



**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, THAILAND**

**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 Thailand ("ABB TH") 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 TH 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, Thailand 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](http://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, Thailand, (ABB Thailand) as an exporter of power transformers from Thailand. A search of Customs and Border Protection's import database also indicated that ABB Thailand exported power transformers from Thailand to Australia during the investigation period. The Commission wrote to ABB Thailand 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 Thailand 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 Thailand 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 Thailand 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 60<sup>th</sup> 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 Thailand 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 Thailand in Samutprakarn, Thailand. ABB Thailand 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 well as Thai. 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:

<b>ABB Thailand</b>	
Mr Jadsada Koonmee	Local Business Unit Manager, Transformer Products
Ms Sa-Angchom Kunapermsiri	Accounting Centre Manager
Ms Pasirin Keereerat	Local Division Controller, Power Products
Ms Jutharat Suthewasinnon	Local Business Unit Controller, Transformer Products
Mr Pichit Bhasabutr	Export Sales Manager, Transformer Products
Mr Ekachai Chanyawiwatul	Supply Management & Purchasing Manager, Transformer Products
Ms Hathairat Thongmak	Legal Supervisor, Legal & Integrity Department
<b>Moulis Legal</b>	
Mr Daniel Moulis	Principal
Mr Alistair Bridges	Solicitor
<b>Anti-Dumping Commission</b>	
Mr Chris Vincent	Manager, Operations 1
Ms Joanne Reid	Director, Operations 2
Mr Tim King	Supervisor, Operations 3

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### 3 COMPANY INFORMATION

#### 3.1 Company background

ABB Thailand, is a company registered in Thailand. Its website states that ABB Thailand has been associated with Thailand's utility and industrial sectors since 1913. ABB Thailand commenced manufacturing power transformers in 1991. It manufactures power transformers and sells them on the domestic market and exports them to Australia and other countries. ABB Thailand's head office is in Bangkok and it manufactures power transformers in its Bangpoo factory.

The current shareholder of ABB Thailand are **[CONFIDENTIAL TEXT DELETED – details of shareholders]**.

**[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 Thailand 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 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 Thailand 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 internal business units]**

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ABB Thailand stated that it does not manufacture any power transformers less than [CONFIDENTIAL TEXT DELETED – number] MVA so [CONFIDENTIAL TEXT DELETED – statement of degree] power transformers manufactured by ABB Thailand fall within the goods description. ABB Thailand does not manufacture large power transformers (greater than [CONFIDENTIAL TEXT DELETED – number] MVA).

ABB Thailand stated that there are a number of intercompany fees that may be payable in different circumstances. The fees that are most directly associated with the production and sales of power transformers are:

[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 Thailand 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 Thailand 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 Thailand typically uses steel with thicknesses of [CONFIDENTIAL TEXT DELETED – number] mm. It stated [CONFIDENTIAL TEXT DELETED – confidential production knowledge]. Laminations are cut from rolls of steel by a specialised machine that has been programmed with the design geometry for each lamination.

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- The core laminations are stacked sheet by sheet. A precision 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 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 number]**. 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 product information]** performance parameters. Testing is often conducted in the presence of a customer's representative.
- **[CONFIDENTIAL TEXT DELETED – confidential production processes]**.

### 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



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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.

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

### 3.2.3 Production capacities and actual rates of production

ABB Thailand stated in its exporter questionnaire response that its production capacity in 2011 and 2012 was [CONFIDENTIAL TEXT DELETED – number] MVA or about [CONFIDENTIAL TEXT DELETED – number] units per year. Based on units where the revenue was recognised, production in 2012 was about [CONFIDENTIAL TEXT DELETED – number] MVA and [CONFIDENTIAL TEXT DELETED – number] units. ABB Thailand stated it may have up to [CONFIDENTIAL TEXT DELETED – number] power transformers in production at any one time.

### 3.3 Accounting

Due to it being part of the ABB global group, ABB Thailand is required to prepare its financial statements according to US GAAP. To meet local requirements some accounts are reclassified to meet Thai GAAP. The audited accounts provided in the exporter questionnaire response were prepared according to Thai GAAP. The company provided a detailed reconciliation between the revenue according to Thai GAAP and the revenue according to US GAAP for the 2012 financial year at Attachment 19 to the questionnaire response. This reconciliation was prepared as part of ABB Thailand'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 Thai GAAP turnover figure reported in the 2012 audited financial statements.

The difference between the Thai GAAP and US GAAP total revenue for 2012 was THB [CONFIDENTIAL TEXT DELETED – number], which is immaterial as percentage of total revenue ([CONFIDENTIAL TEXT DELETED – number]%). The difference relates to the reporting treatment of [CONFIDENTIAL TEXT DELETED – internal accounting policies]. We did not consider this warranted any adjustment to the turnover figures reported for the purpose of this investigation.

ABB Thailand stated that costing methods are based on actual and accrued costs and the allocation of corporate functions to the business units is described in the exporter questionnaire response. ABB Thailand uses [CONFIDENTIAL TEXT DELETED – proprietary accounting software].

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

*I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion*

The auditor provided the following audit opinion:

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*In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABB Limited as at 31 December 2012, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities.*

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 distribution transformers are not the subject of this application. The applicant considers that distribution transformers 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 distribution transformers. 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 Thailand 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 Thai GAAP. As noted in section 3.3, the difference between the two revenue figures is immaterial as a percentage of total revenue (**[CONFIDENTIAL TEXT DELETED – number]**%) and we did not consider this warranted any adjustment to the turnover figures reported for the purpose of this investigation.

The company ran an income report from **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** by profit centre (**confidential attachment REC 1**) for 2012. After removal of internal revenues between profit centres we reconciled the total revenue from this report to the total revenue reported in the turnover spreadsheet.

The company advised that power transformers are sold through profit centres **[CONFIDENTIAL TEXT DELETED – number]** (SPT) and **[CONFIDENTIAL TEXT DELETED – number]** (MPT). The company provided a listing of all its profit centres so that we could confirm there were no other profit centres relevant to the manufacture and sale of power transformers (**confidential attachment REC 2**).

From confidential [attachment REC 1](#) we verified that the total revenue from profit centres **[CONFIDENTIAL TEXT DELETED – numbers]** reconciled to the turnover spreadsheet.

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

During verification of the sales figures the company identified an error in the amounts in the turnover spreadsheet and provided us with a new spreadsheet (**confidential attachment REC 3**). The total remained unchanged, but the amounts allocated to the **[CONFIDENTIAL TEXT DELETED – number]** categories did change. For example, revenue from **[CONFIDENTIAL TEXT DELETED – information about materials and markets]**, but was reallocated to **[CONFIDENTIAL TEXT DELETED – information about markets]**.

The company ran a report from **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** that showed detailed transactions for all revenue entries. The report was provided to us in electronic form and contained data for the entire investigation period. The report identified the customer for each revenue item. From this information the company was able to identify revenue from power transformers according to whether it was from domestic sales, exports to Australia and exports to third countries. Using a pivot table of this data we verified that the amounts for domestic, export and third country sales from **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** reconciled to the amounts in the revised turnover statement.

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We asked the company to demonstrate how the total revenue for each sector reconciled to the domestic and export sales spreadsheets. Based on the same data provided in the electronic file the company could identify all the project numbers contributing to the revenue figures.

We checked that the project numbers included in the [CONFIDENTIAL TEXT DELETED – proprietary accounting software] report were reported in the domestic and Australian sales spreadsheets. We were able to reconcile the value of revenue from the domestic sales spreadsheet to [CONFIDENTIAL TEXT DELETED – proprietary accounting software], but noticed two minor differences (less than [CONFIDENTIAL TEXT DELETED – number]% of domestic sales revenue). ABB Thailand advised that the differences were revenue recorded in 2013 for additional work. We verified on-line that the revenue was recorded in 2013. Revenue from the domestic sales spreadsheet represents about [CONFIDENTIAL TEXT DELETED – number]% of domestic revenue in [CONFIDENTIAL TEXT DELETED – proprietary accounting software]. Domestic revenue in [CONFIDENTIAL TEXT DELETED – proprietary accounting software] also includes internal transfers to the power systems division which were not included in the domestic sales spreadsheet; this represents about [CONFIDENTIAL TEXT DELETED – number]% of domestic revenue in [CONFIDENTIAL TEXT DELETED – proprietary accounting software]. Most of the balance of domestic revenue is attributable to the sale of [CONFIDENTIAL TEXT DELETED – information about non-subject goods] and to a lesser extent foreign exchange gains and losses.

We were not able to reconcile the revenue from the export sales spreadsheet to [CONFIDENTIAL TEXT DELETED – proprietary accounting software]. ABB Thailand advised that this was due to exchange rate differences. [CONFIDENTIAL TEXT DELETED – internal accounting methodologies]. However, [CONFIDENTIAL TEXT DELETED – proprietary accounting software] also identifies revenue in the invoice currency and we were able to verify this amount from the export sales spreadsheet to [CONFIDENTIAL TEXT DELETED – proprietary accounting software].

We also reviewed third country sales and are satisfied that [CONFIDENTIAL TEXT DELETED – statement of degree] revenue is attributable to exports to other countries. We noted about USD [CONFIDENTIAL TEXT DELETED – number] where [CONFIDENTIAL TEXT DELETED – customer information] was listed as the customer. As this represented less than [CONFIDENTIAL TEXT DELETED – number]% of total revenue for profit centres [CONFIDENTIAL TEXT DELETED – numbers] we made no further inquiries.

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 Thailand 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. All exports were made to ABB Australia Pty Limited (ABB Australia). Both ABB Australia and ABB Thailand are members of the ABB Group. In relation to exports to Australia, ABB Thailand indicated that it only sold the goods under consideration to ABB Australia and that no other related or unrelated intermediary export agents or traders were involved in these transactions.

ABB Thailand stated that all exports of power transformers to Australia were initiated by contact from ABB Australia in response to an opportunity they identified in the Australian market. ABB Thailand indicated that its contractual relationship in relation to the export of power transformers to the Australian market was with ABB Australia. It understands that ABB Australia were responsible for any contractual obligations with the end user or the ultimate purchaser of the power transformer in Australia.

#### 6.2 Export sales process

ABB Thailand described its export sales process to Australia. We confirmed that the following summary is representative of this process.

- 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 INFORMATION DELETED – sales procedures and terms]

#### 6.3 Pricing

Given the unique nature of each power transformer, pricing is determined on an individual basis. [CONFIDENTIAL INFORMATION DELETED – pricing details] We consider the date of the purchase order is the date of sale.

During the verification visit ABB Thailand was requested to provide copies of key documents involved in the quotation process on one transformer constructed during the investigation period. The documents provided supported the submissions made by ABB Thailand in relation to the quotation process (confidential attachment EXP 2).

Price is set at the time the purchase order is accepted by ABB Thailand (subject to mutually agreed variations). ABB Thailand stated in its questionnaire response that [CONFIDENTIAL TEXT DELETED – ABB contract provisions] is the price paid. During the verification visit, we found no evidence to indicate that this was not the case.

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### 6.4 Verification to source documents

ABB Thailand provided supporting documentation for three transactions in its exporter questionnaire response. Prior to the visit, we selected an additional four export transactions from the Australian sales spread sheet for verification. These transactions represented about [CONFIDENTIAL TEXT DELETED – number]% of revenue during the investigation period. We requested that ABB Thailand provide the following commercial documents in relation to each selected transactions:

- 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 3 to 6**.

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 terms of sale for power transformers to be exported to Australia. Power transformers manufactured by ABB Thailand are 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 Thailand [CONFIDENTIAL TEXT DELETED – internal ABB group policies].

Payments made by ABB Australia were [CONFIDENTIAL TEXT DELETED – ABB contract provisions and internal policies]. ABB Thailand used a weighted average rate for each power transformer and an example of the calculation for serial number [CONFIDENTIAL TEXT DELETED – number] is at **confidential attachment EXP 7**.

The exchange rate used when the revenue was recognised in the accounts was the Bank of Thailand rate on that day. AAB Thailand stated that this was required by local GAAP, but considers the rate used more accurately reflects the exchange rate when payment was received.

We note that for revenue recognised in 2012, revenue in the export sales spreadsheet was [CONFIDENTIAL TEXT DELETED – statement of degree and number] revenue recorded in [CONFIDENTIAL TEXT DELETED – proprietary accounting software]. However, we consider the exchange rate used is more reflective of the exchange

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rate at the time the invoice was raised and is the most appropriate rate to use to calculate export prices for comparison with normal values.

### 6.4.1 Export costs and charges

#### Ocean freight and marine insurance

The export sales spread sheet provided by ABB Thailand included ocean freight and marine insurance [CONFIDENTIAL TEXT DELETED – ABB contract provisions]. Sales terms for the selected transactions were verified to purchase orders and invoices. We also verified the ocean freight to supplier invoices. The ocean freight provider [CONFIDENTIAL TEXT DELETED – identification of service provider] is an unrelated company.

The sample documents provided invoices for marine insurance which we were unable to verify to the export sales spreadsheets. ABB Thailand stated that these documents are only prepared for Customs' purposes and the amounts in the spreadsheet were based on the rates [CONFIDENTIAL TEXT DELETED – ABB contract of insurance terms]. For shipment that have not yet been delivered, ABB Thailand used the 2013 rate. The rates used appeared reasonable and we accepted the marine insurance as claimed, although [CONFIDENTIAL TEXT DELETED – ABB contract provisions].

#### Inland freight

ABB Thailand advised that it utilises independent contractors to transport the goods from the factory to the port of export in Thailand. An example of a contract with a provider is at attachment 15 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 Thailand provided the purchase order issued by ABB Thailand requesting the transport and the invoice issued by the logistics company.

#### Handling and other

Handling charges include fumigation, wharfage and export customs clearance. For the selected transactions ABB Thailand provided commercial invoices. We noted that freight and handling charges were generally invoiced for each power transformer (and its accessories) shipped. Where these charges related to multiple transformers in the one shipment, these charges were apportioned between each transformer.

We were able to reconcile the invoiced value of logistics services in relation to [CONFIDENTIAL TEXT DELETED – number] power transformers tested. In relation to the other [CONFIDENTIAL TEXT DELETED – number] transactions examined, minor



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discrepancies were identified. ABB Thailand claimed these arose when costs were allocated and we did not pursue these discrepancies as the amounts were not material.

### Warranty costs, technical charges and other charges

Warranty costs are booked to warranty projects in [CONFIDENTIAL TEXT DELETED – proprietary accounting software] and the actual warranty costs are included in the export sales spreadsheet against the relevant job. Warranty costs are invoiced by ABB Australia and settled [CONFIDENTIAL TEXT DELETED – internal ABB group policies].

Technical support is [CONFIDENTIAL TEXT DELETED – identification of type of cost].

Other charges are [CONFIDENTIAL TEXT DELETED – ABB contract provisions].

### Packing

ABB Thailand advised that packing, including provision of packing materials, is carried out [CONFIDENTIAL TEXT DELETED – identification of service provider]. A copy of the packing service contract with the provider is at attachment 20 to the exporter questionnaire response. ABB Thailand stated that the only relevant difference between domestic and export packing is that goods for domestic shipment are [CONFIDENTIAL TEXT DELETED – ABB contract provisions], whereas goods for export shipment are [CONFIDENTIAL TEXT DELETED – ABB contract provisions]. Packing services for each unit or group of units are separately quoted and separately invoiced by the packing services provider.

For the selected transactions, the supporting documentation for packing reconciled to the stated values in the export sales spreadsheet, with one minor discrepancy.

## 6.5 The exporter

For all export sales during the investigation period, we consider ABB Thailand 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 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 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.

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### 6.6 The importer

We noted that ABB Thailand's Australian customer, ABB Australia:

- negotiates directly with ABB Thailand 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 Thailand during the investigation period.

### 6.7 Arms' length

In determining export prices and normal values, the legislation requires that the relevant sales are arms' length transactions. Section 269TAA<sup>1</sup> 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 verified that overall, transactions between ABB Thailand and ABB Australia were profitable during the investigation period. 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 Thailand and ABB Australia are at arms-length, subject to review of the ABB Australia visit report.

### 6.8 Export price preliminary assessment

In the case of all export sales to Australia by ABB Thailand, 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.

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

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Therefore, we consider that the export price for direct export sales from ABB Thailand can be established under section 269TAB(1)(a) using the invoiced price less amounts for ocean freight and/or marine insurance as appropriate. FOB export price calculations are at **confidential appendix 1**.

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### 7 COST TO MAKE & SELL

#### 7.1 Introduction

ABB Thailand manufactures power transformers in the SPT and MPT profit centres in the power products – transformers business unit of the power products division. SPTs have a capacity of less than [CONFIDENTIAL TEXT DELETED – number] MVA and an output of up to [CONFIDENTIAL TEXT DELETED – number] kV, while MPTs have a capacity of between [CONFIDENTIAL TEXT DELETED – number] and [CONFIDENTIAL TEXT DELETED – number] MVA and an output greater than [CONFIDENTIAL TEXT DELETED – number] kV. There are [CONFIDENTIAL TEXT DELETED – number] profit centres within the power products – transformers business unit – [CONFIDENTIAL TEXT DELETED – internal accounting methodology]. ABB Thailand stated that the power products division's accounts are based on actual costs.

We noted that in 2012 the SPT and MPT profit centres accounted for more than [CONFIDENTIAL TEXT DELETED – number]% of the revenue and almost [CONFIDENTIAL TEXT DELETED – number]% of net income of the power products – transformers business unit. All [CONFIDENTIAL TEXT DELETED – number] were profitable.

ABB Thailand has some internal transfers of power transformers to the power systems division which are components of power systems.

#### 7.2 Cost to make and sell

Revenues and costs are recorded [CONFIDENTIAL TEXT DELETED – internal accounting methodology]

ABB Thailand provided a CTMS spreadsheet, identifying costs for each export sale during the investigation period. In consultation with the Commission, it did not provide detailed CTMS information for domestic sales as the Commission had advised that it intended to construct normal values. However, ABB Thailand did provide a summary of revenues and costs for each domestic sale during the investigation period so that we could determine the profitability of domestic sales.

Each power transformer is designed to meet the specific requirements of the customer and there are a number of cost elements, including:

- electrical design;
- mechanical design;
- the steel core;
- windings;
- active part assembly;
- drying and pressing;
- tanking;
- testing; and
- packing and delivery.

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ABB Thailand's job costing system generates a job status report for each power transformer it manufactures, with each being identified by a unique serial number. [CONFIDENTIAL TEXT DELETED – internal costing methodologies]

When ABB Thailand receives an order it completes the detailed electrical and mechanical design. When the electrical design is completed it [CONFIDENTIAL TEXT DELETED – internal ordering procedures and identification of suppliers].

The job status report records actual costs as they are incurred and is continually updated. [CONFIDENTIAL TEXT DELETED – internal accounting methodologies] Actual material costs are charged directly to each project. ABB Thailand advised that all key raw materials are ordered specifically for each job and are recorded at actual cost [CONFIDENTIAL TEXT DELETED – internal accounting methodology]

Actual labour hours are recorded in [CONFIDENTIAL TEXT DELETED – proprietary accounting software] and labour costs are calculated using actual hours and [CONFIDENTIAL TEXT DELETED – internal accounting methodologies]. Details of the rates used are at confidential attachment CTMS 1.

Re-work is charged to each project using [CONFIDENTIAL TEXT DELETED – internal accounting methodologies].

[CONFIDENTIAL TEXT DELETED – internal accounting methodologies] As discussed below, we have adjusted SG&A expenses submitted by ABB Thailand. We have included the [CONFIDENTIAL TEXT DELETED – statement of direction] absorption of overheads in this adjustment.

The budget for each job includes provision for risk. ABB Thailand stated that risk includes [CONFIDENTIAL TEXT DELETED – internal accounting methodologies].

Selling, general and administration (SG&A) expenses are charged directly to the profit and loss statement. [CONFIDENTIAL TEXT DELETED – internal accounting methodologies]. SG&A costs include:

- selling expenses;
- general and administrative expenses;
- [CONFIDENTIAL TEXT DELETED – internal ABB Group policies]; and
- [CONFIDENTIAL TEXT DELETED – internal ABB Group policies].

Details of the rates used are at confidential attachment CTMS 1. Budget and actual SG&A rates for 2012 are summarised in the following table.

Profit centre	Budget Jan-Feb	Budget Mar-Dec	Actual
SPT	[CONFIDENTIAL TEXT DELETED – numbers]		
MPT			

The actual SG&A rate for all power transformers in 2011 was [CONFIDENTIAL TEXT DELETED – number]% (compared with [CONFIDENTIAL TEXT DELETED – internal accounting methodologies and numbers]) and in 2013 was [CONFIDENTIAL TEXT DELETED – number]% (compared with [CONFIDENTIAL TEXT DELETED – internal accounting

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methodologies]). SG&A costs for the investigation period were [CONFIDENTIAL TEXT DELETED – number]% of revenue. We have recalculated SG&A expenses by [CONFIDENTIAL TEXT DELETED – number]% to reflect actual SG&A costs and the [CONFIDENTIAL TEXT DELETED – statement of direction] absorption of overheads during the investigation period.

A summary of the costing system is at **confidential attachment CTMS 2** and details of revenues and cost from [CONFIDENTIAL TEXT DELETED – proprietary accounting software] for the SPT and MPT profit centres combined are at **confidential attachment CTMS 3**.

### 7.3 Cost of production

#### 7.3.1 Reconciliation to financial statements

We asked ABB Thailand to demonstrate how the production costs reported in the CTMS spreadsheets (derived from the job status reports) reconciled to the financial statements. ABB Thailand stated that this would be difficult to do because of the following reasons.

[CONFIDENTIAL TEXT DELETED – internal accounting methodologies]

ABB Thailand used information from the job status reports to complete the CTMS information in the Australian and domestic sales spreadsheets. In order to demonstrate that the CTMS information was a complete record of production costs, ABB Thailand undertook a reconciliation between the job costing system and the [CONFIDENTIAL TEXT DELETED – proprietary accounting system] general ledger accounts. It should be noted that we were satisfied based on testing the completeness of the sales revenue that the Australian and domestic sales spreadsheets (compiled from the job status reports) were a complete record of all the relevant projects during the period.

ABB Thailand printed an income statement by report code and profit centre from [CONFIDENTIAL TEXT DELETED – proprietary accounting system] for 2012. This shows the total cost of sales for the company comprised of:

- cost of goods sold;
- over/under absorption;
- change in provision for loss orders; and
- other cost of sales.

We had already established from the sales reconciliation that profit centres [CONFIDENTIAL TEXT DELETED – number] and [CONFIDENTIAL TEXT DELETED – number] were the relevant profit centres for power transformers.

ABB Thailand [CONFIDENTIAL TEXT DELETED – costing information] the total cost of sales because this amount is not recognised in the job costing system (as explained above). This resulted in total cost of sales from [CONFIDENTIAL TEXT DELETED – proprietary accounting software] for the two profit centres of THB [CONFIDENTIAL TEXT DELETED – number].

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ABB Thailand ran a report from the job costing system for profit centres [CONFIDENTIAL TEXT DELETED – numbers] that showed the cost of sales reported by month for 2012. That report also included revenue recognised by month. The total revenue from that report varied from the revenue reported in the turnover spreadsheet by only [CONFIDENTIAL TEXT DELETED – number]% so we were satisfied the report represented the same projects already verified as complete. [CONFIDENTIAL TEXT DELETED – internal ABB costing details] [CONFIDENTIAL TEXT DELETED – number].

[CONFIDENTIAL TEXT DELETED – internal ABB costing details]

Given that we are satisfied the job costing system is a complete record of the relevant sales and the identified reasons for there being differences between the [CONFIDENTIAL TEXT DELETED – proprietary accounting software] records and job costing records at a point in time, 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.

Documents outlining the reconciliation exercise are at **confidential attachment COSTS 4**.

### 7.3.2 Verification to source documents

Prior to the visit we advised ABB Thailand that we wanted to verify selected cost components for [CONFIDENTIAL TEXT DELETED – number] power transformers sold on the domestic market and [CONFIDENTIAL TEXT DELETED – number] exported to Australia. ABB Thailand provided the current job status report for each selected transaction.

#### *Domestic sample 1 – tap changer and SG&A expenses*

We verified revenue from the job status report to the domestic sales spreadsheet, however costs were [CONFIDENTIAL TEXT DELETED – statement of dare and direction] (less than [CONFIDENTIAL TEXT DELETED – number]%). ABB Thailand advised that when it prepared the spreadsheet it used information current at that time (including estimates of expenditure committed but not yet incurred). We consider the difference immaterial.

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

- details from the job status report identifying all costs associated with the purchase, including freight, painting costs and the cost of the tap changer;
- the purchase order placed on [CONFIDENTIAL TEXT DELETED – identification of supplier];
- the commercial invoice from the supplier;
- evidence of payment within the [CONFIDENTIAL TEXT DELETED – number] terms identified on the invoice;
- the [CONFIDENTIAL TEXT DELETED – identification of supplier] price list for tap changers; and
- technical ordering data for the tap changer.

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We verified the description of the tap changer and invoice value to the job status report. [CONFIDENTIAL TEXT DELETED – identification of supplier]. ABB Thailand stated that there are so many variables in the tap changer that it was difficult to compare prices. [CONFIDENTIAL TEXT DELETED – statements of degree, direction and cost comparison]. We do not consider that there is any evidence to suggest the invoice price is not an arms-length price.

We have adjusted SG&A expenses to reflect the actual cost during the investigation period. We also noted that the job status report included special direct costs, including installation, commissioning, transportation and packing. Supporting documents are at **confidential attachment CTMS 5**.

### Domestic sample 2 – core and steel and insulation labour

We verified revenue and costs from the job status report to the domestic sales spreadsheet.

To support the cost of core steel ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase, including freight, cutting charges, transportation and the cost of the core steel;
- the purchase order placed on [CONFIDENTIAL TEXT DELETED – identification of supplier];
- the commercial invoice the supplier; and
- evidence of payment within the [CONFIDENTIAL TEXT DELETED – number] terms identified on the invoice.

We verified quantities and values from the invoice to the job status report. We also noted that the price was [CONFIDENTIAL TEXT DELETED – statement of direction and cost comparison].

We noted that the job status report included [CONFIDENTIAL TEXT DELETED – ABB production process], but if it has capacity issues it outsources this function at THB [CONFIDENTIAL TEXT DELETED – number]/kg. We noted small differences between the order and invoice quantities. ABB Thailand advised that the purchase contracts have tolerances for difference in purchase order and invoiced quantities.

We noted that each width is invoiced [CONFIDENTIAL TEXT DELETED – statement of degree]. We further noted that the grade of the core steel was [CONFIDENTIAL TEXT DELETED – number], which identifies the thickness and maximum losses. We asked ABB Thailand how this grade compared with grade [CONFIDENTIAL TEXT DELETED – number] which the applicant advised was a common grade used in power transformers. ABB Thailand advised that the core steel used in this case was a more expensive grade that had lower losses and that less core steel is required to make the core.

ABB Thailand applies [CONFIDENTIAL TEXT DELETED – internal accounting methodology]. It provided details from [CONFIDENTIAL TEXT DELETED – proprietary accounting software] identifying the hours charged to this job and we verified that the amount recorded in the jobs status report was the [CONFIDENTIAL TEXT DELETED – internal accounting



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**methodology]** rate for 2012 times the hours charged. ABB Thailand also provided a cost centre report for 2012 for the insulation shop that showed the labour cost was **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]** times labour hours.

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

### Domestic sample 3 – copper conductor and SG&A expenses

We noted that revenue from the job status report was THB **[CONFIDENTIAL TEXT DELETED – number and direction]** than the amount recorded in the domestic sales spreadsheet. Costs were **[CONFIDENTIAL TEXT DELETED – statement of degree and direction]** (less than **[CONFIDENTIAL TEXT DELETED – number]%**). ABB Thailand advised that the customer requested **[CONFIDENTIAL TEXT DELETED – ABB customer requirement]** in October 2013. We verified the entries in **[CONFIDENTIAL TEXT DELETED – proprietary accounting software]** on-line. We have relied on the original information submitted by ABB Thailand.

To support the cost of copper conductor ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase and copper leads, including freight, fabrication costs and the cost of the copper;
- the purchase orders placed on **[CONFIDENTIAL TEXT DELETED – identification of suppliers]**;
- the commercial invoices from the suppliers; and
- evidence of payment to **[CONFIDENTIAL TEXT DELETED – identification of supplier and number]**.

We verified quantities and values from the invoice to the job status report.

As with the core steel, we noted small differences between the quantities on the purchase orders and the quantities invoiced. The purchase order also identifies the copper component based on **[CONFIDENTIAL TEXT DELETED – details of costing]**.

The job status report also identifies **[CONFIDENTIAL TEXT DELETED – internal costing methodology]**.

We have adjusted SG&A expenses to reflect the actual cost during the investigation period. Supporting documents are at **confidential attachment CTMS 7.**

### Domestic sample 4 – bushings and Buchholz relay

We verified revenue from the job status report to the domestic sales spreadsheet, however costs were **[CONFIDENTIAL TEXT DELETED – statement of degree and direction]** (less than **[CONFIDENTIAL TEXT DELETED – number]%**). We consider the difference immaterial.

To support the cost of the bushings ABB Thailand provided:

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- details from the job status report identifying all costs associated with the purchase of the HV bushings, LV bushings and neutral bushings, including freight;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of suppliers];
- the commercial invoices from the suppliers;
- evidence of payment to [CONFIDENTIAL TEXT DELETED – identification of supplier and number] terms identified on the invoice;
- the [CONFIDENTIAL TEXT DELETED – identification of supplier] price list for bushings; and
- details of prices of bushings from [CONFIDENTIAL TEXT DELETED – identification of suppliers].

We verified the description of the bushings and invoice value to the job status report. [CONFIDENTIAL TEXT DELETED – identification of supplier]. ABB Thailand provided prices from [CONFIDENTIAL TEXT DELETED – identification of supplier and direction]. We are satisfied that the invoice price is an arms-length price.

To support the cost of the Buchholz relay ABB Thailand provided:

- details from the job status report identifying the cost of the Buchholz relay;
- the purchase order placed on the supplier; and
- the commercial invoice from the supplier.

[CONFIDENTIAL TEXT DELETED – internal ABB material sourcing]. We verified that the invoice price was comparable to the value in the job status report.

We also noted that the job status report included special direct costs, including installation, commissioning, transportation and packing. Supporting documents are at **confidential attachment CTMS 8**.

### Domestic sample 5 – core steel and core labour

We verified revenue and costs from the job status report to the domestic sales spreadsheet however costs were [CONFIDENTIAL TEXT DELETED – statement of degree and direction]. ABB Thailand stated that the domestic sales spreadsheet includes purchase order committed costs not yet incurred.

To support the cost of core steel ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase, including freight, [CONFIDENTIAL TEXT DELETED – type of costs], transportation and the cost of the core steel;
- the purchase order placed on [CONFIDENTIAL TEXT DELETED – identification of supplier];
- the commercial invoice the supplier; and
- evidence of payment [CONFIDENTIAL TEXT DELETED – number] terms identified on the invoice.

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We verified quantities and values from the invoice to the job status report. We also noted that the price was [CONFIDENTIAL TEXT DELETED – statement of direction and cost comparison] for the month of invoice.

As with the previous core steel verification:

- we noted small differences between the order and invoice quantities;
- various widths [CONFIDENTIAL TEXT DELETED – prices from suppliers]; and
- the grade of the core steel was [CONFIDENTIAL TEXT DELETED – number and direction].

ABB Thailand provided details from [CONFIDENTIAL TEXT DELETED – proprietary accounting system] identifying the hours charged to this job and we verified that the amount recorded in the jobs status report was [CONFIDENTIAL TEXT DELETED – internal accounting methodology] for 2012 times the hours charged. ABB Thailand also provided a cost centre report for 2012 for the core shop that showed the labour cost was [CONFIDENTIAL TEXT DELETED – internal accounting methodology] times labour hours.

We also noted that the job status report included special direct costs, including transportation and packing. Supporting documents are at **confidential attachment CTMS 9**.

### Domestic sample 6 – control cabinet and SG&A expenses

We verified revenue and costs from the job status report to the domestic sales spreadsheet however costs were [CONFIDENTIAL TEXT DELETED – statement of degree and direction]. ABB Thailand stated that the domestic sales spreadsheet includes purchase order committed costs not yet incurred.

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

- details from the job status report identifying all costs associated with the purchase;
- the purchase order placed on [CONFIDENTIAL TEXT DELETED – identification of supplier]; and
- the commercial invoice.

We verified the values from the invoice to the job status report. ABB Thailand stated each system is custom made. It provides drawings to [CONFIDENTIAL TEXT DELETED – identification of supplier] and gets a price. ABB Thailand claimed that external prices are [CONFIDENTIAL TEXT DELETED – identification of supplier]. The value is about [CONFIDENTIAL TEXT DELETED – number]% of the total cost of the project and we did not pursue the matter.

We have adjusted SG&A expenses to reflect the actual cost during the investigation period. We also noted that the job status report included special direct costs, including transportation and packing. Supporting documents are at **confidential attachment CTMS 10**.

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### Export sample 1 – tap changer and electrical design

We verified costs from the job status report to the Australian CTMS spreadsheet.

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

- details from the job status report identifying all costs associated with the purchase, including freight, painting costs and the cost of the tap changer;
- the purchase order placed on [CONFIDENTIAL TEXT DELETED – identification of supplier];
- the commercial invoice from [CONFIDENTIAL TEXT DELETED – identification of supplier]; and
- evidence of payment within the [CONFIDENTIAL TEXT DELETED – number] terms identified on the invoice.

We verified the description of the tap changer and invoice value to the job status report. [CONFIDENTIAL TEXT DELETED – identification of supplier and cost comparison]found that the prices were similar.

ABB Thailand also provided a cost centre report for 2010 for electrical design that showed the labour cost was THB [CONFIDENTIAL TEXT DELETED – number] per hour. We did not obtain the [CONFIDENTIAL TEXT DELETED – internal accounting methodology] for 2010, but it did match the 2011 [CONFIDENTIAL TEXT DELETED – internal accounting methodology].

We noted that the CTMS information included delivery charges, handling expenses and packing and these equalled the amounts in the export sales spreadsheet. The CTMS did not include marine insurance and warranty expenses, but these were included in the export sales spreadsheet.

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

### Export sample 2 – copper conductor and mechanical design

We verified costs from the job status report to the Australian CTMS spreadsheet, although we noticed a difference of [CONFIDENTIAL TEXT DELETED – number]%. ABB Thailand advised that when it prepared the spreadsheet it used information current at that time. We consider the difference immaterial.

To support the cost of copper conductor ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase and copper leads, including freight, fabrication costs and the cost of the copper;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of suppliers]; and
- the commercial invoices from the suppliers.

We verified quantities and values from the invoice to the job status report. As with the previous copper conductor verification:

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- the purchase order also identifies the copper component based on [CONFIDENTIAL TEXT DELETED – internal costing methodology];
- the job status report also identifies [CONFIDENTIAL TEXT DELETED – internal costing methodology] - supporting documents are at confidential attachment CTMS 7.

ABB Thailand provided screen prints from [CONFIDENTIAL TEXT DELETED – proprietary accounting system] identifying the hours charged to this job and we verified that the amount recorded in the jobs status report was [CONFIDENTIAL TEXT DELETED – internal costing methodology] for 2012 times the hours charged. ABB Thailand also provided a cost centre report for 2011 for mechanical design that showed the labour cost was [CONFIDENTIAL TEXT DELETED – internal costing methodology] times labour hours.

We noted that the CTMS information included delivery charges, handling expenses and packing and these equalled the amounts in the export sales spreadsheet. The CTMS did not include marine insurance and warranty expenses, but these were included in the export sales spreadsheet.

Supporting documents are at confidential attachment CTMS 12.

### Export sample 3 – radiator and SG&A expenses

We verified costs from the job status report to the Australian CTMS spreadsheet, although we noticed a difference of [CONFIDENTIAL TEXT DELETED – number]%. ABB Thailand advised that when it prepared the spreadsheet it used information current at that time. We consider the difference immaterial.

To support the radiator cost ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of supplier/s];
- the commercial invoices from [CONFIDENTIAL TEXT DELETED – identification of supplier/s]; and
- evidence of payment within the [CONFIDENTIAL TEXT DELETED – number] terms identified on the invoice.

We verified quantities and values from the invoice to the job status report.

We have adjusted SG&A expenses to reflect the actual cost during the investigation period. We noted that the CTMS information included delivery charges, handling expenses and packing and these equalled the amounts in the export sales spreadsheet. The CTMS did not include marine insurance, but this was included in the export sales spreadsheet. There were no warranty expenses. Supporting documents are at confidential attachment CTMS 13.

### Export sample 4 – core steel and bushings

We verified costs from the job status report to the Australian CTMS spreadsheet, although we noticed a difference of [CONFIDENTIAL TEXT DELETED – number]%. ABB

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Thailand advised that when it prepared the spreadsheet it used information current at that time. We consider the difference immaterial.

To support the cost of core steel ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase, including freight, cutting charges, transportation and the cost of the core steel;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of supplier/s];
- the commercial invoices from the suppliers; and
- evidence of payment to [CONFIDENTIAL TEXT DELETED – identification of supplier and number] terms identified on the invoice.

We verified quantities and values from the invoice to the job status report. We also noted that the price was [CONFIDENTIAL TEXT DELETED – statement of direction and cost comparison] for the month of invoice.

As with the previous core steel verification:

- we noted small differences between the order and invoice quantities;
- various widths [CONFIDENTIAL TEXT DELETED – prices from suppliers]; and
- the grade of the core steel was [CONFIDENTIAL TEXT DELETED – number].

To support the cost of the bushings ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase of the HV bushings, LV bushings and neutral bushings, including freight;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of suppliers];
- the commercial invoices from the suppliers; and
- evidence of payment to [CONFIDENTIAL TEXT DELETED – identification of supplier and number] terms identified on the invoice;

We verified the description of the bushings and invoice value to the job status report. ABB Thailand had previously provided details of prices of bushings from [CONFIDENTIAL TEXT DELETED – identification of suppliers] (refer confidential attachment CTMS 8).

We noted that the CTMS information included delivery charges, handling expenses and packing and these equalled the amounts in the export sales spreadsheet. The CTMS did not include marine insurance, but this was included in the export sales spreadsheet. There were no [CONFIDENTIAL TEXT DELETED – cost information].

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

*Export sample 5 – insulation kit and copper conductor*

We verified costs from the job status report to the Australian CTMS spreadsheet, although we noticed a difference of [CONFIDENTIAL TEXT DELETED – number]%. ABB

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Thailand advised that when it prepared the spreadsheet it used information current at that time. We consider the difference immaterial.

To support the cost of the insulation kit ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of supplier/s]; and
- the commercial invoices from [CONFIDENTIAL TEXT DELETED – identification of suppliers].

We verified quantities and values from the invoice to the job status report.

To support the cost of copper conductor ABB Thailand provided:

- details from the job status report identifying all costs associated with the purchase and copper leads, including freight, fabrication costs and the cost of the copper;
- the purchase orders placed on [CONFIDENTIAL TEXT DELETED – identification of supplier/s];
- the commercial invoices from the suppliers; and
- evidence of payment to [CONFIDENTIAL TEXT DELETED – identification of supplier/s and number] terms identified on the invoice.

We verified quantities and values from the invoice to the job status report. As with the previous copper conductor verification:

- the purchase order also identifies the copper component based on [CONFIDENTIAL TEXT DELETED – internal costing methodology];
- the job status report also identifies [CONFIDENTIAL TEXT DELETED – internal costing methodology] - supporting documents were also provided.

We noted that the CTMS information included delivery charges, handling expenses and packing and these equalled the amounts in the export sales spreadsheet. The CTMS did not include marine insurance, but this was included in the export sales spreadsheet. There were [CONFIDENTIAL TEXT DELETED – internal costing information].

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

### 7.4 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by ABB Thailand 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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<b>8</b>	<b>DOMESTIC SALES</b>
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### 8.1 Market

ABB Thailand produces and sells power transformers into the Thai domestic market. It stated that domestic customers come from one of three segments:

- government work – announced via the issue of a tender;
- industrial segment – these customers generally approach ABB Thailand directly;
- contractors in the electrical, procurement and construction segment.

ABB Thailand also manufactures power transformers which are [CONFIDENTIAL TEXT DELETED – identification of customer/s] used in power system projects. [CONFIDENTIAL TEXT DELETED – identification of customer/s and number]% of revenue during the investigation period. ABB Thailand 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. It stated that it had [CONFIDENTIAL TEXT DELETED – number] main competitors:

- [CONFIDENTIAL TEXT DELETED – identification of competitor/s]

ABB Thailand estimates that it has around [CONFIDENTIAL TEXT DELETED – number]% of the domestic market for power transformers in Thailand.

As with power transformers exported to the Australian market, power transformers manufactured for the domestic market are individually designed and engineered to meet the customer's specifications.

ABB Thailand believes that there were [CONFIDENTIAL TEXT DELETED – commercial details re imports and utility tenders].

ABB Thailand advised that, depending on the customer, the terms of the sale may involve installation, although utilities would usually install the transformer themselves and that ABB Thailand may only supply engineering advice.

ABB Thailand's domestic marketing activities involve attending events and exhibitions such as trade shows.

Contracts with domestic customers are generally at [CONFIDENTIAL TEXT DELETED – information about domestic pricing].

### 8.2 Domestic sales process

ABB Thailand described its domestic sales process as follows.

[CONFIDENTIAL INFORMATION DELETED – domestic sales process]

We consider the date of the purchase order is the date of sale.



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### 8.3 Verification to source documents

ABB Thailand supplied a complete listing of its domestic sales which reflected line by line information relating to sales made between ABB Thailand and its Thai customers for the investigation period. The spreadsheet included information relating, inter alia, to:

- serial number;
- model code;
- power rating (MVA);
- maximum voltage rating (kV);
- transformer type (SPT or MPT);
- project name;
- customer name;
- contract number;
- contract date;
- delivery date;
- revenue (THB);
- actual production cost (THB);
- SG&A expenses (THB);
- full cost (THB);
- gross margin (%);
- net margin (%).

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.

Prior to the visit, we requested ABB Thailand to provide supporting documents relating to [CONFIDENTIAL TEXT DELETED – number] selected domestic sales transactions. We requested ABB Thailand to provide the purchase order, details of any progress payments schedule, commercial invoice(s) and evidence of payment. These documents are at **confidential attachment 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. In section 7 of this report we noted that the job status reports for the selected transactions included all costs associated with the project, [CONFIDENTIAL TEXT DELETED – ABB cost item].

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### 8.4 Credit terms

ABB Thailand advised that most domestic sales were made on the basis of payment [CONFIDENTIAL TEXT DELETED – ABB contract provision/s]. We examined relevant documents for the [CONFIDENTIAL TEXT DELETED – number] selected transactions;

- [CONFIDENTIAL TEXT DELETED – number] contracts had [CONFIDENTIAL TEXT DELETED – payment terms] of between [CONFIDENTIAL TEXT DELETED – numbers]% and of these [CONFIDENTIAL TEXT DELETED – number] had [CONFIDENTIAL TEXT DELETED – number and payment terms]s and the other [CONFIDENTIAL TEXT DELETED – number and payment terms];
- [CONFIDENTIAL TEXT DELETED – number] contract provided for [CONFIDENTIAL TEXT DELETED – number]% payment after delivery; and
- where specified, payment terms were within [CONFIDENTIAL TEXT DELETED – number] days of issuing the invoice or within [CONFIDENTIAL TEXT DELETED – numbers] days of completing the [CONFIDENTIAL TEXT DELETED – ABB contract provision].

ABB Thailand provided an electronic copy of the domestic sales spreadsheet with details of all [CONFIDENTIAL TEXT DELETED – ABB contract provision] payments. We calculated the cost of credit for each transaction by comparing the actual payment date with the [CONFIDENTIAL TEXT DELETED – ABB contract terms] or actual dates. 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 Commission will review the calculation of credit costs.

### 8.5 Arms' length

ABB Thailand 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 Thailand and any of its domestic customers that;

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

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make them comparable with export prices. We have constructed normal values and added the profit achieved on profitable domestic sales of power transformers, excluding warranty costs.

The revenue included in the domestic sales spreadsheet included a 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 domestic credit calculation is at confidential appendix 3.

### 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 Thailand. One producer submitted an exporter questionnaire response, but we don't intend to visit other Thai producers.

### 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 Thailand, 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). The calculation of the profitability of domestic sales is at confidential appendix 4. However, because of the significant physical differences between power transformers we have constructed normal values.

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<b>9</b>	<b>THIRD COUNTRY SALES</b>
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We have constructed normal values rather than use selling prices.

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<b>10     ADJUSTMENTS</b>
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We have constructed FOB normal values using the profit achieved on domestic sales. We have adjusted the normal values for ocean freight, warranty costs, other costs and export credit costs. We do not consider any other adjustments are necessary.

Ocean freight

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

Warranty costs

Warranty costs were incurred on some projects. Warranty costs are booked to warranty projects in [CONFIDENTIAL TEXT DELETED – proprietary 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.

Other costs

Other costs are costs incurred in Australia [CONFIDENTIAL TEXT DELETED – ABB trading terms]. These costs are not included in the job status reports used to calculate the CTMS. We have added other 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 ABB short term interest rate of [CONFIDENTIAL TEXT DELETED – number]%. We multiplied the invoice value by the interest rate using the number of days since [CONFIDENTIAL TEXT DELETED – ABB trading terms] payment plus the [CONFIDENTIAL TEXT DELETED – number] days credit terms. For example, the credit cost at order placement is:

$$\text{Invoice value} * [\text{CONFIDENTIAL TEXT DELETED} - \text{number}] \% * ((\text{days since contract signed} + [\text{CONFIDENTIAL TEXT DELETED} - \text{number}]) / 365)$$

We have added export credit costs to the normal values.

The Commission will review the calculation of credit 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, where applicable;
- adding warranty costs;
- adding other 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. In calculating the dumping margin we have used export prices and normal values for power transformers exported during the investigation period and have not included projects that were not completed during the investigation period. The weighted average product dumping margin is minus 3.5%. 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.

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**13 LIST OF APPENDICES AND ATTACHMENTS**

Confidential appendix 1	Export prices, normal values and dumping margins
Confidential appendix 2	Australian CTMS
Confidential appendix 3	Profitability on domestic sales
Confidential appendix 4	Profitability on domestic sales