



INVESTIGATION INTO THE ALLEGED DUMPING OF WIND TOWERS EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA AND THE REPUBLIC OF KOREA

EXPORTER VISIT REPORT

WIN&P., LTD., THE REPUBLIC OF KOREA

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 Win&P., Ltd 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 Win&P to contest any aspect of this visit report or of the conduct of this investigation.

December 2013

For the record Win&P notes that the visit to which this report refers took place in December 2013. The draft report was provided to Win&P on 17 January 2014. Win&P was advised it had four days to provide any changes and redactions. Win&P provided its comments to the ADC. The ADC made no changes to the report.

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2 BACKGROUND

2.1 Background to the current investigation

On 6 August 2013, A.C.N. 009 483 694 Pty Ltd (Haywards) and Keppel Prince Engineering Pty Ltd (Keppel Prince) lodged an application requesting that the Minister for Home Affairs publish a dumping duty notice in respect of wind towers exported to Australia from the People's Republic of China (China) and the Republic of Korea (Korea). A full description of the goods under consideration is included in section 4 of this report.

On 29 August 2013, the Commissioner of the Anti-Dumping Commission (the Commission) decided not to reject the application and initiated an investigation into the alleged dumping of wind towers from China and Korea. Public notification of initiation of the investigation was made in *The Australian* newspaper on 29 August 2013. Anti-Dumping Notice No. 2013/68 provides further details of the investigation and is available on the Commission's website at www.adcommission.gov.au.

Haywards and Keppel Prince allege that the Australian industry has suffered material injury caused by wind towers being exported to Australia from China and Korea at dumped prices. The applicants identified the injurious effects as:

- loss of sales volume;
- loss of market share;
- price depression;
- price suppression;
- reduced profits; and
- reduced profitability.

The applicants claim that injury commenced with the significant increase in imports in January 2008.

The application identified Win&P., Ltd. (Win&P) as an exporter of wind towers from Korea. A search of the Australian Customs and Border Protection Service's (ACBPS) import database also indicated that Win&P exported wind towers from Korea to Australia during the investigation period. The Commission wrote to Win&P 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. Win&P completed the exporter questionnaire, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) wind towers.

2.2 Purpose of visit

The purpose of the visit was to verify information submitted by Win&P in its exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets 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:

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

2.3 Meeting and preliminary issues

We advised Win&P of the following.

- The investigation period is 1 January 2012 to 30 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 October 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 6 December 2013. Securities apply in respect of imports of wind towers from China and Korea which were entered for home consumption on or after 6 December 2013.
- In November 2013, the Minister for Industry (Minister) granted an extension to the publication date for the statement of essential facts (SEF). The revised due date for the SEF is 4 February 2014.
- The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister on. 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 21 March 2014.
- The Minister's decision is due within 30 days from the date of receipt of the final report.

We advised Win&P 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 Win&P with a draft of our report to review its factual accuracy and to identify those parts of the report it considers 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 Win&P in Seoul, Korea, as well as at the factory in Sacheon City, Gyeongsangnam-Do, Korea, on Tuesday 10 December to Friday 13 December, and Monday 16 December 2013. Win&P was represented by Moulis Legal, an Australian-based legal firm. KPMG Samjong Accounting Corporation represented Win&P as the financial consultant. All key company representatives and consultants involved in the visit had strong verbal English

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language comprehension. As such, official translation services were not required at any stage of the meeting.

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

Win&P	
Mr John Yongsun	President/CEO
Mr Kim Ki-Su	Managing Director
Mr Bae Gun-Gon	General Manager
Mr Ross Baek	Project Manager, Overseas Sales
KPMG Samjong Accounting Corporation	
Mr Min Jae (Jay) Chang	Partner, International Trade Consulting
Mr Chan-Joo Lee	Manager, International Trade Consulting
Ms Kyoung Hwa Kim	Consultant, International Trade Consulting
Ms In Kyung Shin	Accountant, International Trade Consulting
Moulis Legal	
Mr Daniel Moulis	Principal
Anti-Dumping Commission	
Mr Rod Jones	Manager, Operations 1
Ms Jo Schultz	A/g Supervisor, Strategic Policy

At the meeting Win&P provided a submission on the PAD, commenting on the methodology, the scope of the goods, the profit used and the date of currency conversion used.

A copy of the submission is at **Confidential Attachment GEN1**.

Win&P also provided a list of corrections to the information provided in the exporter questionnaire response. Details are at **Confidential Attachment GEN 2**. The amendments included:

- minor changes to the variable manufacturing costs amounts in the Australian and domestic CTMS spreadsheets; and
- minor changes in the income statement and turnover spreadsheet.

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3 COMPANY INFORMATION

3.1 Company background

Win&P is a limited liability company registered in Korea and was established on 15 September 2006. Win&P is wholly owned subsidiary of UNISON Co., Ltd. (Unison).

[CONFIDENTIAL TEXT DELETED – shareholding and corporate group information] Win&P provided copies of the corporate structure and shareholders with its questionnaire response.

[CONFIDENTIAL TEXT DELETED – shareholding and corporate group information]

3.2 Commercial operations

3.2.1 General

[CONFIDENTIAL TEXT DELETED – shareholding and corporate group information] factory in Sacheon City comprising manufacturing facilities [CONFIDENTIAL TEXT DELETED – internal corporate arrangement], manufacturing commenced in 2008.

[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]. The tower division [CONFIDENTIAL TEXT DELETED – shareholding and corporate group information] is mainly concerned with the manufacture and sales of wind towers. [CONFIDENTIAL TEXT DELETED – internal corporate arrangement]

[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]. Win&P sells the wind towers on the domestic market and exports them to Australia and other countries. Win&P's head office is in Seoul, and the manufacturing facility is in Sacheon City, Gyeongsangnam-Do.

Operations are organised into [CONFIDENTIAL TEXT DELETED – number] departments:

[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]

Win&P forms the tower business team of the Tower Business Department, and consists of [CONFIDENTIAL TEXT DELETED – number] employees, the team takes orders, organises the production schedule and sells the towers. The tower engineering team has three to four employees and redraws the specifications of the wind towers to fit in with the production process. The tower production team has [CONFIDENTIAL TEXT DELETED – number] permanent employees and is responsible for [CONFIDENTIAL TEXT DELETED – internal production arrangement] for the different processes. The tower management team comprising [CONFIDENTIAL TEXT DELETED – number] employees arranges the production of towers after receiving the orders. The Tower Business Department had [CONFIDENTIAL TEXT DELETED – number] employees in total as at June 2013, including contractors.

Win&P provided an internal organisation chart with its questionnaire response, copy of this chart is at **Confidential Attachment GEN3**.

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The factory manufactures the wind towers, Win&P controls the manufacturing of the wind towers, undertakes the marketing for the wind towers and obtains the orders. Win&P's main sales are **[CONFIDENTIAL TEXT DELETED – product specification]** wind towers.

3.2.2 Summary of wind towers production process

Wind towers are manufactured to the specifications of each customer. Win&P provided the following description of the production process.

Design and engineering

- Once the Tower Business team (Win&P employees) obtain the order, the Tower Engineering team reviews the customers drawings and specifications of the wind towers, makes minor changes to the drawings if necessary, and confirms final drawings with the customer before manufacturing commences.
- The Tower Production team, **[CONFIDENTIAL TEXT DELETED – internal production arrangement]** then produce the wind towers.

Producing the wind tower

- The factory imports the plate steel or purchases from domestic steel producers. **[CONFIDENTIAL TEXT DELETED – production process and details of product parts and components]**

Packing and delivery

- Since the wind towers cannot be shipping in their fully assembled state, each section is packed appropriately for shipping.
- The sections are **[CONFIDENTIAL TEXT DELETED – procedure for shipping of goods]** to ensure they are stable for shipping and not damaged.

Win&P provided a summary of the production process and technical specifications for the towers exported to Australia and for a tower sold on the domestic market. A copy of these documents is at **Confidential Attachment P1**.

[CONFIDENTIAL TEXT DELETED – internal production arrangement] the company provided a tour of its production facilities where we observed the equipment and facilities used in the stages of the production processes outlined above.

The wind towers facilities are housed in **[CONFIDENTIAL TEXT DELETED – factory and production line arrangements]**. There is open storage in the yard for plate steel and finished tower sections.

The company also provided a tour of its other production facilities **[CONFIDENTIAL TEXT DELETED – factory and production line arrangements re non-subject goods]**

3.2.3 Production capacities and actual rates of production

Win&P calculated its production capacity at about **[CONFIDENTIAL TEXT DELETED – number]** towers per year, based on **[CONFIDENTIAL TEXT DELETED – number]** metre high **[CONFIDENTIAL TEXT DELETED – number]** section tower. The **[CONFIDENTIAL**

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TEXT DELETED – number] metre high **[CONFIDENTIAL TEXT DELETED – number]** section tower is the most common tower that it manufactures.

Win&P provided calculations showing working hours required for the different production stages including **[CONFIDENTIAL TEXT DELETED – production process]**. These documents are at **Confidential Attachment P2**.

3.3 Accounting

Win&P's statements are kept in accordance with the International Financial Reporting Standards as adopted by Korea (Korean IFRS).

[CONFIDENTIAL TEXT DELETED – corporate group accounting information]

Win&P use an electronic reporting system (ERP) for all of the accounts, including accounts receivable, accounts payable, sales, purchasing and inventory. A basic human resource system is used for processing employee entitlements. Details from the accounts systems are downloaded into excel for project costing, profit and loss reports and management reporting.

PricewaterhouseCoopers Seoul audit **[CONFIDENTIAL TEXT DELETED – corporate group accounting information]**. Financial statements are provided half yearly and yearly.

The accounting year for Win&P is January to December.

The auditor provided the following audit opinion:

*In our opinion, **[CONFIDENTIAL TEXT DELETED – corporate group accounting information]** as of December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea.*

Copies of financial statements **[CONFIDENTIAL TEXT DELETED – corporate group accounting information]** are at **Confidential Attachments ACC1-3**. An electronic copy of the consolidation worksheet for 2012 and 2013 **[CONFIDENTIAL TEXT DELETED – corporate group accounting information]** also provided.

Win&P's financial statements state that sales revenue is recognised when products are delivered to the purchaser. Revenues and costs are treated as work in progress until the wind tower is completed and delivered. The Tower Department uses **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**.

Overheads are allocated **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]** costs reported in the exporter questionnaire response are actual costs.

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4 THE GOODS UNDER INVESTIGATION

4.1 The goods

The goods the subject of the investigation, (the goods), are wind towers. The applicants describe the goods as:

certain utility scale wind towers, whether or not tapered, and sections thereof (whether exported assembled or unassembled), and whether or not including an embed being a tower foundation section.

Further the applicants detailed that wind towers are designed to support the nacelle (an enclosure for an engine) and rotor blades for use in wind turbines that have electrical power generation capacities equal to or in excess of 1.00 megawatt (MW) and with a minimum height of 50 metres measured from the base of the tower to the bottom of the nacelle (i.e. where the top of the tower and nacelle are joined) when fully assembled.

A wind tower section consists of, at a minimum, multiple steel plates rolled into cylindrical or conical shapes and welded together (or otherwise attached) to form a steel shell, regardless of coating, end-finish, painting, treatment or method of manufacture, and with or without flanges, doors, or internal or external components (e.g., flooring/decking, ladders, lifts, electrical junction boxes, electrical cabling, conduit, cable harness for nacelle generator, interior lighting, tool and storage lockers) attached to the wind tower section.

Goods specifically excluded from the scope are nacelles and rotor blades, regardless of whether they are attached to the wind tower. Also excluded are any internal or external components which are not attached to the wind towers or sections thereof.

The goods may be classified to 7308.20.00-02 in Schedule 3 to the *Customs Tariff Act 1995*. This applies to complete towers, unassembled or assembled and applies to a basic tower that includes doors, ladders, landings and embed or tower foundation.

Steel tower sections, including sections with doors etc, are classified to 7308.90.00-49, assembled or disassembled, providing there aren't enough in a shipment to be judged to be a complete tower.

Combinations of towers and tower sections may vary on a case by case basis for assessment of tariff classification. Classification may vary when there is more of one thing than another, for example a tower section and lift or a tower section with lift, electrical junction boxes and other equipment.

An assembled complete wind powered generator is a composite machine consisting of two or more machines fitted together to form a whole; wind engine, generator, gearbox, yaw controls etc. fitted in a steel tower and nacelle, classification is to subheading 8502.31.10-31.

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There are no tariff concession orders (TCOs) for towers under 7308. There are some TCOs under 8502 for wind turbine equipment, but none that specifically includes towers.

A customs duty rate of 4% applies to wind towers imported from China and Korea 5% under tariff headings 7308.

4.2 Scope of the goods

In its submission on the PAD at **Confidential Attachment GEN1** Win&P argued that the embeds are not part of a wind tower and should not be considered part of the normal value considerations. Win&P referred to the recent United States case in support of its argument.

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5 VERIFICATION OF SALES TO FINANCIAL STATEMENTS

As part of its exporter questionnaire response, Win&P provided an income statement and a turnover spreadsheet reflecting the total turnover of all products during the investigation period.

The turnover spreadsheet identified sales of:

- domestic sales of wind towers;
- exports of wind towers to Australia; and
- exports of wind towers to other countries

At the visit Win&P provided a revised income statement for the tower department. The income statement details revenue cost of goods, gross profit, operating profit and other income and expenses. This document is at **Confidential Attachment Sales 1**.

Win&P provided sales ledger listings of all sales for 2012 and for the six months to June 2013 from the ERP system. The total of the sales revenue reconciled to the audited accounts and financial statements for Win&P. Listings identifying domestic sales, export sales (Australia and third country exports) and goods and not the goods were also provided. These documents are at **Confidential Attachment Sales 2**.

A reconciliation was then provided [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**]. Sales ledger listings for all sales for 2012 and the six months to June 2013 were provided. Sales [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**], a separate listing of these sales was provided. There was a minor variation of [**CONFIDENTIAL TEXT DELETED – number**]% to the audited accounts for the revenue [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**] reconciled to the audited accounts. Reconciliation [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**] to the consolidated accounts was also provided as was a listing of domestic, export sales (Australia and third country exports) and goods and not the goods. These documents are at **Confidential Attachment Sales 3**.

The revenue reported for WIN&P is sales revenue to external customers. [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**]. The revenue reported for the tower department is reflective of the price [**CONFIDENTIAL TEXT DELETED – internal corporate arrangement**].

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, Win&P exported [CONFIDENTIAL TEXT DELETED – number] wind towers to Australia. A further [CONFIDENTIAL TEXT DELETED – number] wind towers which were part of the contract were [CONFIDENTIAL TEXT DELETED – date of shipment]. Win&P exported [CONFIDENTIAL TEXT DELETED – number] embeds, being tower foundation sections, for the [CONFIDENTIAL TEXT DELETED – number] wind towers to Australia during the investigation period.

All exports were made to [CONFIDENTIAL TEXT DELETED – customer details]. In relation to exports to Australia, Win&P indicated that [CONFIDENTIAL TEXT DELETED – customer details] no other related or unrelated intermediary export agents or traders were involved in these transactions.

Win&P stated that all exports of wind towers to Australia were initiated by contact from [CONFIDENTIAL TEXT DELETED – customer details] in response to an opportunity they identified in the Australian market. Win&P indicated that its contractual relationship in relation to the export of wind towers to the Australian market was with [CONFIDENTIAL TEXT DELETED – customer details].

6.2 Export sales process

Win&P described its export sales process to Australia. We confirmed that the following summary is representative of this process.

- [CONFIDENTIAL TEXT DELETED – customer details] independently identifies tender opportunities for the provision of wind towers to customers in Australia. Responsibility for tender lodgement and negotiations with the tenderer in Australia are with [CONFIDENTIAL TEXT DELETED – customer details].
- Win&P receives a request for tender from [CONFIDENTIAL TEXT DELETED – customer details].
- Win&P sends [CONFIDENTIAL TEXT DELETED – customer details] a quote, and negotiates about price, period for payment and scope.
- Once negotiations are finalised, and Win&P is successful with its tender, [CONFIDENTIAL TEXT DELETED – customer details] will issue a purchase order to Win&P consistent with the quotation. The commercial elements of the export transaction are fixed at this time. The purchase price on the purchase order is expressed in [CONFIDENTIAL TEXT DELETED – sales terms].
- Typically, the purchase order from [CONFIDENTIAL TEXT DELETED – customer details] will identify the following:
 - the specifications of the wind tower;
 - the total quantity of wind towers and equipment to be provided;
 - the terms of payment in relation to the purchase [CONFIDENTIAL TEXT DELETED – customer details];
 - the unit price applied for the wind tower(s) (expressed in [CONFIDENTIAL TEXT DELETED – sales terms]); and
 - the period and terms of shipment.

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- Once the purchase order is received, Win&P will finalise the design work, order raw materials and schedule production of the wind tower to ensure completion by the agreed delivery date.
- The wind tower is produced by Win&P and a **[CONFIDENTIAL TEXT DELETED – internal corporate arrangements re price]**.
- Win&P will arrange for the packaging, transportation and ocean freight of the wind tower to Australia.
- Delivery terms for export sales to Australia during the investigation period were **[CONFIDENTIAL TEXT DELETED – sales terms]**.
- Typically, payment for the wind tower by **[CONFIDENTIAL TEXT DELETED – customer details]** is made **[CONFIDENTIAL TEXT DELETED – sales terms]**.
- Predominantly, beneficial legal ownership of the product passes from Win&P to **[CONFIDENTIAL TEXT DELETED – customer details and sales terms]**.
- **[CONFIDENTIAL TEXT DELETED – sales terms]** installation at the designated site **[CONFIDENTIAL TEXT DELETED – customer details and sales terms]**.

6.3 Pricing

Given the unique nature of each wind tower, pricing is determined on an individual basis. During the initial design and quotation process conducted in conjunction with **[CONFIDENTIAL TEXT DELETED – customer details]**, an acceptable quotation price is established between the parties.

If Win&P is asked to re-quote by the customer, Win&P **[CONFIDENTIAL TEXT DELETED – internal corporate arrangements re price]**.

Purchase orders for wind towers exported to Australia during the investigation period were pursuant to an existing Framework Supply Agreement between **[CONFIDENTIAL TEXT DELETED – customer details]** and Win&P (**Confidential Attachment EXP 1**). The supply agreement was negotiated in **[CONFIDENTIAL TEXT DELETED – date]** and is an on-going agreement.

Separate purchase orders were issued by **[CONFIDENTIAL TEXT DELETED – customer details and sales terms]**.

The purchase orders refer to the framework agreement, state terms of FAS and include details of scheduled delivery dates and payment terms. Delivery dates for the embeds **[CONFIDENTIAL TEXT DELETED – sales terms]**, dates for the wind towers **[CONFIDENTIAL TEXT DELETED – sales terms]**. Copies of the purchase orders are at **Confidential Attachment EXP 2** (wind towers) and **EXP 3** (embeds).

The price between **[CONFIDENTIAL TEXT DELETED – customer details]** and Win&P is set at the time the purchase order is accepted by Win&P (subject to mutually agreed variations). Win&P stated in its questionnaire response that **[CONFIDENTIAL TEXT DELETED – sales terms]** the price on the purchase order and invoice is the price paid. During the verification visit, we found no evidence to indicate that this was not the case.

Following receipt of the purchase orders from **[CONFIDENTIAL TEXT DELETED – customer details]** Win&P issued **[CONFIDENTIAL TEXT DELETED – sales terms]**. A

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copy of the purchase order and proposed shipping schedule is at **Confidential Attachment EXP 4**.

[CONFIDENTIAL TEXT DELETED – revenue and profitability information]

6.4 Verification to source documents

Win&P provided supporting documentation for [CONFIDENTIAL TEXT DELETED – sales terms] in its exporter questionnaire response for the [CONFIDENTIAL TEXT DELETED – number] wind towers exported in the investigation period.

We requested that Win&P provide the following commercial documents in relation to the transaction:

- invoice and evidence of payment;
- details of any [CONFIDENTIAL TEXT DELETED – sales terms];
- documents supporting inland transport in Korea and any other relevant expenses;
- credit terms and calculation of any credit cost;
- packing cost; and
- any other costs related to export sales.

Win&P provided the requested documents and supporting calculations. The bill of lading states a shipped on board date of [CONFIDENTIAL TEXT DELETED – dates and numbers]. The detailed packing list provides further information on the packages which include parts and accessories for the towers such as [CONFIDENTIAL TEXT DELETED – parts and components].

The Sales Invoice dated [CONFIDENTIAL TEXT DELETED – date and number] towers, payment from [CONFIDENTIAL TEXT DELETED – customer details] was for [CONFIDENTIAL TEXT DELETED – number] towers at the invoiced amount [CONFIDENTIAL TEXT DELETED – sales terms] at the stated terms of [CONFIDENTIAL TEXT DELETED – sales terms]. The supporting documents show that the payment from [CONFIDENTIAL TEXT DELETED – customer details] is entered into the accounting system as payment for [CONFIDENTIAL TEXT DELETED – number] towers and [CONFIDENTIAL TEXT DELETED – sales terms]. Win&P also provided details of the payments [CONFIDENTIAL TEXT DELETED – sales terms] for the towers. Documents relating to this shipment are at **Confidential Attachment EXP5**.

We asked Win&P why [CONFIDENTIAL TEXT DELETED – customer details and shipment quantities]

We asked Win&P for copies of documents to support the payment and shipping schedules for the last two shipments. Win&P provided documents including invoices, payment receipts, extracts from the ERP and shipping documents for the second shipment. The documents matched to the details on the schedule provided. Copies of these documents are at Confidential Attachment EXP7.

A summary of the schedules for the shipments and payments is below.

[CONFIDENTIAL TEXT DELETED – shipment and payment details]

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The payments for the wind towers matched to the contracted and invoiced amounts, noting the staggered payment terms.

At the verification visit, we requested Win&P provide the same commercial documents for the **[CONFIDENTIAL TEXT DELETED – number]** shipments in its exporter questionnaire response for the **[CONFIDENTIAL TEXT DELETED – number]** embeds exported during the investigation period. These documents were provided and are at **Confidential Attachment EXP 8**.

The sales invoices for each of the **[CONFIDENTIAL TEXT DELETED – number]** shipments matched to the payments and shipment quantities for the embeds, payment terms **[CONFIDENTIAL TEXT DELETED – sales terms]**.

We reconciled the wind tower description and values of each 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 **[CONFIDENTIAL TEXT DELETED – customer details]** established the relevant terms and substantive details of wind towers and embeds to be exported to Australia. For the transactions we were able to identify and reconcile the invoices with the purchase order values. We were also able to reconcile the invoice value of individual transactions with the payments made by **[CONFIDENTIAL TEXT DELETED – customer details]** to Win&P.

Payments made by **[CONFIDENTIAL TEXT DELETED – customer details]** were made in **[CONFIDENTIAL TEXT DELETED – sales terms]**. In the export sales spreadsheet, Win&P converted **[CONFIDENTIAL TEXT DELETED – sales terms]** using an exchange rate based on the date of the purchase order. Win&P in its submission to the PAD at **Confidential Attachment GEN1** argues that the date of the purchase order reflects the date of sale and this date should be used.

We consider that the rate of exchange should be the rate applying at shipment date.

The 2012 Consolidated Financial Statements state at Note 2.24 (a) Sales of goods:

[CONFIDENTIAL TEXT DELETED – internal accounting methodology]

The Statements also state at Note 2.4 (b) for foreign currency transactions:

[CONFIDENTIAL TEXT DELETED – internal accounting methodology]

[CONFIDENTIAL TEXT DELETED – internal commercial practice]

We consider that the date of shipment best reflects when the goods were delivered to the purchaser **[CONFIDENTIAL TEXT DELETED – customer details and sales terms]**.

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6.4.1 Export costs and charges

Inland freight

Win&P advised that it utilises independent contractors to transport the goods from the factory to the port of export in Korea. The towers and embeds are shipped by barge from a landing at the river across from the factory to the port of export. The inland transport charges includes transportation into the port, cargo handling and storage yard fees.

An example of a contract with a provider was provided by Win&P at the verification visit and is at **Confidential Attachment EXP 9**. Freight charges are invoiced by the supplier for each consignment of wind towers. 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.

Handling and other

Handling charges include export permit fee, survey inspection (for towing, pre-loading and loading) and crane rental. For the wind towers transaction and embed transactions, Win&P provided commercial invoices.

We noted that freight and handling charges were generally invoiced for each wind tower (and its accessories) shipped. Where these charges related to multiple wind towers in the one shipment, these charges were apportioned between each wind tower.

The supporting documentation for logistic services reconciled to the stated values in the export sales spreadsheet. These documents are at **Confidential Attachment EXP10**.

Packing

Win&P advised that packing, including [CONFIDENTIAL TEXT DELETED – procedure for shipping of goods], is carried out by independent contractors. Win&P stated that both domestic and export packing [CONFIDENTIAL TEXT DELETED – procedure for shipping of goods]. [CONFIDENTIAL TEXT DELETED – costing information]

Packing services for each unit or group of units are separately invoiced by the packing services provider.

The supporting documentation for packing reconciled to the stated values in the export sales spreadsheet. These documents are at **Confidential Attachment EXP11**.

6.5 The exporter

For all export sales during the investigation period, we consider Win&P to be the exporter of GUC because it:

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- **[CONFIDENTIAL TEXT DELETED – internal corporate arrangements]** 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 **[CONFIDENTIAL TEXT DELETED – sales terms]**;
- 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.

6.6 The importer

We noted that Win&P's Australian customer, **[CONFIDENTIAL TEXT DELETED – customer details]**:

- negotiates directly with Win&P 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 **[CONFIDENTIAL TEXT DELETED – customer details and sales terms]** are therefore the importer of wind towers exported by Win&P 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 269TAA¹ of the *Customs Act 1901* 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.

In respect of Win&P sales to **[CONFIDENTIAL TEXT DELETED – customer details]** during the investigation period, we found no evidence that:

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

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- there was any consideration payable for or in respect of the goods other than their price;
- the price was 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, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

We therefore consider Win&P's export sales to Australia during the investigation period were arm's length transactions.

6.8 Export price preliminary assessment

In the case of all export sales to Australia by Win&P, we consider:

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

Therefore, we consider that the export price for export sales from Win&P can be established under subsection 269TAB(1)(a) using the invoiced price..

We have calculated a unit value export price for the [CONFIDENTIAL TEXT DELETED – number] towers and [CONFIDENTIAL TEXT DELETED – number] embeds exported during the investigation period. We used the rate of exchange applying at the date of shipment for converting from [CONFIDENTIAL TEXT DELETED – sales terms] to Korean Won.

[CONFIDENTIAL TEXT DELETED – sales terms] export price calculations are at **Confidential Appendix 1**.

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7 COST TO MAKE & SELL

7.1 Introduction

As part of its exporter questionnaire response Win&P provided cost to make and sell spread sheets for its domestic sales and exports to Australia during the investigation period. As noted at the visit Win&P provided revised electronic copies of:

- The income statements for the Tower department for January to December 2012 and January to June 2013;
- The sales general and administrative costs worksheet; and
- the domestic and Australian cost to make and sell (CTMS) spreadsheets.

The verification identified a number of amendments that were required to these spreadsheets.

7.2 Cost to make and sell

The goods are produced at the manufacturing site in Sancheon–Si. There are **[CONFIDENTIAL TEXT DELETED – number]** separate manufacturing facilities on the site, **[CONFIDENTIAL TEXT DELETED – factory layout]** an office and staff amenities building.

Win&P advised that its costing system is project based. Win&P uses excel workbooks to track the progress and costs of all projects in the Tower department. All costs are input into the project workbooks from details recorded in the ERP system with actual costs used, the workbooks are prepared for each month.

In its questionnaire response Win&P provided an electronic copy of its workbook for January 2013 used for calculating the cost of goods sold (COGS) for the tower department. The costs in the project books record product in and out, work in progress (WIP), process costs, outsourcing, labour hours, raw materials, storage and flange costs.

The January workbook included additional sheets summarising WIP for **[CONFIDENTIAL TEXT DELETED – customer details, dates and numbers]**.

At the visit we requested and Win&P provided the workbooks for the Tower department for December 2012 and June 2013.

7.3 Cost of production

7.3.1 Reconciliation to financial statements

Win&P provided a detailed reconciliation from the project workbooks to the audited accounts.

Win&P provided printouts of monthly WIP worksheets from January 2012 to June 2013. The WIP worksheets summarise beginning WIP, WIP in, WIP out and ending WIP for each project by name, item type, quantity and value.

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Worksheets for products movement (inventory ledger) were provided for each month, these worksheets are summarised for each project as per the WIP worksheets. The WIP out amounts reconcile to the product movement in amounts. The product movement out amount is recorded to COGS sold for that month when the goods are sold.

The product movement out shown for June 2013 for the [CONFIDENTIAL TEXT DELETED – number] towers exported for [CONFIDENTIAL TEXT DELETED – customer details] reconciles to the cost to make shown on the Australian CTMS appendix. June 2013 is when the towers were sold and exported [CONFIDENTIAL TEXT DELETED – customer details].

The product movement out shown for January and February 2013 for the [CONFIDENTIAL TEXT DELETED – number] embeds exported [CONFIDENTIAL TEXT DELETED – customer details] reconciles to the cost to make shown on the Australian CTMS appendix. [CONFIDENTIAL TEXT DELETED – customer details and dates].

The product movement out shown for the domestic sales reconciled to the domestic cost to make shown on the Domestic CTMS appendix with minor variances of [CONFIDENTIAL TEXT DELETED – number]% and [CONFIDENTIAL TEXT DELETED – number]% for [CONFIDENTIAL TEXT DELETED – number] of the products.

The monthly total for the product movement reconciled to the external COGs for the year ended December 2012 and the six months ended June 2013. Win&P provided details of adjustments for internal sales, COGS for internal sales and inventory adjustments to show a total COGS for the tower department.

The totals of the COGS for the three separate departments then reconciled to the audited accounts. Win&P also provided reports for the tower department for 2012 and 2013 listing sales and COGs by project.

Supporting documents are at **Confidential Attachment COSTS1**.

7.3.2 Verification to source documents

As noted the costs in the project books record product in and out, WIP, process costs, outsourcing, labour hours, raw materials, storage and flange costs.

The raw material costs for the projects are mainly:

- steel plates
- flanges;
- paint; and
- internals.

Raw material costs are separately identified for each project and are determined using the weighted average cost of inventory for each project.

Direct labour comprises subcontracted labour and other direct costs.

Win&P uses [CONFIDENTIAL TEXT DELETED – production methodology]. These processes are:

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- [CONFIDENTIAL TEXT DELETED – details of production processes]

Other direct costs comprise direct costs for the project, including supply and freight expenses and allocated shared costs of the Tower department. The shared costs of the tower department include staff salaries, depreciation, utilities, repair expenses and insurance. Shared costs are allocated based on [CONFIDENTIAL TEXT DELETED – accounting methodology].

Indirect costs are allocated [CONFIDENTIAL TEXT DELETED – internal corporate arrangement] costs include staff salaries, depreciation, utilities, repair expenses and insurance and are allocated based on [CONFIDENTIAL TEXT DELETED – accounting methodology].

Sales, general and administrative costs and finance costs are allocated separately on [CONFIDENTIAL TEXT DELETED – accounting methodology] from the project worksheets.

Raw materials

Plate steel is the main raw material used in making in the towers and embeds. Plate steel costs are shown in the raw materials worksheet in the project workbook. The plate steel for the [CONFIDENTIAL TEXT DELETED – customer details] towers and embeds [CONFIDENTIAL TEXT DELETED – details of materials sourcing]. The plate steel is bought in sheets [CONFIDENTIAL TEXT DELETED – production processes] done at the factory.

Plate steel purchased for January 2013 shows in the material in column in the worksheet. There are [CONFIDENTIAL TEXT DELETED – number] different sheets for a total of [CONFIDENTIAL TEXT DELETED – number] units with a value of [CONFIDENTIAL TEXT DELETED – number] Won.

Win&P provided details of the commercial invoice, payment, [CONFIDENTIAL TEXT DELETED – details of materials sourcing], inventory voucher and extracts from the purchase ledger in support of the amounts shown.

The invoice shows that plate steel comprising [CONFIDENTIAL TEXT DELETED – number] packages [CONFIDENTIAL TEXT DELETED – details of materials sourcing and steel specification] details costs [CONFIDENTIAL TEXT DELETED – details of materials sourcing] that support the value of shown in the raw material listing. Documents for plate steel costs are at **Confidential Attachment Costs2**.

[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]

Win&P provided copies [CONFIDENTIAL TEXT DELETED – internal corporate arrangement] and the price adjustment worksheet. Documents for flange costs are at **Confidential Attachment Costs3**.

Paint is purchased specifically for each project. Win&P provided invoices and payment details to support the costs for paint. Documents for paint costs are at **Confidential Attachment Costs4**.

Direct labour

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Direct labour comprises labour for the manufacturing processes and other direct labour related costs of the Tower department. As noted above the [CONFIDENTIAL TEXT DELETED – number] manufacturing process and inspection process [CONFIDENTIAL TEXT DELETED – internal corporate arrangement].

Win&P provided copies of the contracts for the processes detailing the work to be undertaken, pricing and period of the contracts. Details were provided for [CONFIDENTIAL TEXT DELETED – customer details] projects, there was little difference in the pricing for both projects. Win&P advised that there is no commercial relationships between it and the companies and prices are set at market prices. Copies of the contracts are at **Confidential Attachment Costs5**.

Win&P explained that the contractors invoice and are paid monthly for the work completed during that month. The contracted amounts included an amount for [CONFIDENTIAL TEXT DELETED – third party contract terms] which is shown separately in the processing costs worksheets.

The amounts in the [CONFIDENTIAL TEXT DELETED – third party contract terms] worksheet matched to the stated amounts in the contracts for each process. Win&P provided copies of the invoice, contract and payment for the [CONFIDENTIAL TEXT DELETED – production process and third party contract terms]. These documents are at **Confidential Attachment Costs6**.

The contracted manufacturing costs form the majority of the direct labour costs, the other direct labour costs are staff wages and other wage costs of the Tower department. These costs are allocated to each project based on [CONFIDENTIAL TEXT DELETED – internal accounting methodology].

Manufacturing labour hours are based on [CONFIDENTIAL TEXT DELETED – internal accounting methodology], calculations supporting the hours for each process are at **Confidential Attachment P2**. We reviewed the calculations and the allocations and were satisfied that the allocation based on [CONFIDENTIAL TEXT DELETED – internal accounting methodology] was reasonable.

Other costs

Other costs comprise allocated utility costs (electricity and utilities), rental and supply and freight expenses. These costs are allocated in the same manner as for the labour costs.

Fixed manufacturing costs

Fixed manufacturing costs comprise overheads and depreciation.

Overheads are the common costs of the Sacheon factory. These costs include the costs of the office building and staff amenities building including wages, utilities and repair expenses. The costs are allocated to [CONFIDENTIAL TEXT DELETED – internal corporate arrangement and accounting methodology].

Win&P provided documents to support the allocations which are at **Confidential Attachment Costs7**.

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Depreciation comprises direct depreciation for the tower department and allocated depreciation of the Sacheon factory. Win&P provided electronic copies of the depreciation work books for January 2013 and June 2013. We reconciled the depreciation totals to the audited accounts and noted that the depreciation periods in the workbooks matched to those stated in the audited accounts.

Scrap metal offset

Win&P advised that scrap steel is generated when the plate steel is cut to size and bevelled. This scrap and excess steel plates are sold to unaffiliated companies and recognised in domestic sales revenue of the tower department.

Win&P provided calculations showing the amount of scrap steel produced for the Australian exports and for domestic sales. This amount is then multiplied by the unit sales price of the scrap revenue to calculate the amount to be offset against the cost to make of the towers.

Win&P also provided documents supporting the sales revenue for scrap metal.

Documents supporting the scrap metal offset for Australian and domestic sales are at **Confidential Attachment Costs8**.

7.4 Selling, general and administration and other expenses

Win&P provided a calculation of sales, general, administration (SG&A) and other expenses based on the proportion of those expenses to domestic and export sales for the tower department.

SG&A and other expenses comprise expenses **[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]** apportioned to the Tower department whilst all of Win&P expenses are included.

SG&A expenses consist of direct expenses and allocated expenses, direct expenses are those directly incurred by the Tower department and allocated are common expenses **[CONFIDENTIAL TEXT DELETED – internal corporate arrangement]**.

Win&P advised that common expenses are allocated based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]**. Documents supporting the allocation based on **[CONFIDENTIAL TEXT DELETED – internal accounting methodology]** are at **Confidential Attachment SG&A1**.

We consider that the common expenses should be allocated based on actual turnover and have recalculated the allocations to reflect actual turnover for the investigation period.

Win&P submitted that **[CONFIDENTIAL TEXT DELETED – costing details]** expenses should be excluded from the SG&A.

[CONFIDENTIAL TEXT DELETED – costing details]

Win&P provided documents relating to the audit fees at **Confidential Attachment SG&A2**.

We consider that **[CONFIDENTIAL TEXT DELETED – costing details]** should not be excluded as they can be considered a normal part of the business.

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Other expenses (and income) includes [CONFIDENTIAL TEXT DELETED – costing details].

Other amounts relate to non-operating income such as [CONFIDENTIAL TEXT DELETED – costing details]

Interest expenses comprise direct expenses and allocated expenses. Direct expense comprises [CONFIDENTIAL TEXT DELETED – costing details and internal accounting methodology].

We selected interest expenses relating to commonly allocated expense and a directly attributed loan [CONFIDENTIAL TEXT DELETED – internal corporate arrangement]. Win&P provided copies of the loans agreements extract from ERP and other supporting documents.

These documents are at **Confidential Attachment SG&A3**.

We consider that the other cost and income relating to [CONFIDENTIAL TEXT DELETED – costing details] should be calculated based on the actual revenue for the department.

Calculations relating to SG&A expenses are at **Confidential Appendix2**.

7.5 Cost to make and sell – summary

We consider the CTMS for domestic and Australian sales are a reasonably complete, relevant and accurate reflection of the actual costs of Win&P to make and sell during the investigation period.

We consider these CTMS are suitable for:

- determining a constructed normal value under section 269TAC(2)(c) of the Act; and
- assessing ordinary course of trade under section 269TAAD of the Act.

The revised CTMS are at **Confidential Appendix 2**.

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8 DOMESTIC SALES

8.1 Market

Win&P sells wind towers into the Korean domestic market. It stated that domestic customers are either from the Korean government or companies in Korea.

Win&P 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 there were [CONFIDENTIAL TEXT DELETED – number] other companies in Korea who made and sold wind towers.

Win&P stated that most wind towers sold to the Korean domestic market are sourced from domestic producers [CONFIDENTIAL TEXT DELETED – market information]. Win&P said that there was no restriction on prices and supply in the market and that it had to compete with imports and other domestic producers in the market on pricing.

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

Contracts with domestic customers are generally [CONFIDENTIAL TEXT DELETED – market information].

8.2 Domestic sales process

Win&P described its domestic sales process as follows.

- Win&P will become aware of an opportunity to supply a wind tower in the Korean domestic market.
- Win&P submits a bid document in relation the potential contract to supply the wind tower.
- The price will largely be determined by the customer's specifications, there is some bidding and price negotiation during the process
- If successful, Win&P will enter into a contract with the customer to supply the wind tower.
- Scheduling of the construction and delivery of the wind tower will be determined by the customer's delivery requirements.

8.3 Verification to source documents

Win&P supplied a complete listing of its domestic sales which reflected line by line information relating to contracts and sales made between Win&P and its Korean customers for the investigation period. The spreadsheet included information relating, inter alia, to:

- model code;
- customer name;
- contract number;
- contract date;

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- delivery date;
- revenue;
- SG&A expenses; and
- Packing and handling expenses.

The spreadsheet included data relating to the contracts for [CONFIDENTIAL TEXT DELETED – number] wind towers and [CONFIDENTIAL TEXT DELETED – number] foundations and embeds during the investigation period.

Contracts were made with [CONFIDENTIAL TEXT DELETED – number] customers during the investigation period:

[CONFIDENTIAL TEXT DELETED – customer details]

[CONFIDENTIAL TEXT DELETED – commercial details of domestic sales]

[CONFIDENTIAL TEXT DELETED – customer details]

[CONFIDENTIAL TEXT DELETED – commercial details of domestic sales]

[CONFIDENTIAL TEXT DELETED – customer details]

[CONFIDENTIAL TEXT DELETED – commercial details of domestic sales]

Win&P had provided details on its sales to [CONFIDENTIAL TEXT DELETED – customer details] in its exporter questionnaire, prior to the visit, we requested Win&P to provide supporting documents relating to [CONFIDENTIAL TEXT DELETED – customer details]. .

We requested Win&P to provide the purchase order, details of any progress payments schedule, commercial invoice(s) and evidence of payment. We requested documents that related to sales for the project including those sales and payments made after the investigation period. Documents for the towers are at **Confidential Attachment DOM1** and documents relating to the embeds are at **Confidential Attachment DOM2**.

From the selected sales transactions we verified details from the domestic sales spreadsheet 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.

Win&P advised that domestic sales were made on the basis of [CONFIDENTIAL TEXT DELETED – terms of sales] depending on the customer and project of the contract amount.

[CONFIDENTIAL TEXT DELETED – terms of sales]

We examined relevant documents for the [CONFIDENTIAL TEXT DELETED – number] selected transactions. For these transactions, [CONFIDENTIAL TEXT DELETED – sales terms].

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Win&P also provided documents in its questionnaire response supporting payment terms for [CONFIDENTIAL TEXT DELETED – customer details].

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

8.4 Packaging and other costs

All domestic sales were [CONFIDENTIAL TEXT DELETED – sales terms]; other costs relating to domestic sales were packaging and handling expenses for loading the towers at the factory.

The supporting documentation for packaging and handling reconciled to the stated values in the domestic sales spreadsheet. These documents are at **Confidential Attachment DOM3**.

8.5 Arms' length

Win&P said that it sold its wind towers 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 Win&P and any of its domestic customers that:

- there is any consideration payable for or in respect of the goods other than their 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
- 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 Win&P's domestic sales of wind towers were arms' length transactions.

8.6 Ordinary course of trade

We have verified the revenue and costs associated with domestic sales, [CONFIDENTIAL TEXT DELETED – revenue and profitability details]

We have constructed normal values.

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 wind towers in Korea, however we do not have information on those sales.

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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 Win&P, and the verification processes conducted onsite, we consider that prices paid in respect of domestic sales would not be suitable for assessing normal values for similar wind towers under subsection 269TAC(1).

We have constructed normal values under subsection 269TAC(2)(c)

The calculation of the profitability of domestic sales is at **Confidential Appendix3**.

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9 THIRD COUNTRY SALES

We consider we have sufficient information to determine a normal value on the basis of costs so we did not seek to examine third country sales.

Win&P in its questionnaire response noted "It is not submitted that it is appropriate for the Commission to determine normal values based on Section 269TAC(2)(d)..."

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10 ADJUSTMENTS

10.1 Introduction

Adjustments were made to normal values to ensure comparability to export prices. These adjustments are detailed in the following section of this report.

10.2 Adjustments in respect of export sales

10.2.1 Packing

Win&P provided information on packing costs that detailed the costs for export and domestic packing (**Confidential Attachment ADJ1 refers**).

We have added export packing expenses in the normal value calculation at the stated amounts per tower and embed to ensure fair comparison of normal values to export prices.

10.3 Export expenses

We consider [CONFIDENTIAL TEXT DELETED – comparison of sales terms] adjustments for export expenses as detailed below in the normal value calculation is required to ensure fair comparison of normal values to export prices.

Credit costs

Payment terms for domestic sales were [CONFIDENTIAL TEXT DELETED – sales terms]. Payment terms for exports to Australia were [CONFIDENTIAL TEXT DELETED – sales terms].

We calculated credit costs as a percentage of the domestic and export prices.

We adjusted the normal value [CONFIDENTIAL TEXT DELETED – comparison of sales terms] for the difference in export and domestic credit costs.

[CONFIDENTIAL TEXT DELETED – sales terms] costs and inland transport

All of Win&Ps domestic sales are [CONFIDENTIAL TEXT DELETED – sales terms] the export sales are [CONFIDENTIAL TEXT DELETED – sales terms].

We calculated unit inland freight and inland transport costs for the towers and embeds and applied this amount as [CONFIDENTIAL TEXT DELETED – comparison of sales terms] adjustment to normal values.

Duty drawback

Win&P pays import duty on [CONFIDENTIAL TEXT DELETED – materials sourcing] for the towers. Win&P is able to claim this duty back when the towers are exported. Win&P provided documents including the import and export permits and payment receipts in support of its calculation for duty drawback, (**Confidential Attachment ADJ2 refers**)

10.4 Other adjustments

Win&P did not claim and we did not identify any other adjustments.

Calculations of adjustments are at **Confidential Appendix 3**.

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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 wind towers 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:

- Adjusting for the difference in credit costs;
- adding [CONFIDENTIAL TEXT DELETED – sales terms] transport costs;
- [CONFIDENTIAL TEXT DELETED – comparison of sales terms] packing costs; and
- deducting an amount for duty drawback.

Profit

Where normal values are established under subsection 269TAC(2)(c)(ii) subsection 269(5)(B) says the profit on the sale of must be worked out as the regulations provide.

The regulation applying to the determination of profit is regulation 181A of *Custom Regulations 1926* made under the Act.

Under regulation 181A(2) a profit should be worked out using data relating to the production and sales of like goods by the exporter in the ordinary course of trade. [CONFIDENTIAL TEXT DELETED – revenue and profitability information]

Regulation 181A(3)(a) allows for a profit using actual amounts realised in the same general category of goods. We do not have information to identify such amounts.

Regulation 181A(3)(b) allows for a profit using amounts from other exporters or producers. We do not have information to identify such amounts.

Regulation 181A3(c) allows for a profit using any other reasonable method. At this time we have not identified what amount of profit should be added under section of the regulation. We have therefore at this stage of the investigation not added an amount for profit.

Normal value calculations are at **Confidential Appendix 3**.

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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 16.3%.

Dumping margin calculations is at **Confidential Appendix 3**.

