

16 September 2014

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By email

Dear Director

Alleged dumping of power transformers Response to public record submission No.143

We refer to submission No.143 in the public record of this investigation, being the letter from Wilson Transformer Company ("the Applicant") dated 22 August 2014 ("the WTC submission").

The WTC submission makes a number of comments concerning the verification report for ABB Chongqing and ABB Zhongshan ("the verification report").

We will address each of these comments in turn.

A "Cost of production"

The WTC submission refers to Section 7.2 of the verification report regarding the cost of production of ABB Chongqing, and states that *"it is not clear from the document what types of components are referred to"*. However the Applicant agrees that *"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 can advise that the costs referred to in that part of the report relate to ABB Chongqing's internal movement of the relevant component, at full cost.

B "Cost apportionment"

The Applicant also comments that, in relation to ABB Zhongshan, it is concerned by the revenue based allocation method, and claims that costs which can be attributed to a particular transaction should be allocated to that transaction.

We can advise that the ADC has taken up "other costs" and/or "abnormal gains and losses" incurred by ABB Zhongshan according to the sales and cost information in its financial accounts and in an entirely appropriate way. This was carefully examined and reviewed by the ADC in the verification. Direct costs have been directly attributed to the goods concerned, meaning that expenses which were incurred specifically in relation to a certain transaction or types of transactions were attributed only to the specific transaction/s. Where allocations were required they have been undertaken on the basis of the relevant activities and sales value pertaining to ABB Zhongshan's export and domestic sales of the goods under consideration.

C "Revenue recognition"

The Applicant claims it is *"aware of the issues relating to"* revenue recognition based on the

percentage of completion method adopted by ABB Chongqing, and claims there is a *“high level of estimation involved in revenue recognition during the manufacture of power transformers.”* Further, the Applicant claims it is *“concerned that there is a wide range of possible costs associated with the estimation of cost associated with percentage of completion revenue”*.

The WTC submission lacks any detail regarding the issues that it is *“aware of”*. In any case, we submit that such “concerns” are irrelevant, given that all costs and revenues associated with ABB Chongqing’s domestic and export sales of power transformers during the investigation period have been fully recognised, and that the costs and revenue reported were the complete and actual values and not estimations. This aspect was also carefully examined and satisfied in the verification.

D Comments regarding the verification generally

The Applicant claims that it was *“not possible to have a clear view of the detail of the issues”*, in relation to each of the issues that it is *“concerned”* about. The Applicant has also alleged that it is:

- *“concerned that, with Remote Verification, the ADC will have difficulty verifying the costs of components”*
- *“concerned that the ADC will have limited ability, with a Remote Verification, to verify how such a transaction should be treated”*
- *“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 submit that these “concerns” are speculative and not fact based.

We reject the Applicant’s allegations that the ADC had difficulty, or a limited ability, or a lack of confidence in verifying our clients’ information. Further, whilst the verification was conducted on a remote basis, in the sense that ADC officials did not travel to our client’s locations to carry out the verification, we submit that the volume of information required by the ADC and provided by the ABB companies, and the amount of work and time spent for the preparation, examination and review of the information, were equivalent to, if not even more intensive than, an “on-site” verification. The WTC submission’s criticisms of the process and the comments to the effect that the ADC officials are not *“expert financial personnel”* are incorrect and unsubstantiated, and do not respect the efforts and abilities of the ADC officials who carried out this verification and of the other people who were involved in the detailed verification processes that were undertaken.

On the basis of the correct “no-dumping” outcome that has been reached, we request termination of this already significantly prolonged investigation as against the exports by the ABB companies under Section 269TADA(1) of the *Customs Act 1901*.

Yours sincerely



Charles Zhan
Lawyer