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22 August 2014

Mr Geoffrey Gleeson  
 Director Operations 1  
 Anti-Dumping Commission  
 Customs House  
 5 Constitution Avenue  
 CANBERRA CITY, ACT 2601

Dear Mr Gleeson,

**Anti-dumping investigation into power transformers exported from China, Indonesia, Korea,  
 Taiwan, Thailand and Vietnam**

Please accept a submission by Wilson Transformer Company (WTC) in respect of the Remote Exporter Verification Report relating to ABB Chongqing Transformer Co Ltd and ABB Zhongshan Transformer Co Ltd. WTC has concerns about a number of issues addressed in the report. Unfortunately, due to the confidential deletions, it is not possible to have a clear view of the detail of the issues. Accordingly, the points raised are concerns that arise from reading the report.

The report, in section 7.2 Cost of Production, states that "the Commission considers that it is acceptable for those products to be transferred at cost, as long as the transfer price recovers the cost of production". It is not clear from the document what types of components are referred to or whether the transactions are between two legal entities, or within one legal entity, but normal commercial transactions between two arm's length parties would generally be at some level of profit margin. We consider that a reasonable profit margin should be included when including components in the cost of manufacture if the transaction is between two legal entities. We agree that the price should be required to include the full cost of production of the components as a minimum if the transaction is between two parts of a single legal entity. We are concerned that, with a Remote Verification, the ADC will have difficulty verifying the costs of components.

In section 7.5.2 the Commission note that ABB Zhongshan allocated other costs and abnormal gains and losses using the ratio of project revenue to total company revenue from power transformers. We are concerned that abnormal gains and losses, particularly relating to currency, should be apportioned in this way. In our view, if an abnormal gain or loss can be attributed to a particular transaction, it should be allocated to that transaction. We are concerned that the ADC will have limited ability, with a Remote Verification, to verify how such a transaction should be treated.

WTC notes that ABB Chongqing recognises revenue based on the percentage of completion method. We are aware of the issues relating to this method and the high levels of estimation involved in revenue recognition during the manufacture of power transformers. WTC is concerned that there is a wide range of possible costs associated with the estimation of costs associated with percentage of completion revenue. WTC is concerned that, without a detailed review by expert financial personnel, it is difficult for the Commission to be confident of the costs and revenue recorded when using the percentage of completion method.

We would be pleased to discuss these matters further.

Yours sincerely

**Robin Winckworth**  
**Finance Director**

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