



**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**

EXPORTER VISIT REPORT

ABB LIMITED, VIETNAM

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

The approval of ABB Limited Vietnam ("ABB VN") to the placement of this non-confidential version of the visit report on the public record of this investigation does not signify its acceptance of or agreement to each finding of fact, methodology or conclusion that it contains, and is without prejudice to the ability of ABB VN or of any company in the ABB Group to contest any aspect of this visit report or of any other visit report in relation to an ABB Group company in this investigation.

November 2013

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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 China, Indonesia, Korea, Taiwan, Vietnam and Vietnam. A full description of the goods under consideration is included in section 4 of this report.

On 29 July 2013, the Commissioner of the Anti-Dumping Commission (the Commission) decided not to reject the applications 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 (ADN) 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. It claimed that injury commenced with the significant increase in imports in 2007-08.

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

2.2 Purpose of visit

The purpose of the visit was to verify information submitted by ABB Vietnam in its exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spread sheets containing sales and cost data requested in the exporter questionnaire. A non-confidential version of the exporter questionnaire response was placed on the public record. The Commission used the verified information gathered at the visit to make preliminary assessments of:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

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2.3 Meeting and preliminary issues

We advised ABB Vietnam of the following.

- The investigation period is July 2010 to June 2013.
- The Commission will examine the Australian market from January 2008 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made at any time after the 60th day following the initiation of the investigation, being 27 September 2013. Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. 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.
- The Commission published a PAD on 20 November 2013. . Securities apply in respect of imports of power transformers from China, Korea, Indonesia, Taiwan and Vietnam and entered for home consumption on or after 27 November 2013. No securities will apply in respect of imports of power transformers from Thailand as the imports from Thailand are not subject to this PAD.
- In October 2013, the Minister granted an extension to the publication date for the statement of essential facts (SEF). The revised due date for the SEF is 18 March 2014.
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister. The SEF will invite interested parties to respond, within 20 days, to the issues raised.
- Submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister.
- The Commission's report to the Minister is now due no later than 30 April 2014.
- The Minister's decision is due within 30 days from the date of receipt of the final report.

We advised ABB Vietnam that following our visit we would prepare *For Official Use Only* and *Public Record* versions of our visit report. We advised that following our visit we would provide the company with a draft of our report to review its factual accuracy and to identify those parts of the report it considered confidential. We further advised that, following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

2.4 Meeting dates and attendees

Verification meetings were held at the offices of ABB Vietnam in Hanoi, Vietnam. ABB Vietnam was represented by Moulis Legal, an Australian based legal firm. All key company representatives involved in the visit had strong verbal English language comprehension. As such official translation services were not required at any stage of the meeting.

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The following people were present at various stages of the meeting:

ABB Vietnam	
Mr Jan Peder Dareus	Senior Vice President, Business Unit Transformers
Mr Bradley Havlin	DTR Product Manager, Business Unit Transformers
Ms Quynh Vu Thi Phuong	Cost Analyst, Power Products Transformers
Mr Luong Huy Doan	Operations Manager, Power Products Transformers
Mr Ha Ngoc Quang	Sales Engineer, Business Unit Transformers
Mr Subhasis Gupta	Chief Financial Officer, ABB Vietnam
Mr Anh Dang Phuong	Business Unit Controller, Power Products Transformers
Ms Vu Nguyen Duc Anh	Supply Manager, ABB Vietnam
Mr Le Trung Nghia	Sales Manager SPT, Power Products Transformers
Moulis Legal	
Mr Daniel Moulis	Principal
Mr Alistair Bridges	Solicitor
Anti-Dumping Commission	
Mr Chris Vincent	Manager, Operations 1
Ms Joanne Reid	Director, Operations 2
Mr Tim King	Supervisor, Operations 3

At the commencement of the meeting ABB Vietnam provided a list of corrections to the information provided in the exporter questionnaire response. Details are at **confidential attachment GEN 1**. The amendments included:

- minor changes in the income statement and turnover spreadsheet;
- the income statement and turnover spreadsheet were further revised after the verification and revised copies are at **confidential attachment GEN 2 and GEN 3**.
- Australian sales (removed power transformers with a capacity less than 10 MVA and including distribution transformers (DTR) with a capacity of more than 10 MVA);
- domestic sales (including DTRs with a capacity of more than 10 MVA);
- domestic CTMS (inclusions of scrap revenue to offset costs and costs for DTRs);
- Australian CTMS (inclusions of scrap revenue to offset costs and adjustments to reflect changes to Australian sales); and
- adjustments (credit costs, warranty costs, sales costs, inland transportation and bad debt).

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3 COMPANY INFORMATION

3.1 Company background

ABB Vietnam is a company registered in Vietnam and was established in 1993 and operates in three regions across the country. It manufactures power transformers and sells them on the domestic market and exports them to Australia and other countries. ABB Vietnam's head office and power transformers manufacturing facility is in Hanoi. ABB Vietnam is **[CONFIDENTIAL TEXT DELETED – detail of shareholders]**.

ABB Vietnam is a member of the ABB Group. **[CONFIDENTIAL TEXT DELETED – details of shareholders]** is the ultimate parent company of the ABB Group which, as at 31 December 2012, comprised **[CONFIDENTIAL TEXT DELETED – number]** consolidated and holding subsidiaries. These subsidiaries operate in at least **[CONFIDENTIAL TEXT DELETED – number]** countries.

3.2 Commercial operations

3.2.1 General

ABB Vietnam stated it is a manufacturing and engineering company providing engineered solutions for energy-efficient transmission and distribution of electricity, and for increasing productivity in industrial, commercial and utility operations. Its operations are organised into five divisions:

- power products – medium and high voltage switchgear, capacitors and power transformers (including design, engineering, installation and commissioning services);
- power systems – full engineering and product supply for substations, power generation systems and grid systems (this may include power transformers manufactured by the power products division);
- discrete automation and motion – including the engineering and trading of low voltage and medium voltage drives, low voltage motors, robotics, solar inverters and regulators (including installation and commissioning services);
- low voltage products – low voltage switchgear and engineering and trading in low voltage products such as breakers, switches, control products and enclosures; and
- process automation – engineering and consulting services to optimise the productivity of industrial processes.

ABB Vietnam stated that these five divisions are mirrored in ABB entities globally.

The next level is business units. The relevant business unit for power transformers is power products – transformers. There are **[CONFIDENTIAL TEXT DELETED – number]** product groups or profit centres in the power products – transformers business unit:

[CONFIDENTIAL TEXT DELETED – numbers and business units]

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A list of profit centres is at **confidential attachment GEN 4**. The SPT profit centre accounted for about **[CONFIDENTIAL TEXT DELETED – number]**% of the revenue of the **[CONFIDENTIAL TEXT DELETED – business unit]**.

ABB Vietnam manufactures some power transformers with a capacity **[CONFIDENTIAL TEXT DELETED – product information]**. It does not manufacture **[CONFIDENTIAL TEXT DELETED –product information]**. ABB Vietnam also manufactures **[CONFIDENTIAL TEXT DELETED – product information]**, some of which may have a capacity greater than **[CONFIDENTIAL TEXT DELETED – number]**MVA.

[CONFIDENTIAL TEXT DELETED – details of intragroup dealings]

3.2.2 Summary of power transformer production process

Power transformers are capital goods that 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. ABB Vietnam 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 transformer from which is used to generate all the drawings and views needed to define layout and physical appearance of the power transformer. These drawings and views may be reviewed with the customer.
- Detailed mechanical design. ABB Vietnam now generates 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. ABB Vietnam typically uses steel with thicknesses of **[CONFIDENTIAL TEXT DELETED – numbers and technical information]**. Laminations are cut from rolls of steel by a specialised machine that has been programmed with the design geometry for each lamination.
- The core laminations are stacked sheet by sheet. A precision frame is used to control the geometry of the core during the stacking process.

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[CONFIDENTIAL TEXT DELETED – confidential production knowledge].
Once stacking is complete, the core frame is assembled and clamped. The core is now ready to allow the windings to be loaded onto the core limbs.

Windings.

- Coils are wound with copper conductors using an insulating former or mandrel system. This is a handcraft process unique to the power transformer industry. Special care must be taken **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**.
- Once the coils are wound, additional insulating components are assembled. Winding height **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**. 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]**, and the top core frame assembled. 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 and **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**. The tank and cover have been 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]** performance parameters. Testing is often conducted in the presence of a customer's representative.
- **[CONFIDENTIAL TEXT DELETED – confidential production knowledge]**.

Packing and delivery

- Since the transformer cannot be shipped in its fully assembled state, it must be 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

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main tank is shipped using heavy lift transport, while the remaining loose items (generally referred to as accessories) are packed and transported separately.

We inspected ABB Vietnam's production facility and observed all stages of the production processes outlined above.

3.2.3 Production capacities and actual rates of production

ABB Vietnam stated in its exporter questionnaire response that its production capacity in 2011 was **[CONFIDENTIAL TEXT DELETED – number]** MVA, in 2012 was **[CONFIDENTIAL TEXT DELETED – number]** MVA and for the investigation period was **[CONFIDENTIAL TEXT DELETED – number]**MVA. Capacity utilisation during the investigation period was **[CONFIDENTIAL TEXT DELETED – number]**%.

3.3 Accounting

Due to it being part of the ABB global group, ABB Vietnam's corporate consolidated statements are kept in accordance with US GAAP. ABB Vietnam's accounts are kept in accordance with Vietnamese GAAP. The company provided a detailed reconciliation between the revenue according to Vietnamese GAAP and the revenue according to US GAAP for the 2012 financial year at Attachment 26 to the exporter questionnaire response. This reconciliation was prepared as part of ABB Vietnam's ordinary financial statements work and not specifically for the dumping investigation. We could see that the US GAAP turnover figure reported in the questionnaire response reconciled to the total Vietnamese GAAP turnover figure reported in the 2012 audited financial statements.

The difference between the Vietnamese GAAP and US GAAP total revenue for 2012 was **[CONFIDENTIAL TEXT DELETED – number]**. The difference relates to **[CONFIDENTIAL TEXT DELETED – details of accounting policy]** We did not consider this warranted any adjustment to the turnover figures reported for the purpose of this investigation.

ABB Vietnam stated that it uses a **[CONFIDENTIAL TEXT DELETED – details of costs system]** cost system and is not **[CONFIDENTIAL TEXT DELETED – details of costs system]** based. Revenues and costs are treated as work in progress until the power transformer passes FAT and then transferred to finished goods. Overheads are allocated to cost centres using **[CONFIDENTIAL TEXT DELETED – details of costs allocation]**. However, costs reported in the exporter questionnaire response are actual costs. The allocation of corporate functions to the business units is described in the exporter questionnaire response. ABB Vietnam uses **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**.

ABB Vietnam's auditor provided the following audit opinion:

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

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The audit opinion for 2011 was similarly worded.

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4 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 are referred to as power transformers 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 application stated that DTRs are not the subject of this application. The applicant considers that DTRs are smaller transformers that have design and manufacturing technology which is different from power transformers. We note that some interested parties have a different definition of DTRs and ABB Vietnam stated that it had exported DTRs with a capacity greater than 10 MVA to Australia during the investigation period. The Commission considers that all power transformers with a capacity of greater than or equal to 10 MVA are the goods.

The goods 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.

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5 VERIFICATION OF SALES TO FINANCIAL STATEMENTS

As part of its exporter questionnaire response, ABB Vietnam provided an income statement and a turnover spreadsheet reflecting the total turnover, prepared according to US GAAP, of all products during the investigation period. The audited accounts provided in the exporter questionnaire response were prepared according to Vietnamese GAAP. We noted for that the 2012 audited accounts reconciled to the income statement using the reconciliation provided at Attachment 26 to the exporter questionnaire response.

The company provided an electronic copy of a **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** income report by profit centre for 2012. Total revenue reconciled to the turnover spreadsheet. After removal of internal revenues between profit centres we reconciled the total revenue from this report to the total revenue reported in the income statement. Internal revenue accounted for about **[CONFIDENTIAL TEXT DELETED – number]**% of revenue of the SPT profit centre.

We sought to verify total revenue for the sector including the goods in 2012 (**[CONFIDENTIAL TEXT DELETED – details of sales]**) to the audited accounts for that year. Total revenue for the sector including the goods in the turnover spreadsheet was **[CONFIDENTIAL TEXT DELETED – number]** billion, but total revenue for the SPT profit centre from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** was VND **[CONFIDENTIAL TEXT DELETED – number]**. ABB Vietnam explained that the total from the turnover spreadsheet was for the value of invoices issued in 2012, while the **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** total excluded **[CONFIDENTIAL TEXT DELETED – details of 2012 sales]**. After accounting for this **[CONFIDENTIAL TEXT DELETED – details of 2012 sales]**, the difference was **[CONFIDENTIAL TEXT DELETED – number]** (**[CONFIDENTIAL TEXT DELETED – number]**%). ABB stated that revenue in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** was determined using the foreign exchange rate **[CONFIDENTIAL TEXT DELETED – accounting practice]**, while revenue in the turnover spreadsheet was determined using the foreign exchange rate at **[CONFIDENTIAL TEXT DELETED – reporting of confidential information]**.

The turnover spreadsheet identified sales of:

- domestic sales of power transformers;
- exports of power transformers to Australia; and
- exports of power transformers to other countries.

ABB Vietnam provided an electronic copy of a spreadsheet identifying sales by market for the investigation period. The company ran a report from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** for the SPT profit centre showing all projects and revenue for the investigation period. It manually extracted information about the power rating of each transformer and customer identification and incorporated this information in the **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** report.

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To identify sales of DTRs, ABB Vietnam ran a report from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** showing all projects and revenue for the investigation period. By filtering on description the company was able to identify power transformers with a capacity equal to or greater than 10 MVA and identified sales of **[CONFIDENTIAL TEXT DELETED – number]** units (**[CONFIDENTIAL TEXT DELETED – number]** to Australia, **[CONFIDENTIAL TEXT DELETED – number]** sold domestically and **[CONFIDENTIAL TEXT DELETED – number]** sold to other markets). This data was incorporated into the sales by market spreadsheet. ABB repeated this exercise on-line during the verification meeting and we confirmed that the data for DTRs was correct.

ABB Vietnam provided updated domestic and export sales spreadsheets excluding sales of power transformers with a capacity less than 10 MVA and including sales of DTRs with a capacity of equal to or greater than 10 MVA. These spreadsheets included sales delivered during the investigation period where the revenue was recognised prior to the investigation period and sales of power transformers not yet delivered. However, this revenue was not included in the sales by market spreadsheet. After excluding these sales from the sales by market spreadsheet we reconciled:

- turnover of the sector including these goods for 2012 and the investigation period to the turnover spreadsheet;
- turnover of the goods for 2012 and the investigation period to the turnover spreadsheet;
- export sales for 2012 and the investigation period to the sales by market and turnover spreadsheets; and
- domestic sales for 2012 and the investigation period to the sales by market and turnover spreadsheets.

We are satisfied that the sales data provided in the exporter questionnaire response is complete and accurate.

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6 SALES TO AUSTRALIA

6.1 General

During the investigation period ABB Vietnam exported **[CONFIDENTIAL TEXT DELETED – number]** power transformers to Australia, including power transformers ordered before the investigation period and ordered during the investigation period but not yet shipped. Exports to Australia were sold to ABB Australia Pty Limited (ABB Australia) and to ABB Limited in Hong Kong (ABB Hong Kong). Of the **[CONFIDENTIAL TEXT DELETED – number]** power transformers exported to Australia, **[CONFIDENTIAL TEXT DELETED – number]** were sold to ABB Australia and **[CONFIDENTIAL TEXT DELETED – number]** were sold to ABB Hong Kong. ABB Australia, ABB Hong Kong and ABB Vietnam are all members of the ABB Group.

The export of power transformers to Australia through ABB Hong Kong **[CONFIDENTIAL TEXT DELETED – details of sale]** Except for the sales to ABB Hong Kong, ABB Vietnam stated that all exports of power transformers to Australia were initiated by contact from ABB Australia in response to an opportunity it identified in the Australian market. It understands that ABB Australia is responsible for any contractual obligations with the end user or the ultimate purchaser of the power transformers in Australia.

6.2 Export sales process

ABB Vietnam described its typical export sales process to Australia involving ABB Australia.

- 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.
- **[CONFIDENTIAL TEXT DELETED – sales procedures and terms]**
- Sales through ABB Hong Kong were **[CONFIDENTIAL TEXT DELETED – details of sale and sales process]**.

6.3 Pricing

Given the unique nature of each power transformer, pricing is determined on an individual basis. **[CONFIDENTIAL TEXT DELETED – details of pricing process]**

Price is set at the time the purchase order is accepted by ABB Vietnam (subject to mutually agreed variations). ABB Vietnam stated that **[CONFIDENTIAL TEXT DELETED – ABB contract provisions]**. During the verification visit, we found no evidence to indicate that this was not the case. We consider the date of purchase order is the date of sale.

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6.4 Verification to source documents

As part of its export questionnaire response, ABB Vietnam provided documentary evidence supporting the data provided for two power transformers exported to Australia. Prior to the visit, we selected six export transactions from the Australian sales spread sheet for verification. These transactions represented about **[CONFIDENTIAL TEXT DELETED – number]**% of export revenue to Australia during the investigation period. We requested ABB Vietnam to provide the following commercial documents in relation to each selected transaction:

- documents supporting determination of initial price and any subsequent variations;
- purchase order;
- details of any **[CONFIDENTIAL TEXT DELETED – ABB contract provisions]**;
- commercial invoice(s) and evidence of payment;
- documents supporting inland freight, ocean freight and marine insurance and any other relevant expenses;
- credit terms and calculation of any credit cost;
- packing cost; and
- any other costs related to export sales.

These documents were provided and are at **confidential attachment EXP 2 to 7.**

We reconciled the power transformer description and values of each selected transaction using the purchase orders, commercial invoices and packing lists provided during the verification visit to the export sales spreadsheet. There were no discrepancies identified in relation to sales volume or value.

Purchase orders issued by ABB Australia established the relevant terms of and the substantive details of power transformers to be exported to Australia. Individual power transformers manufactured by ABB Vietnam were identifiable by unique serial numbers. For each sampled transaction we were able to identify and reconcile the multiple invoices (referenced by serial number) with the purchase order value. We were also able to reconcile the invoice value of individual transactions with the payments made by ABB Australia to ABB Vietnam **[CONFIDENTIAL TEXT DELETED – internal ABB group policies]**. Verification of payment of these invoices by ABB Australia and ABB Hong Kong was provided for the selected transactions.

[CONFIDENTIAL TEXT DELETED – details of terms of sale]. In **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** the amount is converted using the exchange rate **[CONFIDENTIAL TEXT DELETED – internal ABB group policies]** as foreign exchange gains or losses.

6.5 Export costs and charges

Ocean freight and marine insurance

The export sales spread sheet provided by ABB Vietnam included ocean freight for all shipments with **[CONFIDENTIAL TEXT DELETED – delivery terms]**. Sales terms

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for the selected transactions were verified to purchase orders and invoices. We also verified **[CONFIDENTIAL TEXT DELETED – delivery terms]**. The ocean freight providers are independent companies.

ABB Vietnam did not include marine insurance in the export sales spreadsheet. ABB Vietnam has a single insurance policy which provides coverage for all shipments. We sighted a copy of this policy and the annual premium paid. The insurance cost as a percentage of revenue was **[CONFIDENTIAL TEXT DELETED – number]**% during the investigation period (**confidential attachment EXP 8**). We have added the cost of marine insurance to the export sales spreadsheet.

Inland freight

ABB Vietnam advised that it utilises independent contractors to transport the goods from the factory to the port of export in Vietnam. An example of a contract with a provider is at attachment 22 to the exporter questionnaire response. Freight charges are invoiced by the supplier for each consignment of power transformers. Transport is invoiced on the basis of unit charges applied by the freight provider. Transport costs have been allocated in the export sales spreadsheet using the actual charges specified in the relevant transport invoice. In most instances power transformers, together with their associated accessories, are included in a single consignment. However, where multiple transformers have been transported in the one consignment the actual invoice costs have been apportioned between each power transformer.

For each selected transaction ABB Vietnam provided the invoice issued by the logistics company. We verified that in all but one case, the costs in the export sales spreadsheet matched the supplier invoices.

Handling and other

Handling charges include fumigation, wharfage and export customs clearance. These charges were in some instances included in the invoice provided by the shipping company providing the ocean freight for the shipment. We were able to separately identify the ocean freight component of each of these invoices.

Warranty costs, technical charges and other charges

Warranty costs are invoiced by ABB Australia. Further the costs of any parts provided by ABB Vietnam are recorded on the **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** and allocated to the relevant job.

On selected transactions, warranty costs were verified to source documents. Immaterial variations in values were identified when converting **[CONFIDENTIAL TEXT DELETED – ABB contract provisions]** and the value recorded in Vietnamese Dong in the export sales spreadsheet.

Packing

ABB Vietnam advised that packing is completed internally, with packing materials being provided **[CONFIDENTIAL TEXT DELETED – identification of service provider]**. For the selected transactions, ABB Vietnam did not provide a breakdown of the labour charges for the packaging of the transformers and only provided its

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purchase orders to [CONFIDENTIAL TEXT DELETED – identification of service provider] to verify the packing material costs.

6.6 The exporter

For all export sales during the investigation period, we consider ABB Vietnam to be the exporter of GUC because it:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- invoices the buyer 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 FOB point at the port of export;
- 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.

6.7 The importer

For sales to ABB Australia, we note that ABB Australia:

- negotiates directly with ABB Vietnam 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 are therefore the importer of power transformers exported by ABB Vietnam during the investigation period.

For sales to ABB Hong Kong, we have insufficient information to determine who is the importer.

6.8 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:

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

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- 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 verified that overall, transactions between ABB Vietnam and ABB Australia were profitable during the investigation period. Transactions between ABB Vietnam and ABB Hong Kong were also profitable. We reviewed how prices between the two companies were negotiated and are satisfied the price is not influenced by the relationship between the companies. We consider that transactions between ABB Vietnam and both ABB Australia and ABB Hong Kong are at arms-length, subject to review of the ABB Australia visit report.

6.9 Export price preliminary assessment

In the case of export sales to ABB Australia, 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 export prices for direct export sales from ABB Vietnam to ABB Australia can be established under section 269TAB(1)(a) using the invoiced price less amounts for ocean freight and/or marine insurance as appropriate.

In the case of export sales to ABB Hong Kong, we do not know who is the importer. We consider that the export price for export sales from ABB Vietnam to ABB Hong Kong can be established under section 269TAB(3) having regard to all relevant information.

FOB export price calculations are at **confidential appendix 1**.

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7	COST TO MAKE & SELL
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7.1 Introduction

As part of its exporter questionnaire response ABB Vietnam provided cost to make and sell spreadsheets for its domestic sales and exports to Australia during the investigation period. The verification identified a number of amendments that were required to these spreadsheets. ABB provided revised electronic copies of the final domestic and Australian CTMS spreadsheets.

7.2 Cost to make and sell

ABB Vietnam advised that its costing system is not **[CONFIDENTIAL TEXT DELETED – details of costing system]**. It explained that there are two modules responsible for the management of transformer projects – the Project System and the Project Planning System. In the planning phase of a project the materials and hours required **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**. It is only when electrical design is finalised that projects move into the production phase, and the Project System.

Materials for a project are categorised into the following three categories:

- materials unique to a project;
- significant materials that can be shared across projects; and
- minor items.

Materials in second and third categories are assigned from stock using **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**.

The SPT profit centre has about **[CONFIDENTIAL TEXT DELETED – number]** cost centres for the different work streams (such as **[CONFIDENTIAL TEXT DELETED – work streams]**). At the beginning of each year, ABB Vietnam prepares **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]** is calculated and entered into **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**. When employee timesheets are entered **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**. Examples of timesheets for the core shop are at confidential attachment COSTS 1 Material overhead is calculated **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**.

For costs that cannot be allocated to a specific job, such as design, project management and OH&S, the budgeted amounts are allocated to workshops based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**.

Costs are accumulated to specific jobs based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**.

ABB Vietnam stated that although the projects are assigned costs in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**,

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for the purpose of the dumping investigation it has adjusted the standard costs to represent actual costs incurred. This was demonstrated during the course of the reconciliation of CTMS to the income statement (see below).

ABB Vietnam provided a detailed work package that showed an example of the costing system from start to completion (**confidential attachment COSTS 2**). The package included sample journal entries and screen shots from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]**. It also included an actual example of accounting entries for one domestic sale.

7.3 Cost of production

7.3.1 Reconciliation to financial statements

We asked ABB Vietnam to demonstrate how the production costs reported in the CTMS spreadsheets reconciled to the financial statements. ABB Vietnam provided a reconciliation of its **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** income statement to the audited financial statements (**confidential attachment COSTS 3**). The total cost of sales for all profit centres from the **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** income statement by profit centre matched the total cost of sales on the reconciliation statement. The reconciliation statement then showed the adjustments made for audit purposes to arrive at the financial statement values. The main reasons for the audit adjustments were adjusting for revenue recognition based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]** and eliminations of inter-company transactions. Based on these checks we were satisfied that the **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** income statement for the SPT profit centre reconciled to the financial statements for ABB Vietnam.

ABB Vietnam provided an income statement spreadsheet for the SPT profit centre. This spreadsheet is at **confidential attachment COSTS 4**. The spreadsheet shows income and costs for each financial year and part financial year of the investigation period.

The first part of the spreadsheet presented detailed revenue and cost information. We reconciled the cost to make from the spreadsheet to the cost of sales in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** for the SPT profit centre in 2012. The cost of sales in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** includes production costs of goods sold, **[CONFIDENTIAL TEXT DELETED – details of costing]**, change in provision for loss orders and other cost of sales. The cost to make in the spreadsheet included details of raw materials, direct labour, depreciation, manufacturing overheads and other operating expenses.

We asked ABB Vietnam to explain some of the other operating expenses.

[CONFIDENTIAL TEXT DELETED – details of operating expenses]The next stage in preparing the CTMS spreadsheets was allocating the audit adjustments for ABB Vietnam to the SPT profit centre. We selected a number of these adjustments and asked ABB Vietnam to demonstrate how the amounts could be determined to relate

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to the SPT profit centre. ABB Vietnam was able to demonstrate these to our satisfaction. The adjustments were as follows:

[CONFIDENTIAL TEXT DELETED – details of auditing adjustments]

The adjusted income statement (that is, the income statement after the adjustments described above) was used to allocate all costs to specific projects. A description of the allocation base for the cost elements are at **confidential attachment COSTS 5**. Over **[CONFIDENTIAL TEXT DELETED – number]** % of costs were specific to projects and obtained from project costing reports while others were allocated. Various allocation methods were used, including

[CONFIDENTIAL TEXT DELETED – allocation methods]

The first step in this process was to allocate each cost or adjustment item to either domestic, export or third country sales. Some costs/adjustments were not allocated to any particular market. We verified that these were items such as **[CONFIDENTIAL TEXT DELETED – items]**.

We verified the total cost of sales to Australia for 2012 from the CTMS spreadsheets to the cost of sales allocated to Australia. We noted immaterial discrepancies in three items. The total of these discrepancies was **[CONFIDENTIAL TEXT DELETED – number]**% of the total cost of sales.

We then selected project **[CONFIDENTIAL TEXT DELETED – identification of transformer]** to examine the allocation methodology for the major cost items and were satisfied with the methodologies used and how the allocations had been made.

We are satisfied based on the reconciliation described above that the CTMS reported in the Australian and domestic sales spreadsheet is a complete record of costs.

7.3.2 Verification to source documents

Prior to the visit we advised ABB Vietnam that we wanted to verify selected cost components for power transformers sold on the domestic market and exported to Australia.

Export sample 1 – core sheets

To support the cost of the core sheets ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier identifying the grade, quantity of each width and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

ABB Vietnam paid a number of invoices at the one time. The total of all invoices was **[CONFIDENTIAL TEXT DELETED – number]** and we sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED – number]**. The purchase order and invoice were for two jobs. We checked the issued

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quantity and invoiced price and are satisfied that the cost of core steel in the Australian CTMS worksheet is accurate. **[CONFIDENTIAL TEXT DELETED – details of core steel widths and grades]**.

Supporting documents are at **confidential attachment CTMS 6**.

Export sample 2 – copper conductor and bushings

To support the cost of copper conductor ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier identifying the type of conductor, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

ABB Vietnam paid a number of invoices at the one time. The total of all invoices was **[CONFIDENTIAL TEXT DELETED – number]** and we sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED – number]**. We checked the issued quantity and invoiced price and are satisfied that the cost of copper conductor in the Australian CTMS worksheet is accurate.

ABB Vietnam used **[CONFIDENTIAL TEXT DELETED – number]** types of bushings in this power transformer. To support the cost of the bushings ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase orders placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the **[CONFIDENTIAL TEXT [DELETED – supplier]]** identifying the bushings **[CONFIDENTIAL TEXT DELETED – detail of purchase]**;
- the commercial invoice from the **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the bushings **[CONFIDENTIAL TEXT DELETED – details of purchase]**;
- the commercial invoice from the **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the bushings **[CONFIDENTIAL TEXT DELETED – details of purchase]**;
- packing list and material receipt advice and
- quantities issued to this job.

We sighted bank documents confirming payment and the relevant exchange rates. The purchase order and invoice were for a number of jobs. We checked the issued quantity and invoiced price and are satisfied that the cost of bushings in the Australian CTMS worksheet is accurate.

Supporting documents are at **confidential attachment CTMS 7**.

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Export sample 3 – radiators

To support the cost of radiators ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase orders placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier **[CONFIDENTIAL TEXT DELETED – details of purchase]**;
- packing list and material receipt advice and
- quantities issued to this job.

We sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED – number]**. We checked the issued quantity and invoiced price and are satisfied that the cost of radiators in the Australian CTMS worksheet is accurate.

Supporting documents are at **confidential attachment CTMS 8.**

Export sample 4 – copper conductor and core sheets

To support the cost of copper conductor ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier identifying the type of conductor, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

The invoice total was **[CONFIDENTIAL TEXT DELETED – number]** and we sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED – number]**. We checked the issued quantity and invoiced price and are satisfied that the cost of copper conductor in the Australian CTMS worksheet is accurate.

To support the cost of the core sheets ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier identifying the grade, quantity of each width and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

ABB Vietnam paid a number of invoices at the one time. The total of all invoices was **[CONFIDENTIAL TEXT DELETED – number]** and we sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED –**

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number]. We checked the issued quantity and invoiced price and are satisfied that the cost of core steel in the Australian CTMS worksheet is accurate. **[CONFIDENTIAL TEXT DELETED – details of widths and grades purchased]**.

Supporting documents are at **confidential attachment CTMS 9**.

Export sample 5 – copper conductor and tap changer

To support the cost of copper conductor ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the suppliers identifying the type of conductor, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of copper conductor in the Australian CTMS worksheet is accurate.

To support the cost of the tap changer ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant job;
- the commercial invoice from the supplier identifying the type of tap changer, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

The total of all invoices was **[CONFIDENTIAL TEXT DELETED – number]** and we sighted bank documents confirming payment using an exchange rate of **[CONFIDENTIAL TEXT DELETED – number]**. We checked the issued quantity and invoiced price and are satisfied that the cost of the tap changer in the Australian CTMS worksheet is accurate.

Supporting documents are at **confidential attachment CTMS 10**.

Export sample 6 – core sheets

To support the cost of the core sheets ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]**. identifying the relevant jobs;
- the commercial invoice from the supplier identifying the grade, quantity of each width and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

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[CONFIDENTIAL TEXT DELETED – details of purchase]. We checked the issued quantity and invoiced price and are satisfied that the cost of core steel in the Australian CTMS worksheet is accurate. **[CONFIDENTIAL TEXT DELETED – details of widths and grades]**.

Supporting documents are at **confidential attachment CTMS 11**.

Domestic sample 1 – bushings

To support the cost of the bushings ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase orders placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the bushings;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of bushings in the domestic CTMS worksheet is accurate.

Supporting documents are at **confidential attachment CTMS 12**.

Domestic sample 2 – copper conductor and tap changer

To support the cost of copper conductor ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoices from the suppliers identifying the type of conductor, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of copper conductor in the domestic CTMS worksheet is accurate.

To support the cost of the tap changer ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant job;
- the commercial invoices from the suppliers identifying the type of tap changer, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of the tap changers in the domestic CTMS worksheet is accurate.

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Supporting documents are at **confidential attachment CTMS 13.**

Domestic sample 3 – core sheets

To support the cost of the core sheets ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoice from the supplier identifying the grade, quantity of each width and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of core steel in the domestic CTMS worksheet is accurate**[CONFIDENTIAL TEXT DELETED – details of widths and grades]**.

Supporting documents are at **confidential attachment CTMS 14.**

Domestic sample 4 – copper conductor and local control cabinet

To support the cost of copper conductor ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on **[CONFIDENTIAL TEXT DELETED – suppliers]** identifying the relevant jobs;
- the commercial invoices from the suppliers identifying the type of conductor, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price and are satisfied that the cost of copper conductor in the domestic CTMS worksheet is accurate.

To support the cost of the local control cabinet ABB Vietnam provided:

- details of all goods issued to the job;
- the purchase order placed on a local supplier identifying the relevant jobs;
- the commercial invoices from the suppliers identifying the type local control cabinet, quantity and unit price;
- packing list and material receipt advice and
- quantities issued to this job.

We checked the issued quantity and invoiced price. This item was not separately identified in the CTMS spreadsheets, but **[CONFIDENTIAL TEXT DELETED – value]** we did not further investigate.

Supporting documents are at **confidential attachment CTMS 15.**

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7.4 Selling, general and administrative (SG&A) expenses

SG&A expenses include:

- sales expenses;
- general administrative expenses;
- ABB Group internal fees;
- non-order related R&D expenses;
- interest expenses; and
- financial gains and losses.

All SG&A expenses from **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** for the SPT profit centre were allocated. These costs were allocated domestic, export or third country sales using the cost to make less freight out.

7.5 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by ABB Vietnam and adjusted during the verification. We consider the CTMS data is suitable for:

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

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

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8	DOMESTIC SALES
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8.1 Market

ABB Vietnam produces and sells power transformers on the Vietnamese domestic market. It also manufactures power transformers **[CONFIDENTIAL TEXT DELETED – identification of customer/s] [CONFIDENTIAL TEXT DELETED – number]**% of revenue in 2012. ABB Vietnam advised that sales in the domestic market were made directly to the customer and that no wholesaler or other intermediary was involved in the transaction. As with power transformers exported to Australia, power transformers manufactured for the domestic market are individually designed and engineered to meet the customer's specifications. ABB Vietnam advised that, depending on the customer, the terms of the sale may involve installation, **[CONFIDENTIAL TEXT DELETED – domestic contract terms]**.

ABB Vietnam stated that domestic customers are either:

[CONFIDENTIAL TEXT DELETED – customer details] ABB Vietnam stated that the market is supplied by **[CONFIDENTIAL TEXT DELETED – numbers]** local manufacturers and imports, predominantly from China. It claimed that the local market was very competitive.

8.2 Domestic sales process

ABB Vietnam described its domestic sales process as follows.

[CONFIDENTIAL TEXT DELETED – domestic sales process]

8.3 Verification to source documents

ABB Vietnam supplied a complete listing of its domestic sales which reflected line by line information relating to sales made between ABB Vietnam and its domestic customers for the investigation period. It stated that, with the exception of internal transfers to the power systems division, all its domestic sales were to unrelated companies. The spreadsheet included information relating, inter alia, to:

- customer name
- serial number;
- power rating (MVA);
- maximum voltage rating (kV);
- contract number and date;
- invoice number and date;
- delivery date;
- delivery terms;
- payment terms;
- quantity;
- revenue;
- costs associated with the sale (**[CONFIDENTIAL TEXT DELETED – costing information]**)
- period; and

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- transformer type(SPT or DTR).

The spreadsheet included data relating to the sales of **[CONFIDENTIAL TEXT DELETED – number]** power transformers, including sales negotiated before the investigation period but delivered during the investigation period and sales negotiated during the investigation period but not yet delivered. We have only used sales where all costs were known and have excluded sales that were not delivered during the investigation period. The revised spreadsheet includes details for **[CONFIDENTIAL TEXT DELETED – number]** domestic sales.

ABB Vietnam stated that. **[CONFIDENTIAL TEXT DELETED – details of domestic costs]**

Prior to the visit, we requested ABB Vietnam to provide supporting documents relating to six selected domestic sales transactions. We requested ABB Vietnam to provide the purchase order, details of any progress payments schedule, commercial invoice(s) and evidence of payment. These documents are at **confidential attachments DOM 1 to 6**.

From the selected sales transactions we verified details from the domestic sales spread sheet to the commercial documents provided. We were able to confirm that the sales volume and value entered into the spreadsheet for all selected sales reflected the volume and value in the source documents provided.

Based on the transactions examined, we are satisfied that the invoice price shown in the domestic sales spread sheet accurately reflected the composite price paid by domestic customers and that payments were made pursuant to the terms of sale..

8.4 Credit terms

The credit terms in the domestic sales spreadsheet were stated to be **[CONFIDENTIAL TEXT DELETED – payment terms]**. ABB Vietnam provided a spreadsheet identifying the instalment payments for each domestic contract, the date of each instalment payment and the invoice date. We calculated the cost of credit for each instalment. For the first instalment we compared the actual payment date with the contract date. For subsequent instalments we compared the actual payment date with the payment date of the previous instalment. Where an amount was not paid we used the estimated payment date. We used the ABB short term interest rate of **[CONFIDENTIAL TEXT DELETED – number]**. The calculation of credit costs is at **confidential appendix 3**. The Commission will review the calculation of credit costs.

8.5 Arms' length

ABB Vietnam submitted that it sold its transformers directly to end customers and that no third party, wholesaler or other intermediary was involved. During the visit, no evidence was identified which would suggest that, in relation to sales between ABB Vietnam and any of its domestic customers that;

- there is any consideration payable for or in respect of the goods other than their price; or

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- 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
- the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, 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 consider ABB Vietnam's domestic sales of power transformers were arms' length transactions.

8.6 Ordinary course of trade

Power transformers are individually designed and engineered to meet the customer's specifications. We consider that each power transformer is a separate model and that because of the many variables it is not meaningful to adjust domestic prices to make them comparable with export prices. We have constructed normal values and added the profit achieved on profitable domestic sales of power transformers, excluding **[CONFIDENTIAL TEXT DELETED – domestic cost factor]**.

The revenue included in the domestic sales spreadsheet included credit costs. We calculated the revenue for each transaction excluding the credit cost to compare with the CTMS which does not include the credit cost. We have verified the revenue and costs associated with domestic sales. The profit on profitable sales, expressed as a percentage of CTMS, is **[CONFIDENTIAL TEXT DELETED – number]**%. The calculation of the profitability of domestic sales is at **confidential appendix 4**.

8.7 Volume and suitability of sales

We have constructed normal values rather than use domestic sales.

8.8 Sales by other sellers

There are other sellers of power transformers in Vietnam, but none exported power transformers to Australia. We did not contact any other Vietnamese producers of power transformers as we were not aware of their existence prior to our visit.

8.9 Domestic sales – summary

We found the price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by ABB Vietnam, and the verification processes conducted on site, we consider that prices paid in respect of domestic sales would be suitable for assessing normal values for similar power transformers under s. 269TAC(1). Details of domestic sales are at **confidential appendix 4**. However, because of the significant physical differences between power transformers we have constructed normal values.

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We have constructed normal values rather than use selling prices.

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10 ADJUSTMENTS

We have constructed FOB normal values using the profit achieved on domestic sales that were in the ordinary course of trade. We have adjusted the normal values for ocean freight, marine insurance, warranty costs, other costs and export credit costs. We do not consider any other adjustments are necessary.

Ocean freight and marine insurance

[CONFIDENTIAL TEXT DELETED – ABB trading terms] We have deducted ocean freight and marine insurance from the normal values.

Warranty costs

Warranty costs were incurred on some projects. Warranty costs are booked to warranty projects in **[CONFIDENTIAL TEXT DELETED – information regarding accounting system]** and are not included in the job status reports used to calculate the CTMS. We have added warranty costs to the normal values.

Domestic credit costs

The profit used to calculate normal values excludes domestic credit costs. We have not adjusted for domestic credit costs. The Commission will review the calculation of credit costs.

Export credit costs

We have calculated export credit costs using the payment terms for **[CONFIDENTIAL TEXT DELETED – ABB contract provisions]**. We used the ABB short term interest rate of **[CONFIDENTIAL TEXT DELETED – number]**. We have added export credit costs to the normal values. The Commission will review the calculation of credit costs.

Bad debt

We have constructed normal values using the CTMS for power transformers exported to Australia. We have not made an adjustment for bad debts.

[CONFIDENTIAL TEXT DELETED – details of domestic sales costs]

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11 NORMAL VALUE

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 ocean freight and marine insurance, where applicable;
- adding warranty costs; and
- adding export credit costs.

Normal value calculations are at **confidential appendix 1**.

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12 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin we compared each export transaction with the corresponding normal value. The weighted average product dumping margin is 5.9%. Dumping margin calculation is at **confidential appendix 1**. The dumping margin is subject to the Commission's review of the calculation of the adjustment for credit.

