



**INVESTIGATION 219**

**INVESTIGATION INTO THE ALLEGED DUMPING OF POWER  
TRANSFORMERS**

**EXPORTED FROM**

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

**VISIT REPORT - IMPORTER**

**ABB AUSTRALIA**

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

September 2013

# Public Record

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### ABBREVIATIONS

ADN	Anti-Dumping Notice
Commission	Anti-Dumping Commission
FOB	Free On Board
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
The Act	<i>Customs Act 1901</i>
The Commissioner	The Commissioner of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
USP	Unsuppressed Selling Price
Wilson Transformers	Wilson Transformers Pty Ltd

## 1 BACKGROUND AND PURPOSE

### 1.1 Background to the current investigation

On 8 July 2013, Wilson Transformer Company Pty Ltd (Wilson Transformers) lodged an application requesting that the Minister for Home Affairs (Minister) publish dumping duty notices in respect of power transformers exported to Australia from China, Indonesia, Korea, Taiwan, Thailand and Vietnam.

Wilson Transformers alleges the Australian industry has suffered material injury caused by power transformers exported to Australia from the nominated countries at dumped prices.

Public notification of initiation of the investigation was made on 29 July 2013 in *The Australian* newspaper and Australian Dumping Notice (ADN) No. 2013/64.

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that an entity declared as ABB Australia had imported power transformers from various countries during the three year investigation period, covering 2010-11, 2011-12 and 2012-13 financial years.

The Commission wrote to ABB Australia advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire and associated spreadsheets to complete.

ABB Australia completed the importer questionnaire, providing details regarding the company, overseas supplier information and identification of its Australian customers with respect to sale of the imported goods.

### 1.2 Purpose of meeting

The purpose of this visit was to:

- confirm that ABB Australia was an importer of the goods and obtain information to assist in establishing the identity of the exporter;
- verify information on imports of the goods to assist in the determination of export prices;
- establish whether import procurements were arm's length transactions;
- establish post exportation costs incurred in importing;
- recommend how export price may be determined under s. 269TAB;
- verify Australian sales data to assist in assessment of the Australian market for the goods, and the processes and procedures associated with the contractual supply of the goods to customers within the Australian market; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

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### 1.3 Meeting

ABB Australia was advised of the investigation process and timeframes, a summary of which follows:

- the investigation period is July 2010 to June 2013;
- the Anti-Dumping Commission (the Commission) will examine the Australian market from July 2008 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determination may be made no earlier than 60 days after the date of initiation (27 September 2013) - provisional measures may be imposed at the time of the preliminary affirmative determination or at any time after the preliminary affirmative determination has been made, but the Commission would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice;
- a statement of essential facts will be placed on the public record by 18 November 2013 or such later date as the Minister allows - the statement of essential facts will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the statements of essential facts will be considered when compiling the report and recommendations to the Minister);
- the Commission's report to the Minister is due no later than 31 December 2013 - should the Minister approve an extension to the statements of essential facts this would mean that the due date of the final reports would also be extended - all interested parties would be notified and an Australian Dumping Notice would be issued should extensions be requested and approved.

### 1.4 Meeting details

Company	ABB Australia Bapaume Road, Moorebank, NSW, 2170
Dates of visit	28 August 2013

The following were present at various stages of the meetings.

ABB Australia	
the Commission	Scott Wilson –Director, Policy John Bracic – Director, Operations 1

### Visit report

We explained to ABB Australia that we would prepare a report of our visit (this report) and provide a draft version (on a for-official-use-only basis) for ABB Australia to review its factual accuracy and to identify those parts of the report it considers confidential.

## Power Transformers – Importer Visit Report – ABB Australia

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We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

### 2 THE GOODS

The goods are described by the applicant as:

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

Incomplete power transformers are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of power transformers.

The active part of a power transformer consists of one or more of the following when attached to, or otherwise assembled with, one another.

- The steel core - constructed from high grade, cold rolled, grain orientated silicon steel. This steel is only available from a limited number of overseas manufacturers.
- The windings - manufactured from high conductivity copper which are rectangular in cross section and either paper wrapped or enamel coated.
- Electrical insulation between the windings. This is highly specialised paper based material specifically for the transformer industry and manufactured in a number of countries including China, Germany, India, Sweden, Switzerland, Turkey and the USA. No substitutable product is manufactured in Australia
- The mechanical frame.

The applicant considers that the product definition includes:

- step-up transformers;
- step-down transformers;
- autotransformers;
- interconnection transformers;
- voltage regulator transformers;
- rectifier transformers;
- traction transformers;
- trackside transformers; and
- power rectifier transformers.

#### **Excluded goods**

Gas and dry power transformers are not included in the goods. The applicant has stated that these types of power transformers are much more expensive and are used when it is necessary to reduce the risk of fire. Dry power transformers can only be produced with a power rating of up to about 20 MVA.

The application states that distribution transformers are excluded from the description of the goods. Australian Standard AS 60076.1-2005 defines a power transformer as

*A static piece of apparatus with two or more windings which, by electromagnetic induction, transforms a system of alternating voltage and current into another system*

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*of voltage and current usually of different values and at the same frequency for the purpose of transmitting electrical power.*

The applicant believes there is no clear definition of a distribution transformer, but that they are power transformers under this definition. It claims that in Australia, the generally accepted definition of a distribution transformer is one that is the last point of connection to a residential and often commercial consumer. They have a power rating less than or equal to 2 MVA, a primary voltage of 11 kV or 22 kV, and a secondary voltage of between 400 volts and 433 volts three phase (equivalent to 230 volts to 250 volts).



### 3 COMPANY DETAILS

#### 3.1 Company history

ABB Australia is part of the global ABB Group, which employs approximately 145,000 staff in over 100 countries and has turnover of approximately \$39 billion (2012).

The ABB Group was formed in 1988 following a merger between Swiss and Swedish engineering companies and has its head office located in Switzerland.

ABB Australia employs approximately 2,336 staff and generated revenue in 2012 of \$[CONFIDENTIAL TEXT DELETED – number].

#### 3.2 Commercial operations

ABB Australia is made up of the following five divisions:

- Power Systems;
- Process Automation;
- Power Products;
- Discrete Automation and Motion, and
- Low Voltage Products.

It manufactures distribution transformers in Perth, low and medium switchgear and instrumentation systems in Sydney, and high voltage capacitors and power quality equipment in Melbourne.

#### 3.3 Products

ABB Australia advised that it imported power transformers from China, Thailand and Vietnam during the investigation period and that the source of supply was largely driven by the specifications of the transformer. We were informed that [CONFIDENTIAL TEXT DELETED – degree] power transformers, ranging from [CONFIDENTIAL TEXT DELETED – numbers] MVA were predominantly sourced from ABB Zhongshan in China or the ABB Vietnam plant.

[CONFIDENTIAL TEXT DELETED – degree] power transformers were largely supplied by ABB Thailand and this was linked to the following types:

- [CONFIDENTIAL TEXT DELETED – numbers]MVA and [CONFIDENTIAL TEXT DELETED – numbers]kV;
- [CONFIDENTIAL TEXT DELETED – numbers]MVA and [CONFIDENTIAL TEXT DELETED – numbers]kV, and
- [CONFIDENTIAL TEXT DELETED – number]MVA and up to [CONFIDENTIAL TEXT DELETED – number]kV.

[CONFIDENTIAL TEXT DELETED – degree] power transformers are sourced from the ABB Chongqing facility and encompasses transformer [CONFIDENTIAL TEXT DELETED – degree and number]kV or [CONFIDENTIAL TEXT DELETED – degree and number]MV and [CONFIDENTIAL TEXT DELETED – numbers]kV.

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### **3.4 Accounting structure**

ABB Australia advised that the company's reporting guidelines were based on **[CONFIDENTIAL TEXT DELETED – accounting standard]**. The ABB Group accounting and reporting guidelines are the sole source of accounting rules in the Group and are mandatory for all Group companies without exception.

The accounting period for the company was calendar year.

### **3.5 Relationship with suppliers**

ABB Australia is related to each of its suppliers of power transformers.

## 4 AUSTRALIAN MARKET

### 4.1 General

ABB Australia provided the following chart to outline its understanding of the Australian market and the respective shares of the different market segments.

**[CONFIDENTIAL TEXT DELETED -  
chart showing estimates of total Australian market by sector]**

It also estimated that the Australian market was made of the following shares between the various types of power transformers:

- small PT ([CONFIDENTIAL TEXT DELETED – number]%)
- medium PT ([CONFIDENTIAL TEXT DELETED – number]%), and
- large PT ([CONFIDENTIAL TEXT DELETED – number]%).

### 4.2 Market size and trends

ABB Australia estimated that the total power transformer market in Australia for 2012 was approximately \$[CONFIDENTIAL TEXT DELETED – number]. In its view that market has been steadily declining from the peak in [CONFIDENTIAL TEXT DELETED – year] of approximately \$[CONFIDENTIAL TEXT DELETED – number].

As noted in the graph above, ABB Australia estimates that the utility segment of the Australian market represents about [CONFIDENTIAL TEXT DELETED – number]%.

### 4.3 Sales process

ABB Australia provided the following overview of the sales process for its imported power transformers.

1. ABB Australia independently identifies tender opportunities for the provision of power transformers to customers in Australia. Responsibility for tender lodgement and negotiations with the tenderer in Australia are with ABB Australia.
2. If the power transformer which is the subject of the tender meets the specifications of the power transformers manufactured by a relevant manufacturer, ABB Australia will approach the supplier in order to settle on a design solution that is suited to the tender requirement.
3. During this design process [CONFIDENTIAL TEXT DELETED – ABB Group design procedures for tender bidding]. Once a design solution is settled, ABB Australia will request the manufacturer to provide a quote to supply the transformer to ABB Australia.
4. If the quote is not acceptable to ABB Australia, the supplier may be requested to re-quote. The supplier may then re-quote subject to suitable profitability considerations being satisfied.
5. If ABB Australia is successful with its tender, ABB Australia will issue a purchase order with the relevant supplier consistent with the quotation. The commercial elements of the export transaction are fixed at this time. In some cases price will be subject to rise and fall clauses in the contract for commodity price movements.

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The purchase price on the purchase order is expressed in [CONFIDENTIAL TEXT DELETED – currency].

6. Typically, the purchase order from ABB Australia will identify the following:
  - the specifications of the power transformer;
  - the total quantity of power transformers, any accessories or spare parts to be provided;
  - the terms of payment in relation to the purchase by ABB Australia;
  - the unit price applied for the power transformer(s) (expressed in [CONFIDENTIAL TEXT DELETED – currency]); and
  - the period and terms of shipment.
7. Once the purchase order is received, the supplier will finalise and undertake detailed design work, order raw materials and schedule production of the power transformer to ensure completion by the agreed delivery date.
8. Typically, payment for the transformer by ABB Australia is made on an instalment basis. [CONFIDENTIAL TEXT DELETED – commercial payment arrangements] Typically these instalments will mirror those negotiated between ABB Australia and the Australian customer.
9. Upon completion of production and FAT, the supplier will arrange for the packaging, transportation and ocean freight of the power transformer to Australia.

### 4.4 Verification of purchases and sales

Prior to the visit, we selected eight imported transformers for verification to source documents. For each selected transformer, we were able to successfully verify the cost data reflected in the cost to import and sell sheet to source documentation in terms of:

- the project for which the goods were imported;
- the total invoiced value of the goods to ABB Australia;
- each and every itemised individual importation cost;
- domestic expenses associated with contracted supply agreement (project delivery costs); and
- total composite sales value (contract value) paid to ABB Australia by the Australian customer.

In summary, we were satisfied that each Australian sale could be traced to specific Australian tenders and associated supply contracts which in turn could be linked directly to specific importations by ABB Australia. For each and every identified importation and/or post-importation expense, we were able to reconcile amounts provided by ABB Australia through to source documents provided at the verification visit.

On this basis the team was satisfied that the importation and correlative sales data provided by ABB Australia in relation to the 8 importations of the selected goods was complete and accurate.

### 4.5 Selling, general and administrative (SG&A) costs

ABB Australia provided copies of its 2011 and 2012 audited accounts along with 2013 half year unaudited accounts. Additionally, the company provided income statement reports for the relevant product group within the power transformer business unit.

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We were able to calculate that SG&A expenses represented approximately [CONFIDENTIAL TEXT DELETED – number]% to [CONFIDENTIAL TEXT DELETED – number]% of the relevant net revenue for the recent three financial reporting periods. We have used this percentage for the purposes of assessing whether ABB Australia's sales were sold profitably during the investigation period.

### 4.6 Profitability

By selecting the relevant product code for domestic sales of power transformers only, we were able to ascertain whether ABB Australia's sales of the imported goods were profitable. The product code excluded sales of distribution transformers.

We note that the company's sales of transformers were profitable ranging from [CONFIDENTIAL TEXT DELETED – number]% through [CONFIDENTIAL TEXT DELETED – number]%.

## **6 WHO IS THE IMPORTER AND EXPORTER**

### **6.1 Who is the importer?**

For all importations for which import data listed ABB Australia to be the importer of the goods we noted that ABB Australia:

- negotiates directly with the relevant suppliers of the goods and enters into binding legal contracts pursuant to negotiated terms;
- is named as the customer on the commercial invoice issued by the suppliers;
- is named as the consignee on the bill of lading;
- retains beneficial legal ownership once the goods clear CIF point; and
- incurs all relevant costs associated with the importation of the goods from CIF point up to the point of installation and practical completion under contract with its Australian customers.

On this basis, we consider ABB Australia to be the beneficial owner of the goods at the time of importation, and therefore, to be the importer of the goods.

### **6.2 Who is the exporter?**

The Commission will generally identify the exporter as:

- a principal in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

In relation to importations of the goods by ABB Australia, we are satisfied that ABB Chongqing, ABB Zhongshan, ABB Thailand and ABB Vietnam are the exporters of the goods as they:

- are the manufacturers of the goods;
- own the goods at the time prior to export;
- are listed as the suppliers on the bill of lading;
- invoice the importer for the goods directly;
- arrange and pay inland transport costs from the place of manufacture to port of export;
- arrange and pay for associated handling costs and other export expenses incurred in moving the goods to the FOB point at the port of export;
- are the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia;
- sent the goods for export to Australia and were aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer.

## 7 ARMS LENGTH

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

Subject to further inquiries with the respective exporters, we found no evidence that would suggest that the transactions between ABB Australia and its suppliers were influenced by the relationship between the companies. We consider that transactions between ABB Australia and the respective exporters to be arms-length.

## 8 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the goods imported by ABB Australia from China, Thailand and Vietnam:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arm's length transactions.

Subject to further inquiries with the exporters, we recommend that the export price for goods imported by ABB Australia be established under s.269TAB(1)(a) of the Act, using the invoiced prices less amounts for ocean freight and/or marine insurance as appropriate.