



Australian Government

Anti-Dumping Commission

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

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

REMOTE EXPORTER VERIFICATION REPORT

**ABB CHONGQING TRANSFORMER CO., LTD AND
ABB ZHONGSHAN TRANSFORMER CO., LTD**

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

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2 BACKGROUND

2.1 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 a dumping duty notice in respect of power transformers exported to Australia from the People's Republic of China (China), the Republic of Indonesia, the Republic of Korea, Taiwan, Thailand and the Socialist Republic of Vietnam. A full description of the goods under consideration is included in section 3 of this report.

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

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

A search of Customs and Border Protection's import database indicated that ABB Chongqing Transformer Co., Ltd (ABB Chongqing) and ABB Zhongshan Transformer Co., Ltd (ABB Zhongshan) exported power transformers from China to Australia during the investigation period. The Commission wrote to ABB Chongqing and ABB Zhongshan advising them of the initiation of the investigation, requesting co-operation with the investigation and providing copies of an exporter questionnaire for it to complete. ABB Chongqing and ABB Zhongshan completed exporter questionnaires, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) power transformers.

2.2 Purpose of remote verification

The exporter questionnaire responses were supported by confidential appendices and attachments, including confidential spread sheets containing sales and cost data requested in the exporter questionnaire. Non-confidential versions of the exporter questionnaire responses were placed on the public record. The Commission wrote to ABB Chongqing and ABB Zhongshan on 14 April 2014 stating it had decided to conduct a remote verification. A non-confidential version of this letter was placed on the public record. The letter requested that the companies provide documents to verify selected items. The companies provided their responses on 9 May 2012. We used information in the exporter questionnaire responses, additional information requested from, and supplied by, the exporters and information gathered during visits to other members of the ABB Group to verify the information provided.

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3 THE GOODS UNDER CONSIDERATION

The goods are:

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

The goods and like goods are referred to as the goods under consideration (GUC) in this report.

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 other:

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

Gas filled and dry type power transformers are not included in the goods.

The GUC are currently classified to the tariff subheading 8504.22.00 (statistical code 40) and 8504.23.00 (statistical codes 26 and 41) of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is 5% and applies to power transformers imported from China, Korea and Taiwan. Power transformers from Indonesia, Thailand and Vietnam are duty free.

4 GENERAL INFORMATION

4.1 Background

4.1.1 ABB Chongqing

ABB Chongqing's main business is the design, manufacture, sale and delivery of power transformers, shunt reactors (used to stabilise voltage during load variations) and high voltage direct current converter transformers. The company manufactures power transformers with power ratings of up to 1,200 MVA and voltage ratings of up to 1,000 kV. The company was established in 1998 jointly by ABB (China) Ltd (ABB China) and Chongqing Transformer Co. Ltd (CTC) and **[CONFIDENTIAL TEXT DELETED – production information]**. The company's annual output is **[CONFIDENTIAL TEXT DELETED – capacity]** and it has about 700 employees. ABB China is **[CONFIDENTIAL TEXT DELETED – shareholding]** owned by ABB Asea Brown Boveri Ltd, which in turn is wholly owned by ABB Ltd. **[CONFIDENTIAL TEXT DELETED – shareholding]**.

4.1.2 ABB Zhongshan

ABB Zhongshan manufactures the following types of power transformers - rectifier transformers, furnace transformers, variable speed drives transformers and railway feeder transformers. The company manufactures power transformers with power ratings of 10 to 400 MVA and voltage ratings of up to 275 kV. The shareholders in the company are ABB China and Zhongshan Transformer Co. Ltd (ZTC). ABB China is **[CONFIDENTIAL TEXT DELETED – shareholding]** owned by ABB Asea Brown Boveri Ltd, which in turn is wholly owned by ABB Ltd. **[CONFIDENTIAL TEXT DELETED – shareholding]**.

4.2 Summary of power transformer production process

Power transformers are engineered to order and manufactured to the specifications of the customer. The lead time between design and the completion of production may span more than one accounting period. The companies provided the following description of the production process.

Design and engineering.

- A detailed review of the Customer specification capturing key requirements such as basic rating requirements, performance guarantees, interfacing requirements, mechanical and layout details, electrical control and secondary systems, earthing and safety systems, finish and corrosion protection measures.
- Electrical design. A design engineer uses proprietary software to calculate the basic core and winding design needed to meet the transformer rating and performance requirements. The design is optimised to produce the best balance between losses and material requirements while meeting all the rating requirements and performance guarantees. Computer modelling techniques are used to verify the electrical design.
- Mechanical modelling. Once the electrical design is completed, software systems are used to generate a three dimensional model of the power

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transformer. All the drawings and views needed to define layout and physical appearance of the power transformer are generated from this model. These drawings and views may be reviewed with the customer.

- Detailed mechanical design. The companies generate all manufacturing drawings and bills of material, purchasing documentation and work instructions needed to manufacture the power transformer.

The steel core.

- The core is made from special electrical steel that is specifically ordered for each job. Laminations are cut from rolls of steel by a machine that has been programmed with the design geometry for each lamination.
- The core laminations are stacked sheet by sheet. A frame is used to control the geometry of the core during the stacking process. **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**. Once stacking is complete, the core frame is assembled and clamped. The core is now ready for the windings to be loaded onto the core limbs.

Windings.

- Coils are wound with copper conductors using an insulating former or mandrel system. Special care is required **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**.
- Once the coils are wound, additional insulating components are assembled. The winding is dried in an oven and pressed to simulate final assembly. Winding height is adjusted by adding or removing spacers as necessary.

Active part assembly.

- Windings are assembled onto the core **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**. The cables that connect the windings to the bushings and on load tap changer are assembled, together with their supporting insulation.

Drying and pressing.

- **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**.

Tanking

- The active part must be placed into its steel tank. The tank and cover are separately manufactured, painted, tested for oil tightness and assembled. **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**, the insulating fluid is introduced, filling the tank and impregnating the cellulose insulation.

Testing

- Testing involves the application of test voltages and currents to check **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**

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performance parameters. Testing is often conducted in the presence of a customer's representative.

- **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**.

Packing and delivery

- The power transformer cannot be shipped in its fully assembled state. It is dismantled and the components packed appropriately for shipping. Typically this involves draining the oil then disassembling high voltage bushings, cooling equipment, conservator and associated pipework. The main tank is shipped using heavy lift transport, while the remaining loose items (generally referred to as accessories) are packed and transported separately.

4.3 Overview of financial information provided

4.3.1 ABB Chongqing

Appendix A5 in ABB Chongqing's exporter questionnaire response reconciled to the 2012 audited financial statements. **[CONFIDENTIAL TEXT DELETED – financial information]** ABB Chongqing explained that selling expenses in the income statement included **[CONFIDENTIAL TEXT DELETED – financial information]**

In Appendix A6, ABB Chongqing reported domestic sales of the GUC and sales of the sector including the GUC. Sales of the GUC represented less than **[CONFIDENTIAL TEXT DELETED – number]**% of sales of the sector including the GUC. ABB Chongqing explained that sales revenue for the sector including the GUC comprised:

- sales of the GUC;
- sales of power transformers that exceed 500 kV (the company advised that its major products are large transformers); and
- services related to the sales of non-subject goods.

ABB Chongqing's financial statements identify **[CONFIDENTIAL TEXT DELETED-number]** categories of revenue. The majority of revenue is from construction contracts, with smaller amounts from the sale of goods and the provision of services. The company explained that all power transformer sales are referred to as construction contracts in its financial statements according to Chinese generally accepted accounting principles (GAAP) and are not regarded as the sale of goods.

The notes to the financial statements refer to Government grants. ABB Chongqing provided details of the following grants received during the investigation period.

Year	Subsidy name	Purpose	Benefit
[CONFIDENTIAL TEXT DELETED – financial information]			

The benefits received from these grants represent less than **[CONFIDENTIAL TEXT DELETED – number]**% of total company revenue during the investigation period.

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ABB Chongqing uses a **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** management accounting system. The company uses a **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** costing system, which consists of **[CONFIDENTIAL TEXT DELETED – details of cost accounting method]**

Prior to mid-2012, ABB Chongqing recognised revenue in accordance with US GAAP, based on the contracted delivery terms. Before revenue is recognised, all costs are **[CONFIDENTIAL INFORMATION DELETED – accounting practice]**. Since then ABB Chongqing has recognised revenue when **[CONFIDENTIAL TEXT DELETED – accounting practice]**. Further, in order to comply with Chinese GAAP, the revenue is adjusted in accordance with percentage of completion method. This is measured by reference to the proportion of costs incurred to date to the estimated total costs. All costs are recognised **[CONFIDENTIAL INFORMATION DELETED – accounting practice]**.

ABB Chongqing's financial year is the calendar year.

ABB Chongqing's auditor stated in the 2012 independent audit report that:

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

The auditor provided the following audit opinion:

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABB Chongqing Transformer Co., Ltd as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

The audit opinion for 2011 was similarly worded.

4.3.2 ABB Zhongshan

ABB Zhongshan advised that its accounting practices do not differ from those of ABB Chongqing. Its financial year is the calendar year. The 2012 financial statements did not include any reference to government grants.

ABB Zhongshan's auditor stated in the 2012 independent audit report that:

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

The auditor provided the following audit opinion:

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABB Zhongshan Transformer Co., Ltd as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

The audit opinion for 2011 was similarly worded.

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4.4 Intra group fees

ABB Chongqing and ABB Zhongshan **[CONFIDENTIAL TEXT DELETED – intra group fees arrangements]**

We verified that these fees were included in the CTMS.

4.5 Related party transactions

ABB Chongqing and ABB Zhongshan purchase **[CONFIDENTIAL TEXT DELETED – information regarding raw material purchases]**.

4.5.1 ABB Chongqing

ABB Chongqing provided details of all purchases from related parties for power transformers exported to Australia during the investigation period. The value of **[CONFIDENTIAL TEXT DELETED – raw materials purchased from related party]** for these power transformers was less than **[CONFIDENTIAL TEXT DELETED – percentage]** of the total cost to make, **[CONFIDENTIAL INFORMATION DELETED – raw material purchase practice]**.

ABB Chongqing provided details of all purchase orders placed on **[CONFIDENTIAL TEXT DELETED – information regarding raw material purchases from related party]**. It also provided details of sale prices and the cost of manufacture. The net margins for these sales were positive, being **[CONFIDENTIAL TEXT DELETED number]%** for **[CONFIDENTIAL TEXT DELETED –raw material purchases]** and **[CONFIDENTIAL TEXT DELETED- number]%** for **[CONFIDENTIAL TEXT DELETED –raw material purchases]**.

The 2012 financial statements also identified sales revenue from ABB Australia and ABB Zhongshan.

Sales revenue from ABB Australia matched revenue in the Australian sales spreadsheet for power transformers invoiced in 2012. ABB Chongqing confirmed that all transactions with ABB Australia in 2012 related to power transformers exported to Australia.

The transactions with ABB Zhongshan were for **[CONFIDENTIAL TEXT DELETED – raw material sales]**. They were manufactured and sold by ABB Chongqing's **[CONFIDENTIAL TEXT DELETED – business unit]**.

4.5.2 ABB Zhongshan

ABB Zhongshan provided details of all purchases from related parties for power transformers exported to Australia during the investigation period. The value of **[CONFIDENTIAL TEXT DELETED – raw materials]** for power transformers exported to Australia was just over **[CONFIDENTIAL TEXT DELETED – number]%** of the total cost to make, **[CONFIDENTIAL TEXT DELETED –raw material purchases]**.

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ABB Zhongshan provided details of all purchase orders placed on **[CONFIDENTIAL TEXT DELETED – related supplier]** for **[CONFIDENTIAL TEXT DELETED – raw material]**. It also provided details of sale prices and the cost of manufacture. The net margins for these sales were positive, being **[CONFIDENTIAL TEXT DELETED – number]**%.

The 2012 financial statements also identified sales revenue from ABB Australia, **[CONFIDENTIAL TEXT DELETED – details of sales revenue]** during that year. ABB Zhongshan explained that these transactions were for **[CONFIDENTIAL TEXT DELETED – details of transaction]** not related to the GUC.

4.5.3 Summary

We found no evidence that transactions between ABB Chongqing and ABB Zhongshan and other members of the ABB Group were not arm's length transactions.

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5 VERIFICATION OF SALES TO FINANCIAL STATEMENTS
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5.1.1 ABB Chongqing

ABB Chongqing provided a sales summary at Appendix A6 to its exporter questionnaire response. Total company turnover for 2012 reconciled to the audited financial statements (Chinese GAAP). Total revenue using US GAAP differed by **[CONFIDENTIAL TEXT DELETED – number]**% due to year end adjustments to conform with Chinese GAAP. The company provided a screen print identifying total revenue according to US GAAP. The total of revenue from transformers and **[CONFIDENTIAL TEXT DELETED – non-GUC sales]**, reconciled to US GAAP total revenue (the company provided screen prints supporting these revenue figures). Sales of power transformers plus the difference between Chinese and US GAAP equalled turnover of the segment including the goods (this included sales of **[CONFIDENTIAL TEXT DELETED – non-GUC sales]**). The company also provided a sales report for power transformers identifying sales by customer that identified the domestic and Australian sales reported in the exporter questionnaire response. Supporting documents are at **confidential attachment REC 1**.

We therefore consider the sales data For ABB Chongqing is complete and relevant.

5.1.2 ABB Zhongshan

ABB Zhongshan provided a sales summary at Appendix A6 to its exporter questionnaire response. Total company turnover for 2012 reconciled to the audited financial statements (Chinese GAAP). The company provided a reconciliation of revenues that made up total revenue in the 2012 audited financial statements:

[CONFIDENTIAL TEXT DELETED –financial information and reconciliation]

The total of reported domestic sales and domestic sales contracted outside the investigation period reconcile to 2012 domestic sales in Appendix A6. The company provided a **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** download of all project sales in 2012 identifying the sales order number, product group, customer, revenue and description. The total value and sales order numbers for reported domestic sales reconciled to the domestic sales spreadsheet. The **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** download reported sales to ABB Australia as **[CONFIDENTIAL TEXT DELETED – type of sales]**. Supporting documents are at **confidential attachment REC 2**.

We therefore consider the sales data for ABB Zhongshan is complete and relevant.

6 SALES TO AUSTRALIA

6.1 General

ABB Chongqing and ABB Zhongshan exported **[CONFIDENTIAL TEXT DELETED – number]** power transformers to Australia during the investigation period. All exports were made to ABB Australia Pty Limited (ABB Australia).

6.2 Export sales process

ABB Chongqing and ABB Zhongshan described the export sales process to Australia in their exporter questionnaire responses.

- **[CONFIDENTIAL TEXT DELETED – export sales procedure and terms]**
- **[CONFIDENTIAL TEXT DELETED – payment arrangements]**

6.3 Verification to source documents

6.3.1 ABB Chongqing

ABB Chongqing reported sales of **[CONFIDENTIAL TEXT DELETED – number]** power transformers to Australia during the investigation period in Appendix A6, but reported **[CONFIDENTIAL TEXT DELETED – number]** in the export sales spreadsheet. The company advised that the additional sales reported in Appendix A6 were exported on **[CONFIDENTIAL TEXT DELETED – date]** (before the investigation period), but were reported because they were invoiced on **[CONFIDENTIAL TEXT DELETED – date]**. We consider that these sales should not be included in the export sales spreadsheet as we consider that the physical movement of the goods from one country, with another country being the destination, is clearly an important consideration for determining the date of export.

In its exporter questionnaire response ABB Chongqing provided documents supporting **[CONFIDENTIAL TEXT DELETED – numbers]** export sales to Australia during the investigation period. Documents provided included:

- the purchase orders;
- packing lists;
- commercial invoices;
- bills of lading and contract with carriers;
- invoices for ocean freight;
- inland freight transportation agreements;
- invoices for inland freight;
- insurance certificates identifying premiums;
- invoices for handling and other charges; and
- evidence of payment by ABB Australia.

Information from these documents was verified to the export sales spreadsheet.

The Commission requested ABB Chongqing confirm certain details in relation to the documents provided for export sample 1.

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- Payment terms **[CONFIDENTIAL TEXT DELETED – payment terms and commercial arrangement between ABB Chongqing and customer]** Actual payments reflected the terms in the purchase order. ABB Chongqing provided invoices for progress payments (confidential attachment EXP 1). Payments were received in accordance with stated payment terms.
- The invoice to ABB Australia was in **[CONFIDENTIAL TEXT DELETED – currency]** The company advised that its **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** The company provided a screen print from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the amount posted in local currency at **[CONFIDENTIAL TEXT DELETED – financial arrangement]** date, which matched the amount in the export sales spreadsheet (confidential attachment EXP 2).

The Commission requested ABB Chongqing to confirm certain details in relation to the documents provided for export sample 2.

- As with export sample 1, payment terms **[CONFIDENTIAL TEXT DELETED – payment terms and commercial arrangements between ABB Chongqing and customer]** Actual payments reflected the terms in the purchase order. ABB Chongqing provided invoices for progress payments (confidential attachment EXP 3). Payments were received in accordance with stated payment terms.
- The invoice to ABB Australia was in **[CONFIDENTIAL TEXT DELETED – currency]**. The company provided a screen print from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the amount posted in local currency at
- **[CONFIDENTIAL TEXT DELETED – financial arrangement]** date, which matched the amount in the export sales spreadsheet (confidential attachment EXP 4).

Payment terms for export sample 1 were stated to be **[CONFIDENTIAL TEXT DELETED – payment terms]** in the export sales spreadsheet. Actual payments were **[CONFIDENTIAL TEXT DELETED – payment terms]** for the first payment **[CONFIDENTIAL TEXT DELETED – payment terms]** for the second and third payments. We have has calculated weighted average payment terms of **[CONFIDENTIAL TEXT DELETED – number]** days. For export sample 2 payment terms were stated to be **[CONFIDENTIAL TEXT DELETED – payment terms]**. Documents provided indicated payment terms for the **[CONFIDENTIAL TEXT DELETED – payment terms and commercial arrangements]**. We have calculated weighted average payment terms of **[CONFIDENTIAL TEXT DELETED – number]** days.

We will rely on reported credit terms for other transactions. The calculation of weighted average payment terms is at confidential attachment EXP 5.

As reported in issues paper 2014/1, in converting prices for exported power transformers into local currency, the Commission intends to use the exchange rate at the contract date (the date when the material terms of the export sale were finalised), unless the Commission is satisfied that an alternative exchange rate should be used,

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such as the rate on the date of invoice or a rate established in a foreign exchange contract. We have no evidence that a different rate should be used.

The spreadsheet data identifies:

- the power rating and voltage ration;
- contract number and date;
- delivery date;
- shipping and payment terms;
- net invoice value; and
- all costs after ex-works.

We consider that the supporting documents indicate that the spreadsheet data is relevant and accurate.

6.3.2 ABB Zhongshan

ABB Zhongshan reported sales of **[CONFIDENTIAL TEXT DELETED – number]** power transformers to Australia during the investigation period in Appendix A6, but reported **[CONFIDENTIAL TEXT DELETED – number]** in the export sales spreadsheet. The company advised that **[CONFIDENTIAL TEXT DELETED – number]** sale reported in the export sales spreadsheet was exported on **[CONFIDENTIAL TEXT DELETED – export date]** (after the investigation period), but was reported because the contract was entered into in **[CONFIDENTIAL TEXT DELETED – contract date]**. We consider that this sale should not be included in the export sales spreadsheet as we consider that the physical movement of the goods from one country, with another country being the destination, is clearly an important consideration for determining the date of export.

In its exporter questionnaire response ABB Chongqing provided documents supporting all of its export sales to Australia during the investigation period. Documents provided included:

- the purchase orders;
- commercial invoices;
- bills of lading and contract with carriers;
- invoices for ocean freight; and
- evidence of payment by ABB Australia.

Invoiced amounts were verified to the export sales spreadsheet. However, transportation charges could not be reconciled. The company advised that inland freight included additional charges for internal movements and provided **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** printouts to support these amounts (confidential attachment EXP 6). After deducting these amounts the total of ocean freight, inland transport and handling charges from the export sales spreadsheet reconciled to the supplier invoices and contract with the freight provider. Marine insurance was **[CONFIDENTIAL TEXT DELETED – commercial arrangements]**. ABB Zhongshan's sales to Australia **[CONFIDENTIAL TEXT DELETED – percentage]** of total sales to Australia by the two companies during the investigation period and we did not pursue this issue.

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Payments were [CONFIDENTIAL TEXT DELETED – details of payment terms]). Export sample 1 was for the sale of [CONFIDENTIAL TEXT DELETED – number] power transformers. [CONFIDENTIAL TEXT DELETED – payment terms and commercial arrangements between ABB Zhongshan and customer]. We calculated weighted average payment terms for these power transformers by reference to the [CONFIDENTIAL TEXT DELETED – details of payment terms]. The calculated payment terms were [CONFIDENTIAL TEXT DELETED – payment terms].

For export sample 2, we have calculated weighted average payment terms by reference to [CONFIDENTIAL TEXT DELETED – payment terms]. The calculated payment terms were [CONFIDENTIAL TEXT DELETED – number] days. The calculation of weighted average payment terms is at confidential attachment EXP 5.

As with ABB Chongqing, ABB Zhongshan's [CONFIDENTIAL TEXT DELETED – information regarding accounting system]. The company provided a screen print from [CONFIDENTIAL TEXT DELETED – information regarding accounting system] identifying the amount posted in local currency at [CONFIDENTIAL TEXT DELETED – financial arrangement] date, which matched the amount in the export sales spreadsheet (confidential attachment EXP 7). However, as with ABB Chongqing we intend to use the exchange rate at the contract date.

The spreadsheet data identifies:

- the power rating and voltage ration;
- contract number and date;
- delivery date;
- shipping and payment terms;
- net invoice value; and
- all costs after ex-works.

We consider that the supporting documents indicate that the spreadsheet data is relevant and accurate.

6.4 The exporter

Based on information provided in the exporter questionnaire responses, additional information provided and information gathered during visits to other members of the ABB Group, we consider ABB Chongqing and ABB Zhongshan are the exporters of GUC because they:

- are the manufacturer of the goods;
- owned the goods at the time prior to export;
- are listed as the supplier on the bill of lading;
- invoice the importer for the goods directly;
- arranges and pays inland transport costs from the place of manufacture to port of export;
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the Free on board (FOB) point at the port of export;

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- is 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 was aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer.

6.5 The importer

We found that ABB Chongqing's and ABB Zhongshan's Australian customer, ABB Australia:

- negotiates directly with ABB Chongqing and ABB Zhongshan for the supply of goods and enters binding legal contracts pursuant to negotiated terms;
- is named as the consignee on the bill of lading; and
- becomes the beneficial legal owner of the goods.

We consider that ABB Australia is the beneficial owners of the goods at the time of importation and is therefore the importer of power transformers exported by ABB Chongqing and ABB Zhongshan during the investigation period.

6.6 Arms' length

In determining export prices and normal values, the legislation requires that the relevant sales are arms' length transactions. Section 269TAA¹ 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; or
- 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.

We:

- found transactions between ABB Chongqing and ABB Zhongshan and ABB Australia were profitable during the investigation period;
- reviewed raw material purchases by ABB Chongqing and ABB Zhongshan from other members of the ABB Group and found they were profitable;
- reviewed how prices between the companies were negotiated;
- visited ABB Australia and found it was profitable;

¹ All references in this report to sections of legislation, unless otherwise specified, are to the *Customs Act 1901*.

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- found no evidence that there is any consideration payable for or in respect of the goods other than the price;
- found no evidence that the prices were influenced by a commercial or other relationship between the buyer and the seller; and
- found no evidence that the buyer will be reimbursed in respect of any part of the price.

Based on information provided in the exporter questionnaire responses, additional information provided and information gathered during visits to other members of the ABB Group, We consider that transactions between ABB Chongqing and ABB Zhongshan and ABB Australia are arms' length transactions.

6.7 Export price preliminary assessment

In the case of all export sales to Australia by ABB Chongqing and ABB Zhongshan, we consider:

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

Therefore, we consider that the export price for export sales from ABB Chongqing and ABB Zhongshan can be established under section 269TAB(1)(a) using the invoiced price less amounts for **[CONFIDENTIAL TEXT DELETED – freight related expenses]** as appropriate. FOB export price calculations are at **confidential appendix 1**.

7 COST TO MAKE & SELL

7.1 Introduction

Both ABB Chongqing and ABB Zhongshan use a **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**. When a sales order is established in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**. Production orders are then established for **[CONFIDENTIAL TEXT DELETED – production and cost accounting process]**.

ABB Zhongshan stated in its exporter questionnaire response that the total monthly cost **[CONFIDENTIAL TEXT DELETED – cost accounting method]**.

7.2 Cost of production

ABB Chongqing advised that, in the course of preparing the related party transaction spreadsheet, it discovered that it has reported the cost of **[CONFIDENTIAL TEXT DELETED – costing information regarding raw material]** ABB Chongqing provided revised Australian CTMS and domestic CTMS spreadsheets.

Where a company produces a product that is further processed within another business unit of the company (for example, steel slab used to produce hot rolled coil), the Commission considers that it is acceptable for those products to be transferred at cost, as long as the transfer price recovers all the cost of production. On the basis of information provided by ABB Chongqing, We are satisfied that the transfer price recovered the full cost of production.

ABB Chongqing provided the following response to questions in the request for remote verification.

- ABB Chongqing maintains inventories for materials such as **[CONFIDENTIAL TEXT DELETED – commercial arrangement]**. Other raw materials are purchased for each power transformer.
- ABB Chongqing **[CONFIDENTIAL TEXT DELETED – cost accounting method for re-work]**
- Warranty costs are calculated using **[CONFIDENTIAL TEXT DELETED – cost accounting method]**
- In respect of the BOM, **[CONFIDENTIAL TEXT DELETED – cost accounting method]**
- ABB Chongqing advised that in some circumstances material costs **[CONFIDENTIAL TEXT DELETED – cost accounting method]**
- In respect of movements in material prices, ABB Chongqing advised that **[CONFIDENTIAL TEXT DELETED – raw material purchase practices]**

7.3 Reconciliation to financial statements

The Commission requested that ABB Chongqing and ABB Zhongshan provide documents showing how the total cost to make in the Australian and domestic CTMS spreadsheets is a complete record by reconciling data for projects recognised in

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2012 through management reports to the cost of sales (including taxes and surcharges) in the audited financial statements for 2012.

7.3.1 ABB Chongqing

ABB Chongqing provided a reconciliation of the cost to make power transformers reported for domestic and export sales to the cost of sales in the audited accounts in 2012 (**confidential attachment COSTS 1**). This reconciliation included a summary of the reported costs, other costs and adjustments that reconciled to the cost of sales (including taxes and surcharges) reported in the audited financial statements (Chinese GAAP) in 2012. It supported this reconciliation with a number of documents.

- Income and costs for domestic and export sales (these costs excluded **[CONFIDENTIAL TEXT DELETED – cost information]**). Total revenue for projects recognised during the investigation period reconciled to Appendix A6. The company identified projects recognised during 2012 and total revenue for these projects also reconciled to Appendix A6.
- The cost of goods sold (COGS) by account number using Chinese GAAP.
- The COGS by account number using US GAAP. This also identified differences between Chinese and US GAAP.
- Details of all transactions for **[CONFIDENTIAL TEXT DELETED – cost account]**.

The reconciliation identified where the various figures came from in the other documents provided. For example, costs for the **[CONFIDENTIAL TEXT DELETED – cost accounting method]**.

ABB Chongqing **[CONFIDENTIAL TEXT DELETED – cost accounting method]** In addition, non-project expenses **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. In 2012 these expenses represented **[CONFIDENTIAL TEXT DELETED – number]**% of the cost of sales and were not been included in the CTMS. The company provided details of these expenses for each year of the investigation period (**CONFIDENTIAL TEXT DELETED – number**% in 2010, **[CONFIDENTIAL TEXT DELETED – number]** % in 2011 and **[CONFIDENTIAL TEXT DELETED – number]** % in 2013). We have adjusted the cost to make each power transformer exported to Australia using the relevant ratio for the year of export.

ABB Chongqing identified the cost of production for power transformers and insulation kits from production cost of goods sold in the **[CONFIDENTIAL TEXT DELETED – account]**. This document identified the **[CONFIDENTIAL TEXT DELETED – number]** account numbers that made up this figure. Most costs were recorded **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. These costs were the same in both the Chinese and US GAAP COGS. The production cost of goods sold was **[CONFIDENTIAL TEXT DELETED – cost accounting method]**.

Revenue is recognised **[CONFIDENTIAL TEXT DELETED – accounting method]** but costs are recognised **[CONFIDENTIAL TEXT DELETED – accounting method]**. The reported CTMS was obtained from the relevant production orders. It is therefore **[CONFIDENTIAL TEXT DELETED – accounting method and reconciliation]**. We examined entries in account **[CONFIDENTIAL TEXT DELETED – number]** to try

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and gain satisfaction that the reported costs were complete. This account recorded **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. We examined costs for projects where revenue was recognised in 2012.

Project **[CONFIDENTIAL TEXT DELETED – number]** - recoded cost to make **[CONFIDENTIAL TEXT DELETED – amount]**RMB. **[CONFIDENTIAL TEXT DELETED – details of the project and cost accounting method]**

Project **[CONFIDENTIAL TEXT DELETED – number]** - recorded cost to make **[CONFIDENTIAL TEXT DELETED – number]**RMB, costs in account **[CONFIDENTIAL TEXT DELETED – number]** RMB.

Project **[CONFIDENTIAL TEXT DELETED – number]** - recorded cost to make **[CONFIDENTIAL TEXT DELETED – number]** RMB, costs in account **[CONFIDENTIAL TEXT DELETED – number]** RMB. ABB Chongqing provided the following reconciliation.

[CONFIDENTIAL TEXT DELETED – details of reconciliation process]

We are satisfied that the adjusted cost to make power transformers presented in ABB Chongqing's revised domestic and Australian CTMS spreadsheets is relevant and complete.

7.3.2 ABB Zhongshan

ABB Zhongshan provided a reconciliation of the cost to make power transformers for domestic sales **[CONFIDENTIAL TEXT DELETED – information regarding export sales]** to the cost of sales in the audited financial statements in 2012 (**confidential attachment COSTS 2**). It supported this reconciliation with a number of documents.

- A summary of costs in the cost of sales by account code, including differences between Chinese and US GAAP. It supported this with a screen print from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**.
- A comparison of costs reported and costs from **[CONFIDENTIAL TEXT DELETED – cost account]**.
- Details of all transactions for account number **[CONFIDENTIAL TEXT DELETED – number]**.

The reconciliation identified the total cost to make from the domestic CTMS spreadsheet for projects delivered in 2012.

- The company then **[CONFIDENTIAL TEXT DELETED – cost accounting method]** **[CONFIDENTIAL TEXT DELETED – details of selling expenses]** were also added back. The company included them in selling, general and administrative (SG&A) expenses in the CTMS spreadsheets.
- **[CONFIDENTIAL TEXT DELETED – cost accounting method]** was added back as this is not included in the cost of sales.
- The reconciliation accounted for differences in Chinese and US GAAP.
- The reconciliation added the cost of domestic sales recognised outside 2012, the cost of third country sales and the cost of service sales. These costs were

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identified by project number in account **[CONFIDENTIAL TEXT DELETED – number]**.

- **[CONFIDENTIAL TEXT DELETED – cost accounting methodology]** the company included them in SG&A expenses in the CTMS spreadsheets.
- The reconciliation identified minor items that we did not investigate further. These items were insignificant compared to the total cost of sales.

[CONFIDENTIAL TEXT DELETED – cost accounting and financial information]. The company advised that these expenses were **[CONFIDENTIAL TEXT DELETED – number]**% of the cost of sales during the investigation period and **[CONFIDENTIAL TEXT DELETED – number]** % of the cost of sales during **[CONFIDENTIAL TEXT DELETED –period]**in which the company exported to Australia. We have increased the cost to make each power transformer exported to Australia by **[CONFIDENTIAL TEXT DELETED – number]** %.

We are satisfied that the adjusted cost to make power transformers presented in ABB Zhongshan's domestic and Australian CTMS spreadsheets is relevant and complete.

7.4 Verification of project costs

As ABB Chongqing accounted for **[CONFIDENTIAL TEXT DELETED – number]**% of sales to Australia during the investigation period we only reviewed project costs for ABB Chongqing.

In its exporter questionnaire response, ABB Chongqing provided supporting documents for the cost of domestic sales of the GUC. In the request for remote verification the Commission asked the company to show how direct labour from these documents reconciled to direct labour in the domestic CTMS spreadsheet. ABB Chongqing advised that the reconciliation included **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. We confirmed that direct labour reconciled.

ABB Chongqing accounted for the **[CONFIDENTIAL TEXT DELETED – level]** of exports to Australia (in terms of value) and the Commission asked ABB Chongqing to provide supporting documents for the following costs for a selected export shipment to Australia:

- core steel;
- winding conductor (with a reconciliation including other conductor items to the amount for conductor in the Australian CTMS spreadsheet);
- tap changer;
- HV bushings (with a reconciliation including other bushings to the amount for bushings in the Australian CTMS spreadsheet);
- engineering design labour; and
- depreciation.

Core steel. The company provided screen prints from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the total cost of core steel for this project, of the purchase order identifying the quantity and price of **[CONFIDENTIAL TEXT DELETED – price]** and of the inventory records showing receipt of the goods. The company also provided a copy of the supplier invoice.

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Winding conductor. The company provided screen prints from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the total cost of windings (including leads) for this project, of the winding material cost breakdown, of the purchase order identifying the quantity and price of **[CONFIDENTIAL TEXT DELETED – price]** – and of the inventory records showing receipt of the goods. The company also provided a copy of the supplier invoice.

Tap changer. The company provided screen prints from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the total cost of the tap changer, of the purchase order identifying the price and of the inventory records showing receipt of the goods. The company also provided a copy of the supplier invoice.

HV bushings. The company provided screen prints from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** identifying the total cost of the bushings and related components, of the purchase order identifying the price and of the inventory records showing receipt of the goods. The company also provided a copy of the supplier invoice.

Engineering design labour. The company provided all entries for the relevant cost element that reconciled to the CTMS spreadsheet. Engineering design labour was **[CONFIDENTIAL TEXT DELETED – cost information]**.

Depreciation. The company provided all entries for the relevant cost element that reconciled to the CTMS spreadsheet.

We are satisfied that the cost to make power transformers presented in ABB Chongqing's domestic and Australian CTMS spreadsheets is accurate.

7.5 SG&A expenses

7.5.1 ABB Chongqing

Selling expenses. ABB Chongqing provided details of all selling expenses that reconciled to the 2012 audited accounts. The company identified amounts that were **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. The balance reconciled to the total of **[CONFIDENTIAL TEXT DELETED – number]** cost centre reports for the sales department. The company expressed the total of each cost centre as a percentage of total revenue, domestic sales or export sales, depending on the function of the cost centre. For example, marketing expenses were attributed to **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. The company then calculated selling expenses for domestic (**[CONFIDENTIAL TEXT DELETED – number]**%) and export (**[CONFIDENTIAL TEXT DELETED – number]**%) sales and calculated selling expenses for each project using the relevant percentage. We verified the calculations using net invoice value from the export sales spreadsheet for projects exported in 2012.

General and administrative expenses. ABB Chongqing provided details of all general and administrative expenses that reconciled to the 2012 audited accounts. **[CONFIDENTIAL TEXT DELETED – cost accounting method]**. We verified the

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calculations using net invoice value from the export sales spreadsheet for projects exported in 2012.

Financial expenses. We verified financial expenses were calculated using the figure from the audited accounts expressed as a percentage of **[CONFIDENTIAL TEXT DELETED – cost accounting method]**(**[CONFIDENTIAL TEXT DELETED – number]**%) and verified that the amounts in the CTMS spreadsheets were calculated using net invoice value for projects exported in 2012.

Internal fees. The Commission asked ABB Chongqing to demonstrate how all internal fees are captured in the CTMS spreadsheets. The company advised that the **[CONFIDENTIAL TEXT DELETED – details of internal fees]**. We reviewed general and administrative expenses and identified a number of internal fees. We also checked the calculation of commissions in the domestic sales spreadsheet.

We are satisfied that SG&A expenses are accurately recorded in the domestic and Australian CTMS spreadsheets.

7.5.2 ABB Zhongshan

ABB Zhongshan allocated other selling costs, general and administrative expenses, financial expenses and abnormal gains and losses using the ratio of project revenue to total company revenue from power transformers. **[CONFIDENTIAL TEXT DELETED – account information]**. We verified the figures for 2011 and 2012 to the audited accounts.

Selling expenses in the audited accounts included a number of expense categories where actual costs were allocated to each project. These expenses included **[CONFIDENTIAL TEXT DELETED – details of selling expenses]**. The company provided a reconciliation of these expenses to total selling expenses in the audited accounts.

We are satisfied that SG&A expenses are accurately recorded in the domestic and Australian CTMS spreadsheets.

7.6 Cost to make and sell – summary

Based on the information in the exporter questionnaire responses, information provided in response to the remote verification request and subsequent inquiries, we are satisfied that the CTMS information provided by ABB Chongqing and ABB Zhongshan (after making relevant adjustments) is complete, relevant and accurate.

We are satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by ABB Chongqing and ABB Zhongshan. We consider this data is suitable for:

- determining a rate of profit for domestic sales; and
- determining constructed normal values.

The Australian CTMS is at **confidential appendix 2**.

8 DOMESTIC SALES

8.1 Domestic sales process

8.1.1 ABB Chongqing

ABB Chongqing's domestic sales are mainly through a public bidding process with the successful tenderer being decided through a tender evaluation process. **[CONFIDENTIAL TEXT DELETED – tender process for domestic sales]**

Once the project is approved the potential customer will release the official tender specifications and ask eligible suppliers to submit their technical and commercial offers. During the tender process, ABB Chongqing's domestic sales team will **[CONFIDENTIAL TEXT DELETED – tender process for domestic sales]**

After winning a tender, ABB Chongqing and the customer will sign a contract. **[CONFIDENTIAL TEXT DELETED – domestic sales and production process]** Once production is complete, the power transformers are delivered according to the terms in the contract.

[CONFIDENTIAL TEXT DELETED – payment terms].

For domestic sales **[CONFIDENTIAL TEXT DELETED – intra-group commercial arrangements].**

8.1.2 ABB Zhongshan

ABB Zhongshan has **[CONFIDENTIAL TEXT DELETED – number]** distribution channels in the domestic market. **[CONFIDENTIAL TEXT DELETED – commercial arrangements for domestic sales].**

ABB Zhongshan stated that it does not have any agency or distribution agreements in relation to its domestic sales other than **[CONFIDENTIAL TEXT DELETED – commercial arrangements for domestic sales].**

8.2 Domestic sales

8.2.1 ABB Chongqing

ABB Chongqing had **[CONFIDENTIAL TEXT DELETED – number of domestic sales]** during the investigation period. As explained in section 4.3, the company's major products are **[CONFIDENTIAL TEXT DELETED – sales information]** that fall outside the definition of the goods. The company provided the sales contract (in Chinese and English) dated **[CONFIDENTIAL TEXT DELETED – date]**, an amendment to the contract (also in Chinese and English) changing the terms to **[CONFIDENTIAL TEXT DELETED – sales terms]** dated **[CONFIDENTIAL TEXT DELETED – date]** and evidence of **[CONFIDENTIAL TEXT DELETED – payment]** ABB Chongqing advised that the commercial invoice for this project was **[CONFIDENTIAL TEXT DELETED – commercial arrangements with customers]** The contract value, after accounting for the amendment, matched the gross invoice value in the domestic sales spreadsheet. This gross invoice value included VAT.

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After deducting 17% VAT, the net invoice value in the domestic sales spreadsheet matched the value of the contract in the 2012 sales report for power transformers identifying sales by customer which was verified to the audited accounts. The company provided details of **[CONFIDENTIAL TEXT DELETED – payment arrangement]** (confidential attachment DOM 1):

[CONFIDENTIAL TEXT DELETED – payment information]

[CONFIDENTIAL TEXT DELETED – commercial arrangement with customer].

The domestic sales spreadsheet identifies warranty expenses and technical support fees. Warranty expenses relate to travel expenses incurred by the company to attend **[CONFIDENTIAL TEXT DELETED – commercial arrangement with customer]**. The technical support fees relate to the travel expenses incurred by technicians to **[CONFIDENTIAL TEXT DELETED –commercial arrangement with customer]**

8.2.2 ABB Zhongshan

The quantity and value of domestic sales in the domestic sales spreadsheet does not reconcile to Appendix A6. ABB Zhongshan advised that the difference is sales **[CONFIDENTIAL TEXT DELETED – sales information]**. The company provided the additional sales information to enable domestic sales to be reconciled to Appendix A6.

ABB Zhongshan provided documents supporting two domestic sales in its exporter questionnaire response. The company provided:

- the sales contract (in Chinese and English);
- the invoice and evidence of payment;
- packing list;
- the transport contract (in Chinese and English); and
- transport invoices.

We verified the net invoice values to the domestic sales spreadsheet.

The Commission asked ABB Zhongshan to supply information to allow the calculation of weighted average payment terms. The company explained **[CONFIDENTIAL TEXT DELETED – commercial arrangements and accounting practice]**

We calculated a weighted average accounts receivable turnover for domestic sales of **[CONFIDENTIAL TEXT DELETED – number]** days for the investigation period.

8.3 Arms' length

Based on information provided in the exporter questionnaire responses, additional information provided and information gathered during visits to other members of the ABB Group, We are satisfied that sales from ABB Chongqing and ABB Zhongshan to their domestic customers are arms' length transactions.

8.4 Profitability of domestic sales

As noted in issues paper 2014/1, the Commission considers it is not reasonably possible to work out the profit on the sale of the goods made in the ordinary course of trade in accordance with Regulation 181A(2). It intends to determine a profit in accordance with Regulation 181A(3)(a) which refers to the actual amounts realised by the exporter from the sale of the same general category of goods in the domestic market of the exporting country. The Commission considers that the sales of like goods are such a high proportion of the same general category of goods that it is reasonable to assume that the amounts realised on sales of like goods, and sales of the same general category of goods, are in very close proximity.

ABB Zhongshan's exporter spreadsheets included domestic sales and the CTMS of those sales for all sales contracted and delivered during the investigation period. The company subsequently provided sales and CTMS information for domestic sales contracted before the investigation period, but invoiced during the investigation period. Therefore we have used the sales and CTMS information relating to all domestic sales invoiced during the investigation period to calculate the profitability of domestic sales.

ABB Zhongshan's domestic sales of the GUC accounted for over **[CONFIDENTIAL TEXT DELETED – proportion]** of the total domestic sales of transformers. We included the revenue and costs for ABB Chongqing's domestic sales in this calculation.

$$\begin{aligned} \text{Profit on domestic sales} &= (\text{Revenue} - \text{CTMS}) / \text{CTMS} \\ &= \mathbf{[CONFIDENTIAL TEXT DELETED - numbers]} \\ &= \mathbf{[CONFIDENTIAL TEXT DELETED - number] \%} \end{aligned}$$

8.5 Sales by other sellers

There are other sellers of power transformers in China. A number submitted exporter questionnaire responses and two have been visited by the Commission.

8.6 Domestic sales – summary

We have constructed normal values because of the significant physical differences between power transformers. We have included an amount for profit based on the calculation in section 8.4.

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9 ADJUSTMENTS

We have constructed FOB normal values using the profit achieved on domestic sales of the GUC by both ABB Chongqing and ABB Zhongshan. We used the cost to make for goods exported to Australia plus the SG&A expenses and profit as if the sales were made domestically. The CTMS includes delivery charges and we deducted ocean freight and marine insurance from the CTMS.

Domestic credit costs

ABB Zhongshan calculated the **[CONFIDENTIAL TEXT DELETED – accounting practice]**. We calculated a weighted average accounts receivable turnover for domestic sales of **[CONFIDENTIAL TEXT DELETED – number]** days for the investigation period. For ABB Chongqing, we calculated a weighted average payment terms of **[CONFIDENTIAL TEXT DELETED – number]** days for the investigation period. We used the relevant short term interest rate for each company (**[CONFIDENTIAL TEXT DELETED – number]**% for ABB Chongqing and **[CONFIDENTIAL TEXT DELETED – number]**% for ABB Zhongshan). We have made a negative adjustment to the constructed price.

Commissions on domestic sales

[CONFIDENTIAL TEXT DELETED – commercial arrangement]. The companies pay a commission **[CONFIDENTIAL TEXT DELETED – commercial arrangement]** at the rate of **[CONFIDENTIAL TEXT DELETED – commission rate]**. The companies provided supporting documents in their exporter questionnaire responses. This commission is not paid on all domestic sales. ABB Zhongshan accounts for the **[CONFIDENTIAL TEXT DELETED – proportion]** of domestic sales and commissions paid during the investigation period were **[CONFIDENTIAL TEXT DELETED – number]**% of the total invoice value. We have made a negative adjustment to the constructed price.

Tax surcharges

Domestic sales incur additional tax surcharges for **[CONFIDENTIAL TEXT DELETED – tax paid exclusively in relation to domestic sales]**. We have made a negative adjustment to the constructed price.

Export credit costs

We calculated weighted average payment terms for each export sale and used the relevant short term interest rate for each company. We have made a positive adjustment to the constructed price.

Warranty costs

Warranty costs were incurred in respect of domestic sales, but not in respect of export sales; these costs were reported in the domestic CTMS spreadsheets. ABB Chongqing and ABB Zhongshan claimed an adjustment for warranty costs. We consider warranty costs should be included in the constructed price and have not made an adjustment.

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10 NORMAL VALUES AND DUMPING MARGIN

We consider that information gathered and detailed in this report and its attachments can be relied upon to establish normal values (for comparison with export prices for power transformers exported to Australia during the investigation period) under s. 269TAC(2)(c). We have made adjustments to the normal values under s. 269TAC(9) to make them fairly comparable with export prices by:

- deducting costs in respect of domestic credit terms;
- deducting domestic commissions;
- deducting domestic tax surcharges; and
- adding costs in respect of export credit terms.

In calculating the dumping margin we compared each export transaction with the corresponding normal value. The weighted average product dumping margin is negative 2.7%.

Normal value and dumping margin calculations are at **confidential appendix 1**.