korean suppliers. Seven of the bids included one or more U.S. producers. In five of the 11 bids, the low bid won, while in five other cases, the low bidder was not selected. In one case, the business was divided among three suppliers. Korean producers won *** of the *** bid competitions, with HHI winning *** and HICO winning ***. *** of the Hyundai winning bids, and *** of the HICO winning bids were ***. A nonsubject producer *** and a U.S. producer *** each won one bid. In the bid that was divided among three suppliers, business was awarded to ***, ***, and ***.

***.

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Table V-1
LPTs: Bid data for certain purchasers: two largest bids since January 2008 for firms that responded to lost sales allegations

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LOST SALES AND LOST REVENUES

U.S. producers reported 55 instances of lost sales due to competition from Korean imports and one instance of lost revenues where it was necessary to reduce or roll back prices of LPTs. The 55 lost sales allegations involved 91 units valued at $140.9 million and the 1 lost revenue allegation involved 1 unit with lost revenue on the sale valued at $64,000. Staff contacted or attempted to contact all 29 purchasers named in the allegations. Eight purchasers provided responses to the allegations. A summary of the lost sales allegations and responses is presented in table V-2.[4]

Table V-2
LPTs: U.S. producers' lost sales allegations

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[4] The lost revenue customer *** did not provide a response to the allegation.

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PART VI: FINANCIAL EXPERIENCE OF U.S. FIRMS

BACKGROUND

Six firms provided usable financial data on their operations producing LPTs.[1] These reported data are believed to represent all production of LPTs in the United States in 2010.[2]

OPERATIONS ON LPTs

Income-and-loss data for the reporting U.S. firms' LPT operations are presented in table VI-1, and are briefly summarized here.

- Sales quantity in MVA rose irregularly from 2008 to 2010 (by *** percent) and was higher in January-June 2011 than in January-June 2010 (by *** percent). Sales quantity in units of LPTs declined irregularly from 2008 to 2010 and was the same in the interim periods. Sales value fell irregularly between 2008 and 2010 (down by *** percent) and was lower in January-June 2011 than in the year-earlier period (down *** percent). Differences in the relative changes of quantity and value implies that average unit value of sales whether measured on a per-MVA or per-LPT basis, declined between 2008 and 2010 and was lower in January-June 2011 than in the same period in 2010.[3]
- The absolute value of cost of goods sold ("COGS") rose from 2008 to 2010 (up by *** percent in contrast to sales value) and was higher in January-June 2011 than in January-June 2010 (up by *** percent in contrast to sales). Each of the components of COGS was greater in value in 2010 than in 2008. In percentage terms, raw materials rose by *** percent, direct labor rose by *** percent, and other factory costs rose by *** percent. Both raw materials and direct labor were greater in value in January-June 2011 than in the same period in 2010. Increased raw material costs and direct labor were higher by *** and *** percent, respectively and compensated for the lower value of other factory costs (which were lower by *** percent) in January-June 2011 compared with January-June 2010. These costs also rose as a ratio to sales and on a per-unit basis between those periods as well.

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[1] The firms are ABB, Delta Star, PTTI, Efacec, VTC, and Waukesha. Each has a fiscal year that ends on ***. No firm reported internal consumption or transfers to related firms of LPTs. A seventh firm, Hyundai Power USA submitted a partial questionnaire response, ***, on behalf of its Montgomery, AL facility, which it expects to be completed in November 2011. Conference transcript, p. 145 (G. Lee). It appears that this facility will initially produce power transformers with a capacity below 60 MVA.

[2] Each firm manufactures and sells an LPT on a project-by-project basis, i.e., to a customer's order and to a specific design. Such projects may require months to complete. Under U.S. GAAP, revenue usually is recognized as it becomes measurable, realized or realizable, and earned (which is typically as a product or service is delivered); additional considerations are that there are no continuing obligations by the seller and risk of ownership has passed to the buyer. In certain circumstances, like those involving long-term construction projects, revenue may be recognized during production even though the revenue has not been realized. This method uses percentage-of-completion to allocate revenues and costs to specific accounting periods. The Commission asked responding U.S. firms whether they recognized revenue by completed contract (as delivered) or percentage-of-completion (during production). ***.

[3] Per-unit values should be used with caution because of the nature of the product and because of changes in product mix. See petition, pp. 20-21; conference transcript, p. 136 (Lee); postconference brief of Hyosung and HICO America, p. 28.

- Selling, general, and administrative ("SG&A") expenses rose in dollar terms as well as on a percentage-of-sales basis from 2008 to 2010. These expenses were lower in January-June 2011 compared with the same period in the previous year.
- Operating income rose *** from 2008 to 2009 and then fell *** to an operating loss in 2010 as *** of the six firms reported an operating loss. In January-June 2010 *** and, overall, the operating profit was *** percent of sales. In January-June 2011 *** firms reported losses and the average was a negative *** percent of sales.
- Except for 2010 and the January-June 2011 interim period, net income before taxes and cash flow (calculated as net income plus depreciation charges) were positive.

Table VI-1
LPTs: Results of total operations of U.S. firms, fiscal years 2008-10, January-June 2010, and January-June 2011

* * * * * * *

Salient operating data on a firm-by-firm basis are shown in table VI-2.

Table VI-2
LPTs: Results of operations of U.S. firms, by firm, fiscal years 2008-10, January-June 2010, and January-June 2011

* * * * * * *

ABB has production facilities for LPTs in St. Louis, MO and South Boston, VA.[4] It was the ***.[5]

[4] ABB is a large multinational producer of a wide range of products. ABB's annual report discusses LPTs and other products within the context of that firm's Power Products Division (PPD), which produces and sells products world-wide. In part, it stated that ABB's total orders in 2010 increased by 6 percent (4 percent in local currencies) compared to 2009 as the global economy began to recover, as reflected in increased spending by industrial customers in energy-efficient automation and power solutions to increase productivity and quality. However, investments by utilities in large power transmission projects remained "cautious." In 2010, orders in the PPD decreased by 11 percent (13 percent in local currencies) as transmission spending remained low, resulting in lower order volumes, especially in large power transformers and high voltage equipment. The economic recovery however did lead to an increase in the power distribution segments with higher orders in the medium voltage product lines (which does not include LPTs). This contrasts unfavorably with orders in other divisions, such as ABB's Power Systems, Process Automation, and Low Voltage Products divisions, which increased. ABB further stated that as base orders began recovering on the upturn in the global economy, it continued to see for the first half of 2010 that large scale investments in both industry and utilities were delayed as customers assessed the stability of the recovery; later in 2010 customers became more optimistic, which materialized into a number of large order awards in the fourth quarter of 2010. However, this attitude shift was not enough to compensate for the low levels of large orders in the first half of 2010. Consequently, large orders were down 17 percent (20 percent in local currencies). Total orders in 2009 decreased 19 percent (13 percent in local currencies) compared to 2008 due to (a) the economic downturn, which had significantly weakened demand particularly in the industrial and construction related markets; and (b) price erosion in both utilities and industrial sectors in many geographical markets. Excerpted from ABB's 2010 Annual Report on Form 20-F, pp. 47-48. EDIS document 456862.

[5] Also e-mail from *** to Commission Staff, August 9, 2011. EDIS document 456822. Some of "all other additional expenses", which are ***.

Delta Star has production facilities for LPTs in Lynchburg, VA and San Carlos, CA. Delta Star is owned primarily by its employees under an Employee Stock Ownership Plan (ESOP).[6] The firm was ***.[7]

Efacec is the U.S. subsidiary of a Portuguese multinational that began operations in the United States in 1998; its U.S. plant, located at Rincon, GA, ***.[8] Efacec's value of sales in 2010 ***.[9] [10]

PTTI, ***, reported data for its production facility at Canonsburg, PA. Its sales of LPTs declined ***.

VTC operates production facilities at Pocatello, ID and Roanoke, VA.[11] VTC is the ***.

Waukesha produces LPTs at Waukesha, WI and Goldsboro, NC.[12] By sales, it was ***.[13]

Total raw material costs of the six reporting U.S. firms increased irregularly from $*** in 2008 to $*** in 2010, and were higher in January-June 2011 ($***) than in the same period in 2010 ($***). Total raw material costs increased from *** percent of sales to *** percent of sales between 2008 and 2010 and were *** higher in January-June 2011 at *** percent than in the same period in 2010 when they accounted for *** percent. Raw material costs declined as a share of total COGS during 2008-10, from *** percent to *** percent because of relative increases in labor and other factory costs, but the ratio was higher in January-June 2011 at *** percent than in January-June 2010 when they accounted for *** percent. The Commission's questionnaire requested U.S. firms to breakout their raw material costs

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[6] An ESOP is a "kind of employee benefit plan, similar to a profit-sharing plan." In an ESOP, a company sets up a trust fund into which it contributes new shares of its own stock or cash to buy existing shares (the ESOP may borrow money to buy new or existing shares with the firm making cash contributions to the plan to enable it to repay borrowing). Company contributions to the trust of stock or cash are tax-deductible, as are dividends, within certain limits. Shares in the trust are allocated to individual employee accounts. See, "How an Employee Stock Ownership Plan (ESOP) Works," The National Center for Employee Ownership, found at Internet site http://www.nceo.org, retrieved on July 18, 2011. EDIS document 456851.

[7] E-mail from *** to Commission staff, August 9, 2011. EDIS document 456822.

[8] ***.

[9] E-mail from *** to Commission staff, August 1, 2011. EDIS document 456821.

[10] Respondents HHI and Hyundai USA request the Commission to exclude Efacec. Postconference brief of HHI and Hyundai USA, p. 4.

[11] VTC produces nonsubject transformers at Roanoke, VA and Chihuahua, Mexico.

[12] Waukesha is part of the Industrial Products and Services Segment of SPX Corporation. The following comment was made in the firm's annual report for 2010, "We achieved total annual revenues of $4.9 billion in 2010, about flat to 2009. Improvement in many of our early-cycle businesses, growth in emerging markets and the contributions from recent acquisitions were offset by a decline in revenue from our late-cycle power and energy businesses, most notably power transformers." 2010 Annual Report of SPX Corp, p. 3. EDIS document 456864. The corporation's management further stated, "In North America, we are a leading provider of medium power transformers. Last year, we announced plans to invest approximately $70 million to expand the size of our Waukesha Electric Systems facility in Wisconsin by approximately 50 percent and extend our ability to produce large, high-voltage power transformers for the North American power market." Ibid, pp. 7 and 16. SPX further stated that the decline in revenues in its Industrial Products and Services segment in 2010 from 2009 was attributable to transformers (the majority of which are below 60 MVA) and that gross profit was unfavorably impacted by lower pricing on power transformers. SPX Corp., 2010 Annual Report on Form 10-K, p. 25. Power transformer sales revenue and gross profit were lower in 2009 from 2008 due to reduced demand, lower prices, and lower overhead absorption rates (due to lower sales). Ibid., p. 31.

[13] E-mail from *** to Commission staff, August 5, 2011. EDIS document 456853.

between grain-oriented silicon electrical steel, windings, and all other.[14] These data are shown in table VI-3.

Table VI-3
LPTs: Breakdown of raw material costs, fiscal years 2008-10, January-June 2010, and January-June 2011

Item	Fiscal year			January-June	
	2008	2009	2010	2010	2011
			Value (*$1,000*)		
GOES	***	***	***	***	***
Windings	***	***	***	***	***
All other	***	***	***	***	***
Total	***	***	***	***	***
			Ratio to reported total (*percent*)		
GOES	24.3	21.9	22.0	22.5	17.3
Windings	27.1	17.7	24.6	25.5	31.8
All other	48.7	60.4	53.4	52.0	50.9
Total	100.0	100.0	100.0	100.0	100.0

Note: The reported data reconciles to total raw materials reported in table VI-1, ***.

Source: Compiled from data submitted in response to Commission questionnaires.

It should be noted that the "all other" category of costs changes more with changes in product mix than does the category of GOES or windings. Differences in the tank or mechanical frame, additional cooling, the addition of other parts, and changes in insulation within the core or windings affect the category (see Part I of this report for a description of the product).

A variance analysis for the reporting U.S. firms is not presented here. A variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix (i.e., consistent cost structure), which is not the case here where each sale is a product designed to a specific design for a specific customer. Also, as noted earlier, there are concerns about the usefulness of unit values, which are used to construct the variance calculation.

[14] Windings are predominantly copper. The all other category includes bushings, insulators, steel, etc. Price escalation clauses in contracts have allowed U.S. firms to recover increasing raw material costs (or, conversely, to give up some price declines in raw material costs). Petitioners allege that the U.S. firms have been forced to accept the risk of raw material cost increases in a period of volatile commodity prices by contract practices of Korean producers in the U.S. market. Petitioners' postconference brief, pp. 40-41. Respondents dispute this. Postconference brief of HHI and Hyundai USA, p. 16. Postconference brief of Hyosung and HICO America, p. 4, note 5.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Data on capital expenditures and research and development ("R&D") expenses related to the production of LPTs are shown in table VI-4.

Table VI-4
LPTs: Capital expenditures and R&D expenses, by firms, fiscal years 2008-10, January-June 2010, and January-June 2011

Item	Fiscal year			January-June	
	2008	2009	2010	2010	2011
	Value *($1,000)*				
Capital expenditures:[1]					
ABB	***	***	***	***	***
Delta Star	***	***	***	***	***
Efacec	***	***	***	***	***
PTTI	***	***	***	***	***
VTC	***	***	***	***	***
Waukesha	***	***	***	***	***
Total	8,155	***	34,744	8,208	***
R&D expenses:					
ABB	***	***	***	***	***
Delta Star	***	***	***	***	***
Efacec	***	***	***	***	***
PTTI	***	***	***	***	***
VTC	***	***	***	***	***
Waukesha	***	***	***	***	***
Total	***	***	***	***	***

[1] Numerous announcements have been made regarding facility expansion of U.S. firms and the construction of U.S. facilities by foreign multinationals. For example, see page III-3 in this report; petitioners's postconference brief, pp. 11-13; postconference brief of Hyosung and HICO America, pp. 40-42; and postconference brief of HHI and Hyundai USA, pp. 32-33. These announcements often include the intended production of transformers that are not LPTs and the announcement may precede the start of production or product acceptance by months or years.

Source: Compiled from data submitted in response to Commission questionnaires.

Delta Star reported that its capital expenditures focus on improvements ***.[15]
Efacec's reported capital expenditures ***.[16]
VTC reported it installed ***.[17]

[15] Attachment to e-mail from *** to Commission staff, August 9, 2011. EDIS document 456822.

[16] Efacec's U.S. producers' questionnaire, sections II-2 and III-12.

[17] E-mails from *** to Commission staff, August 9, 2011. EDIS document 456823.

Waukesha reported ***.[18]

Two foreign-based producers have reported building U.S. plants to produce LPTs. Hyundai reported capital expenditures related to building a new production facility in Montgomery, AL with an expected completion date of November 2011. It reported capital expenditures of $*** in 2009, $*** in 2010, and $*** in interim 2011.[19] According to testimony at the staff conference, Hyundai expects to focus on initially producing non-subject transformers, those with a capacity of between 6 and 60 MVA.[20] Reportedly, Mitsubishi Electric Power Products, Inc. announced that it will construct a transformer plant near Memphis, TN. The plant is estimated to cost approximately $200 million and is to begin production after employee training in 2012.[21]

ASSETS AND RETURN ON INVESTMENT

The Commission's questionnaire requested data on assets used in the production, warehousing, and sale of LPTs to compute return on investment ("ROI") for 2008 to 2010. The data for operating income are from table VI-1. Operating income was divided by total assets, resulting in ROI, shown in table VI-5.

Table VI-5
LPTs: Value of assets used in the production, warehousing, and sale, and return on investment, fiscal years 2008-10

* * * * * * *

Changes in the values of current assets shown in table VI-5 are due to increased values of the category of all other current assets. Changes in property, plant, and equipment reflect the ***.

CAPITAL AND INVESTMENT

The Commission requested U.S. firms to describe any actual or potential negative effects of imports of LPTs from Korea on the firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown below.

Actual Negative Effects

ABB

***.

Delta Star

***.

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[18] Waukesha's U.S. producers' questionnaire, section II-2.

[19] Conference transcript, p. 145 (G. Lee) regarding month of start-up. Hyundai's U.S. producers' questionnaire response, section III-12.

[20] Conference transcript, p. 154 (Lee). This statement was amended later in the proceeding to be an average of 60 MVA. Purchaser approval will undoubtedly require additional time before the plant may be able to produce LPTs to customer order. See conference transcript, p. 18 (Cusack).

[21] Announcement dated February 14, 2011, reprinted in the postconference brief of HHI and Hyundai USA, exh. 11.

PTTI

***.

Efacec

***.

VTC

***.

Waukesha:

***.

Anticipated Negative Effects

ABB

***.

Delta Star

***.

PTTI

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Efacec

***.

VTC

***.

Waukesha

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PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]--
>
> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,
>
> (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries and the global market.

THE INDUSTRY IN KOREA

The petition identified two potential producers of LPTs in Korea, Hyosung and HHI.[3] Hyosung produces LPTs at its Changwon, Korea plant, which produces transformers from 10 MVA to 2000 MVA and with voltage ratings up to 765 kV.[4] The Commission received questionnaire responses from two producers or exporters of LPTs in Korea, which are believed to account for virtually all, if not all, of U.S. imports in 2010.[5] These data are presented in table VII-1.

As detailed in table VII-1, Korean LPT capacity increased by *** percent between 2008 and 2010. Hyosung reportedly increased its production capacity in February 2010 by building a new facility adjacent to its existing facility in Changwon, Korea, which is primarily dedicated to the production of LPTs of up to 2,000 MVA and 765 kV. Hyosung reportedly invested in this increased capacity to satisfy growing demand in non-U.S. markets.[6] HHI's *** in production capacity from *** were reportedly due to ***. ***.[7]

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] HHI and Hyosung were the only two exporters of LPTs from Korea of any significance during the period examined. HHI began selling LPTs in the United States in approximately 1982 and Hyosung began in approximately 1994. Respondent HHI's postconference brief, p. 1. Respondent Hyosung notes that it is aware of two smaller Korean transformer producers, Iljin and LSIS; however, these firms exported "few, if any 'LPTs' to the United States" during the period examined. Respondent Hysosung's postconference brief, p. 5.

[4] Respondent Hyosung's postconference brief, p. 3.

[5] Conference transcript, p. 154 (Connelly) and p. 154 (H. Lee). Respondent Hyosong's postconference brief, Response to Staff Questions, p. 3. ***.

[6] Hyosung projects its exports to non-U.S. markets to grow for the foreseeable future. Conference transcript, p. 124 (Neal). Respondent Hyosong's postconference brief, Response to Staff Questions, p. 5.

[7] HHI's ***. Respondent HHI's postconference brief, exh. 1, pp. 2-3.

Exports accounted for the largest share of total shipments, ranging from *** percent and *** percent of total shipments during the period. Exports to the United States accounted for between *** percent and *** percent of total shipments, while home market shipments accounted for between *** percent and *** percent of total shipments over the period examined. [8]

Table VII-1
LPTs: Data for capacity, production, shipments, and inventories of producers in Korea, 2008-10, January-June 2010, January-June 2011, and projected 2011-12

* * * * * * *

Both Korean producers are related to firms that produce, have the capability to produce, or have plans to produce LPTs in the United States or other countries.[9] ***.[10]

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-2 presents data on U.S. importers' reported inventories of LPTs. Inventories of LPTs are not typically maintained because these products are made to order and have particular applications as specified by the customer.[11]

Table VII-2
LPTs: U.S. importers' inventories, 2008-10, January-June 2010, and January-June 2011

* * * * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

U.S. importers reported approximately $*** million of outstanding orders from Korea since June 30, 2011.[12]

ANTIDUMPING DUTY ORDERS IN THIRD-COUNTRY MARKETS

No producer, importer, or foreign producer reported any antidumping duty orders on LPTs from Korea in third-country markets.

[8] Other export markets cited by Korean producers of LPTs include: ***.

[9] Nantong Hyosung Transformer Co., Ltd. produces LPTs in Nantong, China and is a subsidiary of Hyosung. Hyundai Heavy Industries Bulgaria produces LPTs in Sofia, Bulgaria and is a subsidiary of HHI. As noted earlier, HHI's U.S. subsidiary, Hyundai Power Transformers USA, is currently building a facility in Montgomery, AL, which is expected to be completed by November 2011.

[10] ***. ***. ***.

[11] Conference transcript, pp. 80 (Kerwin). ***. Email from ***, August 16, 2011. ***. Email from ***, August 17, 2011.

[12] ***. ***. ***.

INFORMATION ON NONSUBJECT SOURCES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[13] Part IV presents information on U.S. imports of LPTs, including major nonsubject sources of imports.

Mexico, Canada, and Austria were the leading nonsubject suppliers of LPTs to the United States during 2008–10.[14] China is also emerging as a supplier of LPTs to the U.S. market and is the largest global nonsubject exporter of transformers greater than 10 MVA (HS 8504.23, which includes nonsubject products), though U.S. imports from China were less than two percent of imports of transformers greater than 10 MVA during 2008–10.[15]

[13] Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 17 (Fed. Cir., Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006).

[14] LPTs (not including parts) are in HTS subheading 8504.23.00, liquid dielectric transformers having a power handling capacity exceeding 10,000 kVA (10 MVA). This subheading includes both subject and nonsubject products, since subject products are those with a power handling capacity of 60,000 kVA (60 MVA) or more. The HTS includes provisions for transformers having a power handling capacity exceeding 10,000 kVA but not exceeding 100,000 kVA (100 MVA) (HTS 8504.23.0040) and having a power handling capacity exceeding 100,000 kVA (HTS 8504.23.0080). Imports from Austria, Canada, and Mexico in HTS 8504.23.0080, which includes only subject products, were each higher than combined imports from all other nonsubject suppliers of transformers in HTS 8504.23.0040, which includes nonsubject and subject products, and HTS 8504.23.0080 during 2008–10. Therefore, these three countries were the largest nonsubject suppliers. Using the same approach, Mexico was the largest nonsubject supplier during 2008–10. It is not possible to determine the precise order for Canada and Austria, though Canada accounts for more imports of all transformers exceeding 10 MVA. USITC Dataweb/USDOC (accessed August 12, 2011).

[15] GTIS, Global Trade Atlas Database (accessed July 25, 2011); USITC Dataweb/USDOC (accessed August 12, 2011); JSHP Web site, http://www.jshp.com/news.html (accessed August 1, 2011); BTW Transformer Web site, http://www.btw-usa.com/PST_reference.html (accessed August 1, 2011); TBEA Web site, http://en.tbea.com.cn/Modules/Other/Filiale/ShowFiliale.aspx?ID=3 (accessed August 10, 2011).

Table VII-3
LPTs: U.S. imports of liquid dielectric transformers having a power handling capacity exceeding 10,000 kVA (10 MVA), by source, 2008-10, January-June 2010, and January-June 2011

Item	Calendar year			January-June	
	2008	2009	2010	2010	2011
HTS 8504.23.0040: Liquid dielectric transformers having a power handling capacity exceeding 10,000 kVA but not exceeding 100,000 kVA					
			Value ($*1,000*)		
Korea	24,418	37,887	88,710	39,920	25,244
Mexico	129,016	94,810	70,294	33,896	29,757
Canada	12,877	16,042	10,939	8,043	4,173
Austria	0	0	3,068	3,068	1,525
Other	132,855	92,483	87,390	45,498	40,187
Subtotal	299,165	241,221	260,401	130,426	100,886
HTS 8504.23.0080: Liquid dielectric transformers having a power handling capacity exceeding 100,000 kVA					
			Value ($*1,000*)		
Korea	268,947	311,937	350,926	165,085	155,478
Mexico	158,556	164,947	90,634	58,019	21,931
Canada	88,378	131,767	133,048	75,972	35,065
Austria	107,639	137,082	109,492	60,774	73,706
Other	258,454	356,150	234,688	144,669	141,164
Subtotal	881,973	1,101,883	918,788	504,519	427,344
Total	1,181,138	1,343,104	1,179,189	634,945	528,230

Note.--HTS 8504.23.0040 includes nonsubject products.

Source: USITC DataWeb/USDOC (accessed August 12, 2011).

Mexico

Mexico was the largest nonsubject supplier of LPTs to the United States during 2008–10. U.S. imports of transformers from Mexico exceeding 100 MVA totaled $158.6 million in 2008, $164.9 million in 2009, and $90.6 million in 2010, while imports of transformers from 10 to 100 MVA totaled $129.0 million in 2008, $94.8 million in 2009, and $70.3 million in 2010.[16] There are at least four producers of LPTs in Mexico, Industrias IEM (up to 200 MVA core type, up to 650 MVA shell type), Prolec GE (up to 1,000 MVA), Siemens, and WEG (up to 350 MVA), all of which supply the U.S. market from these plants.[17] ***.[18]

Canada

Canada was one of the three largest nonsubject suppliers of LPTs to the United States during 2008–10. Imports from Canada of transformers greater than 100 MVA totaled $88.4 million in 2008,

[16] USITC Dataweb/USDOC (accessed August 12, 2011).

[17] Information on the maximum size produced by Siemens in Mexico was not readily available. An example of an LPT produced in Mexico in a Siemens brochure was 420 MVA. Petitioners Response to Commerce Department Questions, p. 12, exhibit 3; Grupo Condumex, "Power Transformers," p. 3, 5; Prolec GE, "Generation Power Transformers," p. 1; WEG, "Energy Power Transformers," p. 3.

[18] ***.

$131.8 million in 2009, and $133.0 million in 2010, while imports of transformers from 10 to 100 MVA totaled $12.9 million in 2008, $16.0 million in 2009, and $10.9 million in 2010.[19] Producers of LPTs in Canada include ABB (up to 1,200 MVA) and CG Power Systems (up to 1,000 MVA).[20]

Austria

Austria was also among the three largest nonsubject suppliers of LPTs to the United States during 2008–10. U.S. imports of LPTs from Austria exceeded $100 million annually, with transformers more than 100 MVA accounting for the most U.S. imports from Austria. U.S. imports of transformers greater than 100 MVA totaled $107.6 million in 2008, $137.1 million in 2009, and $109.5 million in 2010, while there were no imports of transformers from 10 MVA to 100 MVA in 2008 and 2009 and $3.1 million in imports during 2010.[21] Siemens has historically been a significant supplier of LPTs to the U.S. market from its plant in Austria.[22]

China

China was the largest global nonsubject exporter of transformers greater than 10 MVA (HS 8504.23, which includes nonsubject products) in 2010, though less than 10 percent of China's exports during 2008–10 were to the United States.[23] U.S. imports of transformers greater than 10 MVA from China totaled $9.6 million in 2008, $23.5 million in 2009, and $11.4 million in 2010.[24] ***.[25] ***.[26]

[19] USITC Dataweb/USDOC (accessed August 12, 2011).

[20] Respondent Hyosung's postconference brief, exhibit 1; CG Power Systems Web site, http://www.cgglobal.com/frontend/ProductDetail.aspx?id=TFw8WXHLcaY= (accessed August 10, 2011) and http://www.cgglobal.com/frontend/ProductDetail.aspx?id=vOMoSlKUXes= (accessed August 10, 2011).

[21] USITC Dataweb/USDOC (accessed August 12, 2011).

[22] Siemens, "Siemens PTD takes over VA Tech's Transmission and Distribution Division (T&D)," News release, July 13, 2005.

[23] GTIS, Global Trade Atlas Database (accessed July 25, 2011).

[24] Petitioners' postconference brief, exhibit 15.

[25] Global producers such as *** also have production in China, but based on the low value of imports overall from China do not appear to have supplied the U.S. market, at least in any significant quantity, from their plants in China during the POI. ***; JSHP Web site, http://www.jshp.com/news.html (accessed August 1, 2011); BTW Transformer Web site, http://www.btw-usa.com/PST_reference.html (accessed August 1, 2011); TBEA Web site, http://en.tbea.com.cn/Modules/Other/Filiale/ShowFiliale.aspx?ID=3 (accessed August 10, 2011); ***; Petitioners' response to Commerce Department questions, p. 12, exhibit 3.

[26] ***.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1189 (Preliminary)]

Large Power Transformers From Korea; Institution of Antidumping Duty Investigation and Scheduling of a Preliminary Phase Investigation

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–1189 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Korea of large power transformers, provided for in subheading 8504.23.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by August 29, 2011. The Commission's views are due at Commerce within five business days thereafter, or by September 6, 2011.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

DATES: *Effective Date:* July 14, 2011.

FOR FURTHER INFORMATION CONTACT: Edward Petronzio (202–205–3176), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on July 14, 2011 by ABB Inc., Cary, NC; Delta Star Inc., Lynchburg, VA; and Pennsylvania Transformer Technology Inc., Cannonsburg, PA.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Investigations has scheduled a conference in connection with this investigation for 9:30 a.m. on August 4, 2011, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Requests to appear at the conference should be filed with the Office of the Secretary (*William.bishop@usitc.gov* and *Sharon.bellamy@usitc.gov*) on or before August 2, 2011. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before August 9, 2011, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Issued: July 14, 2011.

James R. Holbein,

Secretary to the Commission.

[FR Doc. 2011–18157 Filed 7–19–11; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–867]

Large Power Transformers From the Republic of Korea: Initiation of Antidumping Duty Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

DATES: Effective Date: August 10, 2011.

FOR FURTHER INFORMATION CONTACT: Angelica Mendoza at (202) 482–3019 or David Cordell at 202–482–0408, AD/CVD Operations, Office 7, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

The Petition

On July 14, 2011, the Department of Commerce (''the Department'') received a petition concerning imports of large liquid dielectric power transformers (''large power transformers'') from the Republic of Korea (''Korea''), filed in proper form on behalf of ABB Inc., Delta Star, Inc. and Pennsylvania Transformer Technology, Inc., (collectively, ''the Petitioners''). *See* the Petition for the Imposition of Antidumping Duties on Large Power Transformers from the Republic of Korea, filed on July 14, 2011 (''the Petition''). On July 20, 2011, the Department issued a request for additional information and clarification of certain areas of the Petition. The Petitioners filed a response to this request on July 26, 2011 (hereinafter, ''Supplement to the Petition''). In accordance with section 732(b) of the Tariff Act of 1930, as amended (''the Act''), the Petitioners allege that imports of large power transformers from Korea are being, or are likely to be, sold in the United States at less than fair value, within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States. On July 28, 2011, the Petitioners filed an amendment to the Petition in which they revised the scope language, amended the lost sales listing and provided the Harmonized Tariff Schedule of the United States (''HTSUS'') page for HTSUS number 8504.90.9540, (hereinafter, ''Second Supplement to the Petition''). On August 1, 2011, the Petitioners filed an additional amendment to the Petition with respect to industry support for the Petition (hereinafter, ''Third Supplement to the Petition'').

On July 28, 2011, the Department received a standing challenge to the Petition by Hyosung Corporation, a Korean producer and exporter of the subject merchandise, and its U.S. affiliate HICO America Inc. (collectively, ''Hyosung''). On July 29, 2011, the Department received a standing challenge to the petition by Hyundai Corporation, a Korean producer and exporter of the subject merchandise, and its U.S. affiliate Hyundai Corporation, USA (collectively, ''Hyundai''). The Petitioners responded to HICO's and Hyundai's submission on August 1, 2011 (hereinafter, ''Fourth Supplement to the Petition'').

The Department finds that the Petitioners filed the Petition on behalf of

the domestic industry because the Petitioners are interested parties as defined in section 771(9)(C) of the Act and have demonstrated sufficient industry support with respect to the antidumping duty investigation which the Petitioners are requesting that the Department initiate (*see* ''Determination of Industry Support for the Petition'' section below).

Period of Investigation

The period of investigation (''POI'') is July 1, 2010, through June 30, 2011. *See* 19 CFR 351.204(b)(1).

Scope of Investigation

The products covered by this investigation are large power transformers from Korea. For a full description of the scope of the investigation, please see the ''Scope of Investigation,'' in Appendix I of this notice.

Comments on Scope of Investigation

During our review of the Petition, we discussed the scope with the Petitioners to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (*Antidumping Duties; Countervailing Duties; Final Rule,* 62 FR 27296, 27323 (May 19, 1997)), we are setting aside a period for interested parties to raise issues regarding product coverage. The Department invites all interested parties to submit such comments by August 23, 2011, 20 calendar days from the signature date of this notice. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination.

All comments must be filed on the record of the investigation. If filed after August 5, 2011, all comments and submissions to the Department must be filed electronically using Import Administration's Antidumping Countervailing Duty Centralized Electronic Service System (''IA ACCESS'').[1]

[1] *See http://www.gpo.gov/fdsys/pkg/FR–2011–07–06/pdf/2011–16352.pdf* for details of the Department's Electronic Filing Requirements, which go into effect on August 5, 2011. Information on help using IAACCESS can be found at *https://iaaccess.trade.gov/help.aspx* and a handbook can be found at *https://iaaccess.trade.gov/help/Handbook%20on%20Electronic%20Filling%20Procedures.pdf.*

Comments on Product Characteristics for Antidumping Duty Questionnaire

We are requesting comments from interested parties regarding the appropriate physical characteristics of large power transformers to be reported in response to the Department's antidumping questionnaire. This information will be used to identify the key physical characteristics of the subject merchandise in order to more accurately report the relevant factors and costs of production, as well as to develop appropriate product comparison criteria.

Interested parties may provide any information or comments that they feel are relevant to the development of an accurate listing of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as (1) general product characteristics and (2) the product comparison criteria. We note that it is not always appropriate to use all product characteristics as product comparison criteria. We base product comparison criteria on meaningful commercial differences among products. In other words, while there may be some physical product characteristics utilized by manufacturers to describe large power transformers, it may be that only a select few product characteristics take into account commercially meaningful physical characteristics. In addition, interested parties may comment on the hierarchy under which the physical characteristics should be considered in product matching.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaire, we must receive comments by August 23, 2011. Additionally, rebuttal comments must be received by August 30, 2011.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) At least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) Poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A); or (ii) determine industry support using a statistically valid sampling method to poll the industry.

Section 771(4)(A) of the Act defines the ''industry'' as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (''ITC''), which is responsible for determining whether ''the domestic industry'' has been injured, must also determine what constitutes a domestic like product in order to define the industry. Although both the Department and the ITC must apply the same statutory definition regarding the domestic like product (*see* section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc.* v. *United States,* 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp., Ltd.* v. *United States,* 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the domestic like product as ''a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation'' (*i.e.,* the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, the Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that large power transformers constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, *see* Antidumping Duty Investigation Initiation Checklist: Large Power Transformers from the

Republic of Korea (''Checklist''), at Attachment II, Analysis of Industry Support for the Petition Covering Large Power Transformers from Korea, on file in the Central Records Unit, Room 7046 of the main Department of Commerce building.

In determining whether the Petitioners have standing under section 732(c)(4)(A) of the Act, we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the ''Scope of Investigation'' section above. To establish industry support, the Petitioners provided their production of the domestic like product in 2010 and compared this to the estimated total production of the domestic like product for the entire domestic industry. *See* Volume I of the Petition at Exhibit 2 and Supplement to the Petition, at Exhibit 9. To estimate total 2010 production of the domestic like product, the Petitioners used their own data and industry specific knowledge. *See* Volume I of the Petition, at Exhibit 2 and Supplement to the Petition, at Exhibit 9; *see also* Checklist at Attachment II. We have relied upon data the Petitioners provided for purposes of measuring industry support. For further discussion, *see* Checklist at Attachment II.

As noted above, on July 28, 2011, and July 29, 2011, we received submissions on behalf of Hyosung and Hyundai, respectively, Korean producers and exporters of the subject merchandise, questioning the domestic like product definition and the industry support calculation in the Petition. On August 1, 2011, the Petitioners filed a reply. For further discussion of these submissions, *see* Checklist at Attachment II.

Based on information provided in the Petition, supplemental submissions, and other information obtained by the Department, we determine that the domestic producers and workers have met the statutory criteria for industry support under section 732(c)(4)(A) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product and more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. *See* Checklist at Attachment II for further details on the Department's evaluation of industry support for the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

The Department finds that the Petitioners filed the Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act and they have demonstrated sufficient industry support with respect to the antidumping duty investigation that they are requesting the Department initiate, in accordance with section 732(c)(4)(A) of the Act.

Allegations and Evidence of Material Injury and Causation

The Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise sold at less than normal value (''NV''). In addition, the Petitioners allege that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

The Petitioners contend that the industry's injured condition is illustrated by reduced market share, reduced shipments, reduced capacity utilization, underselling and price depression or suppression, a decline in financial performance, lost sales and revenue, an increase in import penetration, and threat of future injury. *See* Volume I of the Petition, at 21–22, 24–33, and Exhibits 5, 7–9, and 10–11, and Second Supplement to the Petition at 3 and at Attachment 1. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See* Checklist at Attachment III, Analysis of Allegations and Evidence of Material Injury and Causation for the Petition Covering Large Power Transformers from the Republic of Korea.

Allegations of Sales at Less Than Fair Value

The following is a description of the allegations of sales at less than fair value upon which the Department based its decision to initiate this investigation of imports of large power transformers from Korea. The sources of data for the deductions and adjustments relating to the U.S. price, and cost of production (''COP'') are also discussed in the initiation checklist. *See* Checklist at 6–9.

Export Price

The Petitioners based U.S. export price (''EP'') on the prices of four large power transformers manufactured in Korea and offered for sale in the United States by two Korean producers/exporters. *See* Checklist at 7; *see also* Volume II of the Petition at II–2 and Exhibit AD–2 and Supplement to the Petition at 29, 30 and Exhibits 18 and 21. Based on the stated sales and delivery terms, the Petitioners then adjusted the U.S. prices to account for certain expenses associated with exporting and delivering the product to the U.S. customers (*i.e.,* U.S. inland rail freight, ocean freight and U.S. port fees). While the Department will normally make additional downward adjustments to U.S. price for U.S. brokerage and handling, foreign brokerage and handling, direct selling and credit expenses, the Petitioners took a conservative approach and did not include any such adjustments in their calculation of U.S. price. *See* Checklist at 7; *see also* Volume II of the Petition at page II–3, 5, 7, and 10 and Exhibits AD–2–3, and Supplement to the Petition, at 29–31 and Exhibits 18–21.

Normal Value

According to the Petitioners, large power transformers are highly complex and specialized products that are manufactured to a customer's unique specifications. As such, identifying sales of identical or similar large power transformers in the U.S. and Korean markets that could be compared on a price-to-price basis is virtually impossible because they differ substantially. Accordingly, the Petitioners based normal value on constructed value (''CV'') in accordance with section 773(a)(4) of the Act.

Constructed value consists of the cost of manufacturing, selling, general and administrative (''SG&A'') expenses, financial expenses and profit. *See* section 773(a)(4) of the Act. The Petitioners calculated constructed value based on the U.S. producer's bid proposal cost of production model for the U.S. sales of large power transformers used in the Petition. The U.S. producer develops the cost of production for each transformer when bidding on large power transformers contracts in the United States, and thus the costs were developed based on the specific transformer for each U.S. sale identified in the Petition.

In calculating constructed value, the Petitioners adjusted the U.S. producer's cost of manufacturing for known differences, where available, between the U.S. and Korean markets. Specifically, the Petitioners based the cost of labor on the Korean manufacturing wage from the International Labor Statistics as published on the Department's Web site.

See Supplement to the Petition at Exhibit 13. The Petitioners also adjusted the U.S. producer's energy costs based on publicly available Korean electricity and natural gas costs. *See* Supplement to the Petition at Exhibits 14 and 15. The Petitioners did not adjust the U.S. producer's cost of materials for the differences between the U.S. and Korean markets. According to the Petitioners such an adjustment is not practical because the materials used in the production of large power transformers are specialized inputs, the costs of which are not reflected accurately in published data. The Petitioners also state that the U.S. material costs are comparable to the costs in the Korean market because most of the inputs are commodity-type products that are widely traded on world markets. To calculate the variable and fixed overhead costs, the Petitioners relied upon the variable and fixed overhead rates of the U.S. producer calculated as a percentage of the labor costs adjusted for known differences between the U.S. and Korean markets. *See* Supplement to the Petition at Exhibit 16.

To determine constructed value, the Petitioners added to the cost of manufacturing amounts for SG&A expenses, financial expenses and profit based on financial statements of the Korean producers that manufactured the specific transformers sold to the United States pursuant to each U.S. sale identified in the Petition. *See* Supplement to the Petition at Exhibits 16 and 17; *see also* Checklist, at 8 and 9.

Fair Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of large power transformers from Korea are being, or are likely to be, sold in the United States at less than fair value. Based on a comparison of EPs and CV calculated in accordance with section 773(a)(4) of the Act, the estimated dumping margins for large power transformers range from 43.01 percent to 60.81 percent. *See* Checklist at 9.

Initiation of Antidumping Investigation

Based upon the examination of the Petition on large power transformers from Korea, the Department finds that the Petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of large power transformers are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act and 19 CFR 351.205(b)(1), unless postponed, we will make our preliminary determination no later than 140 days after the date of this initiation.

Targeted Dumping Allegations

On December 10, 2008, the Department issued an interim final rule for the purpose of withdrawing 19 CFR 351.414(f) and (g), the regulatory provisions governing the targeted dumping analysis in antidumping duty investigations, and the corresponding regulation governing the deadline for targeted dumping allegations, 19 CFR 351.301(d)(5). *See Withdrawal of the Regulatory Provisions Governing Targeted Dumping in Antidumping Duty Investigations,* 73 FR 74930 (December 10, 2008). The Department stated that ''{w}ithdrawal will allow the Department to exercise the discretion intended by the statute and, thereby, develop a practice that will allow interested parties to pursue all statutory avenues of relief in this area.'' *Id.* at 74931.

In order to accomplish this objective, if any interested party wishes to make a targeted dumping allegation in this investigation pursuant to section 777A(d)(1)(B) of the Act, such allegations are due no later than 45 days before the scheduled date of the preliminary determination.

Respondent Selection

Following standard practice in AD investigations involving market economy countries, in the event the Department determines that the number of known exporters or producers for this investigation is large, the Department intends to select respondents based on U.S. Customs and Border Protection (''CBP'') data for U.S. imports under the HTSUS numbers 8504.23.0040 and 8504.23.0080 for the large power transformers.[2] We intend to release the CBP data under Administrative Protective Order (''APO'') to all parties with access to information protected by APO within five days of publication of this **Federal Register** notice and make our decision regarding respondent selection within 20 days of publication of this notice. The Department invites comments regarding the CBP data and respondent selection within seven days of publication of this **Federal Register** notice.

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305. Instructions for filing such applications may be found on the Department's Web site at *http://ia.ita.doc.gov/apo*.

Distribution of Copy of the Petition

In accordance with section 732(b)(3)(A) of the Act and 19 CFR 351.202(f), a copy of the public version of the Petition has been provided to the representatives of the Government of Korea. The Department considers the service of the public version of the Petition to the foreign producers/exporters satisfied by the delivery of the public version of the Petition to the Government of Korea, consistent with 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, no later than August 29, 2011, whether there is a reasonable indication that imports of large power transformers from Korea are materially injuring, or threatening material injury to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

Notification to Interested Parties

Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305. On January 22, 2008, the Department published *Antidumping and Countervailing Duty Proceedings: Documents Submission Procedures; APO Procedures,* 73 FR 3634 (January 22, 2008). Parties wishing to participate in this investigation should ensure that they meet the requirements of these procedures (*e.g.,* the filing of letters of appearance as discussed at 19 CFR 351.103(d)).

Any party submitting factual information in an AD/CVD proceeding must certify to the accuracy and completeness of that information. *See* section 782(b) of the Act. Parties are hereby reminded that revised certification requirements are in effect for company/government officials as well as their representatives in all segments of any AD/CVD proceedings initiated on or after March 14, 2011. *See Certification of Factual Information to Import Administration During Antidumping and Countervailing Duty Proceedings: Interim Final Rule,* 76 FR 7491 (February 10, 2011) (''*Interim Final Rule*'') amending 19 CFR 351.303(g)(1) and (2). The formats for the revised certifications are provided at the end of

[2] The scope also covers HTSUS number 8504.90.9540 of all transformer parts. However, we will not use this number in our respondent selection analysis as it is a basket category and would not allow for a meaningful analysis.

the *Interim Final Rule.* The Department intends to reject factual submissions in any proceeding segments initiated on or after March 14, 2011, if the submitting party does not comply with the revised certification requirements.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: August 3, 2011.

Ronald K. Lorentzen

Deputy Assistant Secretary for Import Administration.

Appendix I

Scope of Investigation

The scope of this investigation covers large liquid dielectric power transformers (LPTs) having a top power handling capacity greater than or equal to 60,000 kilovolt amperes (60 megavolt amperes), whether assembled or unassembled, complete or incomplete.

Incomplete LPTs are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of LPTs. The ''active part'' of the transformer consists of one or more of the following when attached to or otherwise assembled with one another: the steel core or shell, the windings, electrical insulation between the windings, the mechanical frame for an LPT.

The product definition encompasses all such LPTs regardless of name designation, including but not limited to step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, and power rectifier transformers.

The LPTs subject to this investigation are currently classifiable under subheadings 8504.23.0040, 8504.23.0080 and 8504.90.9540 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

[FR Doc. 2011–20336 Filed 8–9–11; 8:45 am]

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APPENDIX B

CALENDAR OF PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference:

Subject:	Large Power Transformers from Korea
Inv. No.:	731-TA-1189 (Preliminary)
Date and Time:	August 4, 2011 - 9:30 a.m.

Sessions were held in connection with this preliminary investigation in Room 220, 500 E Street, S.W., Washington, D.C.

In Support of the Imposition of
Antidumping Order:

Kelley Drye & Warren LLP
Washington, D.C.
on behalf of

ABB Inc.
Delta Star, Inc.
Pennsylvania Transformer Technology, Inc.

Deidre Cusack, Senior Vice President & General Manager, Local Business Unit Manufacturing for Power Transformers North America, ABB Inc.

Craig Stiegemeier, Business Development and Technology Director, ABB Transformers Remanufacturing & Engineering Services, ABB Inc.

Richard Mucha, Maketing Manager, NAM, ABB Inc.

David Onuscheck, Senior Vice President, General Counsel, Secretary, ABB Inc.

Steve Newman, Vice President, Delta Star, Inc.

Robert Radcliff, Director of Sales & Marketing, Delta Star, Inc.

Tracie Crist, Corporate Controller, Delta Star, Inc.

Dennis Blake, General Manager, Pennsylvania Transformers Technology, Inc.

Michael Kerwin, Director, Georgetown Economic Services

Gina Beck, Economist, Georgetown Economic Services

R. Alan Luberda)
) – OF COUNSEL
Kathleen W. Cannon)

In Opposition to the Imposition of Antidumping Order:

Akin Gump Strauss Hauer & Feld LLP
Washinngton, D.C.
on behalf of

Hyosung Corporation
HICO America Inc.

Henry Paik, President, HICO America Inc.

Jason E. Neal, Vice President, Sales & Marketing, HICO America Inc.

Warren E. Connelly)
J. David Park) – OF COUNSEL
Jarrod M. Goldfeder)

White & Case LLP
Washington, D.C.
on behalf of

Hyundai Heavy Industries Co., Ltd.
Hyundai Corporation, USA
Hyundai Power Transformers USA, Inc.

Gyou-Chul Lee, President, Hyundai Power Transformers USA, Inc.

Hwan-Soo Lee, General Manager, Hyundai Heavy Industries Co., Ltd.

Gregory Northrup, In-House Counsel, International Legal Team, Hyundai Heavy Industries Co., Ltd.

Deirdre Maloney, Senior International Trade Advisor, White & Case LLP

David Bond)
Frank Morgan) – OF COUNSEL
Christine Chang)

APPENDIX C

SUMMARY DATA

Table C-1
LPTs: Summary data (QUANTITY IN MVA) concerning the U.S. market, 2008-10, January-June 2010, and January-June 2011

(Quantity=MVA, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per MVA; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2008	2009	2010	2010	2011	2008-10	2008-09	2009-10	2010-11
U.S. consumption quantity:									
Amount	128,946	117,854	127,309	71,665	52,070	-1.3	-8.6	8.0	-27.3
Producers' share (1)	13.9	17.2	15.1	13.7	18.1	1.2	3.3	-2.0	4.4
Importers' share (1):									
Korea	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	86.1	82.8	84.9	86.3	81.9	-1.2	-3.3	2.0	-4.4
U.S. consumption value:									
Amount	1,311,768	1,246,166	1,124,933	613,482	478,090	-14.2	-5.0	-9.7	-22.1
Producers' share (1)	20.1	22.5	18.9	19.2	18.7	-1.1	2.4	-3.5	-0.6
Importers' share (1):									
Korea	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	79.9	77.5	81.1	80.8	81.3	1.1	-2.4	3.5	0.6
U.S. shipments of imports from:									
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	110,977	97,596	108,030	61,834	42,652	-2.7	-12.1	10.7	-31.0
Value	1,048,263	965,981	911,863	495,492	388,864	-13.0	-7.8	-5.6	-21.5
Unit value	$9,446	$9,898	$8,441	$8,013	$9,117	-10.6	4.8	-14.7	13.8
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	46,805	51,346	49,685	24,696	27,150	6.2	9.7	-3.2	9.9
Production quantity	18,219	20,972	19,807	9,891	10,318	8.7	15.1	-5.6	4.3
Capacity utilization (1)	38.9	40.8	39.9	40.1	38.0	0.9	1.9	-1.0	-2.0
U.S. shipments:									
Quantity	17,969	20,258	19,279	9,831	9,418	7.3	12.7	-4.8	-4.2
Value	263,505	280,185	213,070	117,990	89,226	-19.1	6.3	-24.0	-24.4
Unit value	$14,664	$13,831	$11,052	$12,002	$9,474	-24.6	-5.7	-20.1	-21.1
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (MVA/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Table C-2
LPTs: Summary data (QUANTITY IN UNITS) concerning the U.S. market, 2008-10, January-June 2010, and January-June 2011

(Quantity=units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

	Reported data					Period changes			
				January-June					Jan.-June
Item	2008	2009	2010	2010	2011	2008-10	2008-09	2009-10	2010-11
U.S. consumption quantity:									
Amount	550	484	479	272	191	-12.9	-12.0	-1.0	-29.8
Producers' share (1)	28.5	36.2	30.3	27.6	35.1	1.7	7.6	-5.9	7.5
Importers' share (1):									
Korea	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	71.5	63.8	69.7	72.4	64.9	-1.7	-7.6	5.9	-7.5
U.S. consumption value:									
Amount	1,311,768	1,246,166	1,124,933	613,482	478,090	-14.2	-5.0	-9.7	-22.1
Producers' share (1)	20.1	22.5	18.9	19.2	18.7	-1.1	2.4	-3.5	-0.6
Importers' share (1):									
Korea	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	79.9	77.5	81.1	80.8	81.3	1.1	-2.4	3.5	0.6
U.S. shipments of imports from:									
Korea:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	393	309	334	197	124	-15.0	-21.4	8.1	-37.1
Value	1,048,263	965,981	911,863	495,492	388,864	-13.0	-7.8	-5.6	-21.5
Unit value	$1,693,039	$2,250,369	$2,026,697	$1,918,329	$2,171,538	19.7	32.9	-9.9	13.2
Ending inventory quantity	***		***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	1,028	1,098	1,065	530	536	3.6	6.8	-3.0	1.1
Production quantity	159	181	150	76	75	-5.7	13.8	-17.1	-1.3
Capacity utilization (1)	15.5	16.5	14.1	14.3	14.0	-1.4	1.0	-2.4	-0.3
U.S. shipments:									
Quantity	157	175	145	75	67	-7.6	11.5	-17.1	-10.7
Value	263,505	280,185	213,070	117,990	89,226	-19.1	6.3	-24.0	-24.4
Unit value	$1,678,376	$1,601,057	$1,469,448	$1,594,459	$1,331,731	-12.4	-4.6	-8.2	-16.5
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (units/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.