



Australian Government
Anti-Dumping Commission

INVESTIGATION 219

INVESTIGATION INTO THE ALLEGED DUMPING OF POWER TRANSFORMERS

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF
INDONESIA, THE REPUBLIC OF KOREA AND TAIWAN,
THAILAND AND THE SOCIALIST REPUBLIC OF VIETNAM**

VISIT REPORT - IMPORTER

HYUNDAI AUSTRALIA PTY LTD

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
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September 2013

Power Transformers – Importer Visit Report – Hyundai Australia

CONTENTS

CONTENTS.....	2
ABBREVIATIONS.....	3
1 BACKGROUND AND PURPOSE.....	4
1.1 BACKGROUND TO THE CURRENT INVESTIGATION	4
1.2 PURPOSE OF MEETING.....	4
1.3 MEETING.....	5
1.4 MEETING DETAILS.....	5
VISIT REPORT	6
2 THE GOODS.....	7
3 COMPANY DETAILS	9
GENERAL	ERROR! BOOKMARK NOT DEFINED.
4 AUSTRALIAN MARKET	14
4.1 GENERAL.....	14
4.2 MARKET TRENDS.....	15
4.3 SUPPLY COMMITMENTS	17
4.5 TERMS OF SALE.....	21
4.6 COLLECTION AND VERIFICATION OF CORRELATIVE PURCHASE AND SALES DATA	22
4.7 VERIFICATION OF PURCHASES AND SALES	23
4.8 SALES SUMMARY	24
5 IMPORTATION EXPENSES.....	26
5.1 VOLUME OF IMPORTED PROCUREMENTS.....	26
5.2 ORDERING PROCESS.....	27
5.3 FORWARD ORDERS.....	27
5.4 VERIFICATION OF IMPORTS	28
5.6 SELLING, GENERAL AND ADMINISTRATIVE (SG&A) COSTS	31
5.7 EXPORT PRICES FOR IMPORTED SHIPMENTS	33
5.8 PROFITABILITY.....	33
6 WHO IS THE IMPORTER AND EXPORTER	35
6.1 WHO IS THE IMPORTER?	35
6.2 WHO IS THE EXPORTER?	35
7 ARMS LENGTH.....	37
8 DUMPING, MATERIAL INJURY AND CAUSATION	38
9 UNSUPPRESSED SELLING PRICE	39
10 RECOMMENDATIONS.....	40
11 APPENDICES AND ATTACHMENTS	41

ABBREVIATIONS

ADN	Anti-Dumping Notice
Commission	Anti-Dumping Commission
FOB	Free On Board
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
The Act	<i>Customs Act 1901</i>
The Commissioner	The Commissioner of the Anti-Dumping Commission
Hyundai Australia	Hyundai Australia Pty Ltd
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
USP	Unsuppressed Selling Price
Wilson Transformers	Wilson Transformers Pty Ltd

1 BACKGROUND AND PURPOSE

1.1 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 dumping duty notices in respect of power transformers exported to Australia from China, Indonesia, Korea, Taiwan, Thailand and Vietnam.

Wilson Transformers alleges the Australian industry has suffered material injury caused by power transformers exported to Australia from the nominated countries at dumped prices.

Public notification of initiation of the investigation was made on 29 July 2013 in *The Australian* newspaper and Australian Dumping Notice (ADN) No. 2013/64.

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that an entity declared as 'Hyundai Australia Pty Ltd' had Power Transformers from Korea during the three year investigation period, covering 2010-11, 2011-12 and 2012-13 financial years.

The Commission wrote to Hyundai Australia advising the company of the initiation of the investigation, requesting co-operation with the investigation and provided the company with a copy of the importer questionnaire and associated spreadsheets to complete.

Hyundai Australia completed the importer questionnaire, providing details regarding the company, overseas supplier information and identification of its Australian customers with respect to sale of the imported goods.

1.2 Purpose of meeting

The purpose of this visit was to:

- confirm that Hyundai Australia was an importer of the goods and obtain information to assist in establishing the identity of the exporter;
- verify information on imports of the goods to assist in the determination of export prices from Korea;
- establish whether import procurements were arm's length transactions;
- establish post exportation costs incurred in importing;
- recommend how export price may be determined under s. 269TAB;
- verify Australian sales data to assist in assessment of the Australian market for the goods, and the processes and procedures associated with the contractual supply of the goods to customers within the Australian market; and
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation.

The agenda for the meeting is included as **confidential attachment GEN 1**

1.3 Meeting

Hyundai Australia was advised of the investigation process and timeframes, a summary of which follows:

- the investigation period is July 2010 to June 2013;
- the Anti-Dumping Commission (the Commission) will examine the Australian market from July 2008 for the purpose of analysing the condition of the Australian industry;
- a preliminary affirmative determination may be made no earlier than 60 days after the date of initiation (27 September 2013) - provisional measures may be imposed at the time of the preliminary affirmative determination or at any time after the preliminary affirmative determination has been made, but 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;
- a statement of essential facts will be placed on the public record by 18 November 2013 or such later date as the Minister allows - the statement of essential facts will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister and will invite interested parties to respond, within 20 days, to the issues raised (submissions received in response to the statements of essential facts will be considered when compiling the report and recommendations to the Minister);
- the Commission's report to the Minister is due no later than 31 December 2013 - should the Minister approve an extension to the statements of essential facts this would mean that the due date of the final reports would also be extended - all interested parties would be notified and an Australian Dumping Notice would be issued should extensions be requested and approved.

1.4 Meeting details

Company	Hyundai Australia Suite 504, Level 5, 215 Pacific Highway Chatswood NSW
Dates of visit	6 September 2013

The following were present at various stages of the meetings.

Hyundai Australia	MyungKwan Kim	Managing Director
	Hakseon Kim	Sales and Marketing Manager
	Kwangrae Cho	Assistant Manager, Accounting Team
	Sookja White	Financial Accounting Manager

Kim and Chang (Korea)	Ju-Hwan Yoon CPA
the Commission	Edward Macgregor Supervisor, Operations 1 Anthea Hung Supervisor, Operations 3

Visit report

We explained to Hyundai Australia that we would prepare a report of our visit (this report) and provide a draft version (on a for-official-use-only basis) for Hyundai Australia to review its factual accuracy and to identify those parts of the report it considers confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 THE GOODS

The goods are described by the applicant as:

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 500 kV (kilo volts) whether assembled or unassembled, complete or incomplete

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 another.

- The steel core - constructed from high grade, cold rolled, grain orientated silicon steel. This steel is only available from a limited number of overseas manufacturers.
- The windings - manufactured from high conductivity copper which are rectangular in cross section and either paper wrapped or enamel coated.
- Electrical insulation between the windings. This is highly specialised paper based material specifically for the transformer industry and manufactured in a number of countries including China, Germany, India, Sweden, Switzerland, Turkey and the USA. No substitutable product is manufactured in Australia
- The mechanical frame.

The applicant considers that the product definition includes:

- step-up transformers;
- step-down transformers;
- autotransformers;
- interconnection transformers;
- voltage regulator transformers;
- rectifier transformers;
- traction transformers;
- trackside transformers; and
- power rectifier transformers.

Excluded goods

Gas and dry power transformers are not included in the goods. The applicant has stated that these types of power transformers are much more expensive and are used when it is necessary to reduce the risk of fire. Dry power transformers can only be produced with a power rating of up to about 20 MVA.

The application states that distribution transformers are excluded from the description of the goods. Australian Standard AS 60076.1-2005 defines a power transformer as

A static piece of apparatus with two or more windings which, by electromagnetic induction, transforms a system of alternating voltage and current into another system of voltage and current usually of different values and at the same frequency for the purpose of transmitting electrical power.

The applicant believes there is no clear definition of a distribution transformer, but that they are power transformers under this definition. It claims that in Australia, the generally accepted definition of a distribution transformer is one that is the last point of connection to a residential and often commercial consumer. They have a power rating less than or equal to 2 MVA, a primary voltage of 11 kV or 22 kV, and a secondary voltage of between 400 volts and 433 volts three phase (equivalent to 230 volts to 250 volts).

3 COMPANY DETAILS

3.1 Company history

Hyundai Australia is a privately owned proprietary company, limited by shares, registered in Australia since 1980.

Hyundai Australia confirmed that the business was originally established, and continues to trade, as the Australian sales office of Hyundai Corporation (hereafter referred to as HDCP), a general trading company registered in South Korea since 1976 which is responsible for export and import of a wide variety of products including the goods under consideration.

Hyundai Australia currently employs [REDACTED] [number of employees] all of whom work from the Company's office in Chatswood NSW.

3.2 Corporate structure

Hyundai Australia confirmed that the company is a wholly owned and controlled subsidiary of HDCP which in turn falls within under the corporate umbrella of the Hyundai Heavy Industries Group of Companies in Korea.

Hyundai Australia advised that HDCP is the centralised trading house for a wide variety of products produced by related parties within the Hyundai Heavy Industries Group and Hyundai Motor Group, including Power Transformers (and other goods) manufactured by Hyundai Heavy Industries Co.,Ltd.(hereafter HHI).

As of January 1, 2010, HHI acquired 22.36% ownership of HDCP, thereby establishing a legal relationship between the manufacturer and the exporter of the goods and establishing indirect ownership and control of Hyundai Australia by HHI.

3.3 Commercial operations

Hyundai Australia operates as the affiliated local sales agent of HDCP in Australia and is responsible for facilitating the sale of products manufactured by HHI to Australian end-users, and for developing new commercial opportunities with potential customers in Australian markets for a variety of products, including power transformers.

To assist our understanding of the corporate structure of the relevant entities within the Hyundai Heavy Industries Group, Hyundai Australia provided a summary diagram of the sales channel in relation to;

- the production of the goods by HHI;
- the exportation of the goods to Hyundai Australia by HDCP; and
- the sale of the goods to Australian end-users by Hyundai Australia

This document is attached as **confidential attachment GEN 2**.

Hyundai Australia advised that the sale of power transformers in Australia is a relatively new aspect of Hyundai Australia's (and HDCP's) commercial operations, as reflected in the relatively small number of units imported, and sold, by the company annually.

However, given the significant revenues associated with the sale of the goods (on a per unit basis), the company's operations with respect to the sale of transformers into the Australian market account for [REDACTED] **[ratio of transformer sales]** of the total revenue of the company¹.

3.4 Products

3.4.1 General

Hyundai Australia advised that power transformers it sells into the Australian market are imported from manufactured by HHI and exported by HDCP in Korea.

Hyundai Australia confirmed that all three entities involved in the supply chain with respect to the goods are related by virtue of corporate ownership structures (discussed above) and affiliation within the Hyundai Heavy Industries Group.

Notwithstanding the affiliation between the parties, Hyundai Australia stated that the goods are sold between each party, on the basis of ordinary commercial terms via internal transactions, pursuant to which beneficial legal ownership of the goods is transferred:

- From HHI to HDCP prior to exportation; and
- From HDCP to Hyundai Australia according to the commercial terms of sale and purchase associated with the importation of the goods to Australia.

We advised Hyundai Australia that the relationship between HHI and HDCP would be an issue for consideration as part of the identification of the exporter of the goods.

The relationship between HDCP and Hyundai Australia is discussed in greater detail below, in relation to consideration as to whether importation of the goods occurred pursuant to arm's-length transactions.

3.4.2 Product specification summary

Hyundai Australia confirmed that all power transformers it imports from HDCP and sells to its Australian customers are procured by Australian customers for specific end-use

¹ This assertion was verified by the visit team with reference to source sales data and audited financial reports who confirmed that the proportion was, on average, [REDACTED] **[ratio of transformer sales]**.

electricity distribution requirements required for specific projects undertaken by the customer.

Hyundai Australia advised that no two power transformer units are the same. Each unit is produced to order according to exact product specifications dictated by the customer and articulated through formally tender processes and contractual supply agreements.

For the purposes of general discussion, however, Hyundai Australia advised that typically transformer specifications will be categorised according to two parameters which define the capacity of a particular unit:

- Power rating - measured in mega volt amperes (MVA); and
- Voltage rating - measured in kilo volts (KV)

Hyundai Australia advised that the units it commonly sells into the Australian market are identified by the maximum capacity in terms of both of the above parameters – that is, the upward maximum MVA and KV.

Further, Hyundai Australia advised that the two measures of capacity are generally coupled in complimentary ranges – that is, the higher the MVA of a product, the higher the KV capacity.

Subsequent to the visit, Hyundai Australia submitted the following response with respect to the categorisation of power transformers by power rating and voltage rating suggested by the applicant:

Both power rating and voltage rating could be considered as very important characteristics of transformers. However, within the same power rating and voltage rating, there are many other characteristics which could seriously affect category of transformer. So it would be unreasonable to categorise transformers only according to the two characteristics-power rating and voltage.

3.5 Accounting structure and details of accounting systems

Hyundai Australia uses the calendar year as its financial year, in accordance with Korean accounting standards.

Hyundai Australia's financial reports are independently audited annually by Price Waterhouse Coopers (PWC) in Sydney. To assist our verification, Hyundai Australia provided copies of audited financial reports for financial years ending December 2010, 2011 and 2012. These documents are attached as **confidential attachment GEN 3**.

Hyundai Australia confirmed that it does not operate a single profit centre particular to power transformers, and treats the operations with respect to the sale of all goods as single cost/profit centre.

3.6 Relationship with suppliers and customers

As discussed above, Hyundai Australia advised that it is directly owned and controlled by HDCP and, indirectly, by HHI.

Power Transformers – Importer Visit Report – Hyundai Australia

Hyundai Australia confirmed that it has no affiliation or legal relationship with any of its Australian customers, aside from the contractual relationships entered into with its Australian customers with respect to the supply of the goods.

The Commission did not identify any evidence during the course of verification of purchase and sales data provided by Hyundai Australia that would contradict this assertion.

3.7 Like goods

3.7.1 General

Hyundai Australia did not have any specific views or concerns with the scope of like goods positioned by the applicant, and subsequently reflected in the Commission's preliminary views when initiating the investigation.

Generally, Hyundai Australia agreed that it is not unreasonable to summarily identify power transformer units by power and voltage capacity, as suggested by the applicant.

As a caveat to the above, Hyundai Australia emphasised the capacity of a unit is determined by precise engineering and design of each unit, which is dictated by specific project requirements.

As such, Hyundai Australia posit that consideration of 'like' goods must consider the comparability of units in terms of precise specifications, and, more specifically compliance of units with specification requirements required for particular end-uses and demanded by tenders put to market by Australian customers.

3.7.2 Specific comments regarding like goods

Hyundai Australia raised concerns regarding the wide range of capacity parameters suggested by the applicant, and currently accepted by the Commission, for the purposes of defining the goods and like goods.

Specifically, Hyundai Australia advised that its movement into the Australian market for the sale of the GUC was strategically targeted to respond to identified demand in the Australian market for products [REDACTED].[product details]

Hyundai Australia noted that the applicant's website currently only claims a capability up to 250 MVA and while it is aware of unsubstantiated claims by the applicant in trade press items of higher technical production capacities it is not aware of any evidence that Wilson has ever successfully supplied any 'large' transformers.

Hyundai Australia believes that the applicant was not technically capable of meeting any demand for 'large' transformers required by certain customers in the Australian market at the time when tenders, and supply contracts were won by Hyundai Australia pursuant to which units manufactured by HHI in Korea were imported and sold into the Australian market by Hyundai Australia during the period of investigation.

In summation, Hyundai Australia suggested that the inclusion of a threshold power range of 10MVA or above, without a corresponding maximum ceiling, was too general in its scope and did not accurately reflect the applicant's capacity to produce 'large' transformers.

Hyundai Australia advised that Hyundai will submit a separate submission on these issues.

3.7.3 Product substitutability

Hyundai Australia confirmed that, as transformer units in general terms are designed for a unique general function – the delivery of electrical energy – and produced to order to suit specific end-use requirements requiring the delivery of electricity, there are no commercially substitutable products available in the Australian market.

4 AUSTRALIAN MARKET

4.1 General

4.1.1 Market Segmentation

Hyundai Australia believes that the Australian market for the GUC can be categorised into two segments, delineated by the specific end-use requirements of customers within each segment:

- **EPC segment** – comprised of third-party entities whose commercial operations typically involve the contractual delivery of specific projects for which power transformers are required. Key examples include third party entities contracted to deliver projects for mining sites and other capital works projects.
- **Public Utilities segment** – comprised of major commercial entities responsible for the administration of regional power grids for which power transformers are integral for the delivery of electricity from substations through the network to homes and businesses within the grid.

Hyundai Australia advised that, typically, end-users within the EPC segment of the market are privately owned and operated entities who are contracted for the delivery of specific projects for end-users.

The projects for which EPC project services are procured typically require units with a relatively lower power range according to the relatively smaller scale of projects and associated capacity requirements.

Hyundai Australia advised that EPC projects are contracted on a 'turn-key' basis – that is projects are delivered under contract with the rights and responsibilities associated with the ongoing management and operation of the specific site vesting with the contracting end-user following certification of practical completion.

Conversely, all but one of the major utilities companies in Australia (which comprise the utilities market) are government-owned (in whole or in part) enterprises that are responsible for the ongoing administration and day-to-day operation of regional electricity networks. Accordingly utilities customers retain responsibility for the ongoing operation of transformers within their networks for the useful life of the unit.

4.1.2 Australian customers

Hyundai Australia advise that over [REDACTED] % of its total sales of the goods during the period of investigation (in terms of total revenue) is comprised of sales to [REDACTED]

[REDACTED] [name of the customer, nature of the customer]

Hyundai Australia advised that remaining sales volume is comprised of sales

[redacted] [name of the customer, nature of the customer]

Hyundai Australia confirmed that [redacted]

[redacted] [market strategy].

4.2 Market Trends

4.2.1 Dynamics of demand

Hyundai Australia stated that, on the basis of their awareness of the number of requests for tender being put to market, they consider overall demand within the Australian market for the goods to have contracted during the period of investigation.

This pattern of decline is more pronounced however in the EPC segment of the market due to economic downturns in the resources and mining sectors of the Australian industry, which has led to a contraction of expenditure on resources projects and operational expansions requiring power transformers.

4.2.2 Dynamics of competition

Hyundai Australia advised that both segments of the Australian market require power transformers which meet specific technical specifications relevant to the intended end use of the goods. As such, procurement processes will specify, inter alia, the qualitative and quantitative specifications that must be demonstrated by potential suppliers in formal tenders.

However, Hyundai Australia claim that distinctions with respect to

- a) the type of units typically procured by customers within the different market segments; and
- b) the practical purposes for which the goods are procured by customers

have a profound influence on the processes and procedures associated with the negotiation and securement of supply contracts with customers in each market segment and the key considerations which influence product procurement and, in turn, the dynamics of competition between suppliers in the Australian market.

4.2.2.1 EPC segment

Hyundai Australia advised that EPC customers typically procure power transformers as a component necessary for the completion of a specific stand-alone project that they are responsible for delivering under contract to a third-party end-user.

As such, the procurement need for a power transformer unit is directly influenced by:

- a) the requirements of the project – which dictates the technical specifications that to which a unit needs to be produced; and
- b) the contracted value/budget of the project for which the unit is procured.

Hyundai Australia advise that, typically, EPC customers will source the goods via formal procurement processes with typically approaches to the open market by way of request for tenders, specifying short lead-times (generally 2-3 weeks) for applicants to:

- a) Demonstrate their capacity to supply a unit in compliance with the relevant technical specifications; and
- b) Provide a competitive quote of the price for the supply of the goods.

Hyundai Australia advised that in relation to asset procurement by EPC level customers provided the technical unit specifications can be satisfied by tender applicants, the primary consideration influencing the selection of successful tenders is supply costing and overall contract price.

Hyundai Australia claim that,

[REDACTED]

[Hyundai Australia's position in EPC market]

To support these assertions, Hyundai Australia provided a copy of email correspondence

[REDACTED]

[supporting documents on Hyundai Australia's position in EPC market]

This document is provided as **confidential attachment Sales 1**

Whilst not definitive, the visit team was satisfied that the correspondence is indicative that price is a key consideration for end users of the goods involved in EPC projects.

4.2.2.1 Utilities segment

Hyundai Australia stated that, in contrast to EPC level customers, Government owned utilities customers will typically procure higher capacity transformers for installation as integral components of the electricity distribution networks.

Hyundai Australia claim that, accordingly, utilities customers typically apply rigorous procurement processes (in accordance with formal asset acquisition and management policies and compliance procedures) which involve the detailed evaluation of sources of supply against variety of quantitative and qualitative criterion of which supply costing and sales price is a key, but not definitive, determinant:

Hyundai Australia advised that utilities customers will typically seek applicants to provide detailed application documentation which addresses:

Power Transformers – Importer Visit Report – Hyundai Australia

a) technical compliance/ability to produce products to required specifications; and

b) detailed supply plans and relevant information which includes, inter alia,

- Detailed price information relating to:
 - Manufacturing costs (and source data relating to global market prices of major raw materials of manufacture)
 - Importation costs – shipping costs, customs clearance costs and domestic delivery in Australia;
 - Erection of unit/s on site and associated spare parts and transformer oil
- Detailed schedules of projected pricing for project delivery relating to the supply and installation of the required unit/s up to point of practical completion (adjusted for [REDACTED];[adjustment factors in pricing]
- Details of subcontractors to be used by Hyundai Australia to deliver particular aspects of the project including identification of key personnel planned to be involved; and
- Comprehensive proposal of packing lists for the exportation/importation of the units under tender and transportation schematics;
- Comprehensive schematics of the unit/s under tender.

To support the assertions regarding the differences in the procurement strategies implemented by utilities level customers in the Australian market and the associated dynamics of competition this creates within the segment of the market, Hyundai Australia provided:

- An example of a tender submitted to Hyundai Australia by [REDACTED]
[name of the customer, nature of the customer]; and
- An example of the supply proposal that Hyundai Australia was required to submit as part of its application for consideration

These documents are attached as **confidential attachment SALES 2**

4.3 Supply commitments

4.3.1 Outline:

Hyundai Australia advised that all procurements of the goods by customers in the Australian market (whether within EPC or utilities segment) are administered pursuant to procurement processes:

Power Transformers – Importer Visit Report – Hyundai Australia

We clarified the key components of each stage in the process and a summary is presented below

4.3.2 Tender process

Customers will typically develop tenders pursuant to demand analysis associated with particular projects under development or need for unit replacement.

The Customer will develop detailed tender documentation (request for tender) which sets out the relevant procurement need, including the precise technical specifications of the unit required.

Australian customers typically approach the market through:

- the submission of requests for tender (RFTs) for a specific unit need and/or duration of supply to the open market pursuant to which;
 - tenders are provided by potential suppliers;
 - evaluated by the customer against specific criterion; and
 - contracts of supply executed with successful applicants;

or

- the submission of expressions of interest (EOI) to the open market pursuant to which:
 - suppliers submit applications outlining their capacity to service a particular range of customer unit needs;
 - Potential suppliers are evaluated in accordance to specific qualitative and quantitative criteria; and
 - the established a panel of pre-qualified suppliers under contract pursuant to which requests for quotes (RFQs) are submitted by the customer and, if satisfactory, sales are progressed.

4.3.2.1 HHI panel contract with [REDACTED] [name of the customer]

Hyundai Australia advised that HHI (as the manufacturer of the goods) initially secured supply with [REDACTED] [details of the panel contract] under standing offer contracts for the purchase of the goods.

Hyundai Australia advised that the panel contract was revised [REDACTED] [details of the panel contract]

Hyundai Australia advised that all sales of the goods during the investigation period were made pursuant to RFQ's issued pursuant [REDACTED] [details of the RFQ]

We requested, and were provided with a link to the standing offer contract [REDACTED] [details of the panel contract] This documents is attached as **confidential attachment Sales 3**

4.3.2.2 Tender pursuant to the Panel contract

Hyundai Australia advised that whilst the standing offer contract was executed between [REDACTED], [name of customer] RFQ documents are issued to [REDACTED] by [REDACTED]. [name of the customer] HHI liaises with Hyundai Australia to commence preparation of a tender response in relation to the RFQ received.

Hyundai Australia sub-contracts to [REDACTED] [name of the sub-contractors] to liaise with the customer on behalf of Hyundai Australia and HHI to prepare all aspects of the tender application in accordance with the specific technical specifications required by the customer. Hyundai Australia provided a sample copy of a tender application developed by Hyundai Australia (via its agent) in response to a tender request submitted by [REDACTED] [name of the customer] under the standing offer contract. This document is attached as **confidential attachment Sales 4**.

4.3.2.3 Negotiation and acceptance of tender

Upon receipt of the application [REDACTED] [name of the customer] will review the application against the key considerations required for the application, as set out in the RFQ document and undertake rounds of negotiation with Hyundai Australia's tender agent regarding verification of specific components of the tender.

In the event that [REDACTED] [name of the customer] is satisfied with the tender, as modified via negotiation and verification of specific components, a formal letter of acceptance (LOA) will be issued from [REDACTED] [name of the customer] to Hyundai Australia which sets out, inter alia,

- [REDACTED] [details of the LOA]
- [REDACTED] [details of the LOA]

The LOA is regarded as a formal confirmation of the proposed purchase and is forwarded directly to HHI by Hyundai Australia to formally initiate the production order of the required unit. The Commission and requested a copy of a sample LOA with respect to one of the importations, and associated sale, of the goods by Hyundai Australia during the investigation period. This document is attached as **confidential attachment Sales 5**.

4.4 Summary of supply chain

Hyundai Australia had prepared a summary document outlining the supply and sales process on a step-by-step basis. This document is attached as **confidential attachment sales 6**.

We confirmed the below summary of the sales process between Hyundai Australia and [REDACTED]
[name of the customer], from receipt of LOA to practical completion and final payment to Hyundai Australia by the Australian customer.

4.4.1 Production and exportation

- LOA is provided to Hyundai Australia by [REDACTED] [name of the customer], who forwards the formal acceptance directly to HHI;
- Upon receipt of the LOA, HHI assigns a job number for the production of the unit and schedules production according to production line capacity;
- HHI produces the unit to the specifications outlined in the standing offer contract and relevant RFQ document;
- The Customer conducts [REDACTED]
[REDACTED]; [production process]
- Upon satisfactory completion of [REDACTED], [production process] HHI issues an invoice for the sale of the unit to HDCP who, [REDACTED]
[REDACTED] [legal ownership of the product]
- HHI assumes responsibility for [REDACTED]
[REDACTED] [sales terms]

4.4.2 Importation and sale

- HDCP invoices Hyundai Australia for the goods on a [REDACTED]
[REDACTED]; [sales term]
- Hyundai Australia pays HDCP via EFT, [REDACTED]
[REDACTED]; [payment term]
- Beneficial ownership of the goods vests [REDACTED]; [legal ownership of the product] Hyundai Australia retains sole responsibility (via its agent) with respect to [REDACTED] [sales terms]
- As per the payment terms under contract, Hyundai Australia [REDACTED]
[REDACTED] X;
[Hyundai Australia's invoicing process]
- Hyundai Australia [REDACTED] [Hyundai Australia's sales activities]

- Hyundai Australia [REDACTED]
[REDACTED]. [Hyundai Australia's invoicing process]
- Pursuant to the terms [REDACTED]
[REDACTED]. [payment process]
- For each sale, Hyundai Australia also [REDACTED]
[REDACTED] [sales activities of the sub-contractor]
- Beneficial ownership of the unit and legal rights and responsibilities associated with the asset, vests with the Australian customer
[REDACTED]
[REDACTED] [legal ownership of the products]

4.5 Terms of sale

4.5.1 Credit terms

We confirmed that the standard payment terms, under tender acceptance executed between Hyundai Australia and [REDACTED].
[payment terms]

For completeness, we confirmed that [REDACTED]
[REDACTED] [payment terms]

4.5.2 Delivery terms

Hyundai Australia advised that its sales to Australian customers are made pursuant to [REDACTED]
[REDACTED]. [delivery terms]

[REDACTED]
[REDACTED]. [delivery activities]

As part of source documents provided in relation to each of the [REDACTED] [number of transactions] processes executed by Hyundai Australia during the investigation period, the commission was able to specifically identify composite commercial invoices from third

party providers associated with [REDACTED]. [delivery expenses]

4.6 Collection and verification of correlative purchase and sales data

4.6.1 Data collection

Prior to the visit, the Commission requested that Hyundai Australia collate copies of relevant source documents in relation to each of the [REDACTED] [number of transactions] of the goods entered into Australia during the period of investigation and for which it was declared to be the importer.

In summary, the Commission requested, and Hyundai Australia provided for each importation:

Purchase documentation

- Commercial invoice from HDCP to Hyundai Australia [REDACTED] [sales term]; and
- For one randomly selected sale evidence of the letter of acceptance provided to Hyundai Australia by the Australian customer, which is represented to act as the purchase confirmation provided to HHI by Hyundai Australia to initiate the production process.

Importation documentation:

- Evidence of all charges, costs and expenses incurred by Hyundai Australia in relation to customs clearance and associated importation costs between [REDACTED] [REDACTED]; [sales terms]
- Evidence of all charges incurred by Hyundai Australia post importation [REDACTED] [REDACTED] [sales term]

Associated sales data:

- Sample copies of a letter of acceptance from [REDACTED] [name of the customer] to Hyundai Australia and evidence of the spot-sales agreement executed between Hyundai Australia and [REDACTED]; [name of the customer]
- Progress claims (commercial invoices) submitted to the customer [REDACTED] [payment terms]
- For a sampled shipment, proof of payment of total contracted value of the project (as reflected in the letter of acceptance) from [REDACTED] [name of the customer] to Hyundai Australia.

These documents were collated and provided to the visit team by Hyundai Australia at the visit. Importation and sales documentation is attached as **confidential attachment IMP/SALES 1**

For completeness, the Commission also requested and was provided evidence of the standing offer contract executed between HHI and [REDACTED] [name of the customer]

Power Transformers – Importer Visit Report – Hyundai Australia

(**confidential attachment SALES 3**) and evidence of the spot-sale contract executed between Hyundai Australia and [REDACTED] **[name of the customer]** This document is attached as **confidential attachment SALES 7**.

From the provided documentation, the Commission was able to confirm:

- Each [REDACTED] **[number of shipments]** of the goods imported during the period of investigation could be directly linked to a specific project for which Hyundai Australia's Australian customer had procured the goods pursuant to a formal tender process under a standing offer contractual agreement between the parties;
- [REDACTED] **[number of shipments]** of the imported shipments related to [REDACTED] **[nature of sales]** and [REDACTED];
- Each of the [REDACTED] **[number of shipments]**, irrespective of customer, related to supply agreements for which practical completion had been achieved by Hyundai Australia and full contractual payment had been provided by the customer to Hyundai Australia;

Additionally, the Commission requested, and Hyundai Australia provided, a completed worksheet which itemised the composite costs to import and sell the goods for each of the [REDACTED] **[number of shipments]** imported by Hyundai Australia. This document is attached as **confidential attachment IMP/SALES 1**.

4.7 Verification of purchases and sales

For each individual shipment the Commission was able to successfully verify the cost data reflected in the cost to import and sell sheet to source documentation in terms of:

- The project ([REDACTED]) for which the goods were imported;
- The total [REDACTED] **[sales term]** of the goods from HDCP to Hyundai Australia (or [REDACTED] **[sales term]** in relation to sales to [REDACTED] **[name of the customer]**);
- Itemised individual importation costs;
- Domestic expenses associated with contracted supply agreement ([REDACTED]); and
- Total composite sales value (contract value) paid to Hyundai Australia by the Australian customer.

In summary, the visit team was satisfied that each Australian sale could be traced to specific Australian tenders and associated supply contracts which in turn could be linked directly to specific importations by Hyundai Australia from HDCP.

On this basis the team was satisfied that the importation and correlative sales data provided by Hyundai Australia in relation to the [REDACTED] **[number of**

transactions] of the goods identified in Customs and Border Protection's importation database was complete and accurate.

4.8 Sales summary

4.8.1 General

On the basis of the verification of sales data provided to the Commission by Hyundai Australia, as outlined under sections 5.5 and 5.6, the Commission was satisfied that the data before it was complete, relevant and accurate for the purposes of analysis the net sales value of the goods sold by Hyundai Australia during the period.

4.8.2 Sales differentiation by customer

From the data, the Commission has extrapolated that during the investigation period Hyundai Australia completed ■ **[number of transactions]** separate supply arrangements with respect to the sale of the goods to ■ **[name of the customers]** – with a total sales value of AUD ■.

4.8.2.1 Sales value

The breakdown of the sales (by revenue) to each customer is presented in the below table

Customer	Number of projects	Total sales value	% of total combine revenue
■	■	■	■%
■	■	■	■%

4.8.2.2 Product differentiation

The breakdown of unit specifications (expressed in summary terms of voltage and power range) supplied to each customer, total sales value and unit sales value is presented in the below table

Customer	Unit technical specification	Number of units	Total contract sales value	Weighted average unit sales value
■	■	■	■	■
	■			
	■	■	■	■

5 IMPORTATION EXPENSES

5.1 Volume of imported procurements

Prior to the visit the Commission identified that Customs and Border Protection's import database indicated that Hyundai Australia imported a total of [REDACTED] power transformer units, [REDACTED] from Korea during the investigation period. **[importation details]**

Hyundai Australia reviewed the importation information prior to the visit and team confirmed that that the composite unit volume per shipment, and total imported volume was correctly reflected in the importation database. However, Hyundai Australia identified a number of areas in which the import database contained erroneous information, and provided an amended version of the data including changes to certain shipments in relation to:

- The goods description;
- Terms of importation; and
- Invoice value and line unit values.

During the course of discussions with Hyundai Australia the visit team confirmed, via reconciliation of import data to source importation documents provided during the visit, that the amended data provided by Hyundai Australia was accurate. The amended import listing is provided as **confidential attachment IMP 1**.

5.1.1 Procurement volumes and values

As part of the response to the importer questionnaire, and in preparation for the visit, Hyundai Australia provided comprehensive purchasing information relating to each of the [REDACTED] **[number of transactions]** of the goods during the period of importation. These documents form part of the procurement/sales packages attached at **confidential attachment IMP/SALES 1**

From this data, the Commission had confirmed that Hyundai Australia imported

- [REDACTED] [details of importation] and
- [REDACTED] [details of importation]

The Commission has extrapolated that:

- [REDACTED] [details of importation]

- [REDACTED] . [details of importation]

These trends reconcile with Hyundai Australia's claims that its commercial operations regarding the procurement of the goods are focused on

[REDACTED] . [details of importation]

5.2 Ordering Process

As discussed in section 5 of this report, the visit team confirmed that the procurement of goods from Hyundai Australia's Korean supplier, HDCP, is directly correlative to domestic supply arrangements between Hyundai Australia and its Australian customers.

As such, the process of initiating production by HHI, and negotiating supply from HDCP is a composite aspect of the formal processes by which Hyundai Australia sells the goods to its Australian customers pursuant to contractual supply relationships and specific tender processes.

Comprehensive discussion regarding the importation and sales channel is provided under part 4.

5.3 Forward orders

Hyundai Australia provided the visit team with a summary listing of procurements initiated by Hyundai Australia with HDCP/HHI in Korea which outlined [REDACTED] **[number of transactions]** individual procurements (identified by project number) which:

- Had been exported by HDCP and imported by Hyundai Australia during the period of investigation (comprising the [REDACTED] **[number of transactions]** project shipments reflected in importation data;
- Had been exported by HDCP during the period of investigation but had entered Australia until after the period of investigation (comprising [REDACTED] relating to projects [REDACTED] and [REDACTED] relating to a supply project [REDACTED]); **[transaction details]** or
- Related to tenders which had been accepted by Australian customers and were [REDACTED]. **[transaction details]**

We examined the projects identified under the second two categories of procurement and noted that:

- [REDACTED] **[details of forward orders]**
- [REDACTED] **[details of the forward orders]**

The purchase and forward order summary provided by Hyundai Australia is attached as **confidential attachment IMP 2**.

5.4 Verification of imports

5.4.1 Reconciliation to source documents

As discussed in section 5, Hyundai Australia prepared source documentation regarding the procurement and importation of the goods from HDCP in relation to all [REDACTED] **[number of transactions]** imported during the period of investigation.

Prior to the visit we also requested that Hyundai Australia use the source documentation collated in relation to each selected consignment to complete a sales route spreadsheet which allowed for the allocation of relevant costs to import and sell the goods.

The source documents are at **confidential attachment IMP/SALES 1**, and import/sales spreadsheet is at **confidential attachment IMP/SALES 2**.

5.4.2 Reconciliation to source documents (accuracy)

From the importer transaction form completed by Hyundai Australia we were able to reconcile the shipment number, bill of lading number, and packing list for the selected shipments with the source documentation provided in relation to each selected shipment.

We confirmed that all selected shipments, with the exception of [REDACTED] related to projects [REDACTED], comprised single consignments of the goods. **[shipment details]**

For each selected mixed shipment, we confirmed, with reference to packing lists and commercial invoices that the total quantity and composite quantity of the GUC was accurately stated by Hyundai Australia.

For all shipments we were able to reconcile the total invoiced price, and composite invoiced value of the GUC to source commercial documentation.

5.4.3 Proof of payment

The source commercial invoices provided by HDCP specify payment of total invoice value in instalment payments

For a selected shipment ([REDACTED]) we verified that Hyundai Australia paid Hyundai Corporation directly via EFT for each composite invoice value and that the total sum of payments provided to HDCP reconciled with the stated invoice value of the procurement as reflected in the importation spreadsheet, and source commercial documentation.

Proof of payment is included with the source documentation at **confidential attachment IMP/SALES 1**.

We were satisfied that the amount on the commercial invoice was the price paid to the supplier by Hyundai Australia.

5.5 Shipping and Importation costs

5.5.1 Shipping costs

The Commission confirmed that [REDACTED] shipments imported during the period were sold by HDCP to Hyundai Australia on [REDACTED], whilst [REDACTED] shipments were transacted on an [REDACTED]. **[sales terms]**

Within the source document packages relating to [REDACTED] imported shipment procurements arranged on [REDACTED]

[sales terms]

For mixed-goods consignments Hyundai Australia had apportioned the total value of ocean freight to the GUC applying a ratio calculated on the basis of the total sales value of GUC units (as specified under contract) relative to the total sales value the project shipment. For completeness, the visit team requested, and Hyundai Australia provided, a separate worksheet setting out the process by which costs had been apportioned by sales value. This document is attached as **confidential attachment IMP 3**.

For procurements from HDCP arranged on [REDACTED] Hyundai Australia provided copies of the commercial sales contract which included itemised costs, including value of [REDACTED], which comprised a component of the total contracted value. **[sales details]**

We calculated the weighted average shipping costs for all shipments (as incurred by HDCP for [REDACTED] procurements and built into the [REDACTED], and by Hyundai Australia in relation to [REDACTED]) to be AUD [REDACTED]. **[shipping cost details]**

5.5.2 Importation and project delivery costs

Under the heading of 'Australian Importation Costs' on the importer transaction form, Hyundai Australia entered amounts for direct importation expenses;

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

And for specific project delivery costs

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] **[importation cost details]**

All expenses incurred by Hyundai Australia from [REDACTED] point of procurement up to the point of project practical completion are accounted for in the invoiced Australian sales price. **[expense details]**

Hyundai Australia was able to provide individual itemised commercial invoices submitted from third-party providers in relation to each of the above cost and expense items.

For mixed consignment shipments related to projects arranged with [REDACTED], **[customer identity]** Hyundai Australia have apportioned each cost item using the methodology explained above in relation to shipping expenses.

We were able reconcile the total itemised amounts reflected in invoiced provided to Hyundai Australia by the provider, to the total amounts used to apportion costs for each cost item in the transaction sheet.

An itemised breakdown of weighted average importation costs calculated from the data provided for all [REDACTED] **[number]** importation shipments (excluding shipping expenses) is presented below:

Item	Weighted average cost per unit
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[importation cost details]

5.6 Selling, general and administrative (SG&A) costs

As noted previously in this report, Hyundai Australia advised that the company operates solely as the Australian sales agent of HDCP/HHI and employs only [REDACTED] [number of employees] to undertake all operational activities related to the development of potential business opportunities in Australia and the intermediary sales liaison between HHI and Australian customers due to staff linguistic proficiency in English and Korean.

The visit team confirmed, with reference to source commercial documentation referred to previously, that the majority of selling activities associated with:

- [REDACTED]

[Hyundai Australia's selling activities]

[REDACTED]
[REDACTED]. [third party cost details]

Hyundai Australia advised that SG&A costs referable to the sale of all goods by Hyundai Australia, related to the following expense categories:

- [REDACTED]; [REDACTED]; and
- [REDACTED]

[Hyundai Australia's SG&A expenses]

Hyundai Australia prepared a summary sheet which presented each expense category referable to the sale of all goods during the period of investigation using the statement of comprehensive income for financial years 2010, 2011 and 2012 and income statement for January to June 2013.

Within this listing Hyundai Australia have identified that:

- [REDACTED];
- [REDACTED]
[REDACTED] and [REDACTED]
- [REDACTED]
[REDACTED] [Hyundai Australia's SG&A expenses calculation method]

To allocate the ratio of company SGA referable to the sale of the GUC, Hyundai Australia divided the total company sales revenue for the period of investigation by the calculated

composite value of SGA costs incurred during the period of investigation referable to sales of the GUC – arriving at a rate of [REDACTED]%. **[expense ratio]**

Hyundai Australia's working is included as **confidential attachment SGA 1**

Hyundai Australia had applied this SGA % to the total sales value per consignment in its cost to import and sell spreadsheet to derive a total SGA cost on a per shipment basis

To verify the reasonableness of the allocations applied by Hyundai Australia to determine the ratio of SGA referable to its commercial activities in relation to the sale of the GUC the visit team:

- a) Calculated the total sales value of GUC sales during the period of investigation as a percentage of total company revenue (as reflected in audited income statements) – confirming that over [REDACTED]% **[sales percentage]** of sales revenue is referable GUC projects.

On this basis, and given [REDACTED] **[staff size]** number of staff employed by Hyundai Australia, the visit team was satisfied that it was reasonable to allocate the total proportion of employee benefits for the purposes of calculating SGA.

- b) Clarified that the total expense associated amortisation of assets relates to [REDACTED]
[REDACTED] **[details of amortisation expense]**

Amortization expenses are delineated from asset depreciation which covers assets utilised in relation to the sales of goods, including the GUC.

The visit team selected the financial year 2011 and sought source documentation to justify the allocation of [REDACTED]% of the total depreciation and amortisation expense (\$[REDACTED]) to the GUC. Hyundai Australia provided an extract of its special purpose financial report for the year ending 2011, which identified amortization expenses of \$[REDACTED] (which had been excluded from SGA calculations) and depreciation expenses of \$[REDACTED] (which had been included in SGA calculations). These amounts directly reconciled to SGA worksheet. **[SG & A details]**

This document is at **confidential attachment SGA 2.**

- c) Clarified that 'other expenses' relates to miscellaneous expenses which may be incurred in relation to sales operations. The visit team was satisfied that it was reasonable to allocate the total expense amount for the purposes of calculating SGA.

However, the visit team noted that other expenses in FY 2011 were significantly [REDACTED]
[REDACTED] **[details of other expenses]**

The visit team confirmed that the increase in other expenses during FY 2011 was [REDACTED]. [details of other expenses]

Hyundai Australia provided a copy of [REDACTED] [details of other expenses] which reconciled directly with the sum of 'other expense' reflected as direct selling expenses in the SGA worksheet and, accordingly, not included in the calculation of SGA expenses referable to the sale of the GUC. This document is attached as **confidential attachment SGA 3**.

5.7 Export prices for imported shipments

As stated Hyundai Australia purchased the goods from HDCP on [REDACTED] terms. Below is a table identifying the unit prices for all shipments on an [REDACTED] by unit specification.

Specification	Volume (Units)	Unit FOB value
[REDACTED] [REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED] [REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED] [REDACTED]	[REDACTED]	\$ [REDACTED]
[REDACTED]	[REDACTED]	\$ [REDACTED]

[sales terms and pricing details]

5.8 Profitability

As addressed previously, the visit team was able to match each importation during the period of investigation to specific tenders/contracts for projects delivered by Hyundai Australia from which correlative total, and unit, sales revenue could be determined in relation to each importation.

We used the actual revenue for each shipment to calculate the total profit for shipments (total selling price minus total cost to import and sell) in the importer transaction form.

This displayed

[details of profitability]

[details of profitability]

Additionally, the visit team notes that the audited financial statements of Hyundai Australia for FY 2010, 2011 and 2012 consistently reflect that the company was trading profitably overall during the investigation period.

6 WHO IS THE IMPORTER AND EXPORTER

6.1 Who is the importer?

For all importations for which import data listed Hyundai Australia to be the importer of the goods we noted that Hyundai Australia:

- is named as the customer on the commercial invoice (referred to as contract) issued by HDCP;
- is named as the consignee on the bill of lading;
- retains beneficial legal ownership once the goods clear [REDACTED] point; and
- incurs all relevant costs associated with the importation of the goods from [REDACTED] up to the point of [REDACTED] practical completion under contract with its Australian customers.[ownership details]

On this basis, we consider Hyundai Australia to be the beneficial owner of the goods at the time of importation, and therefore, to be the importer of the goods.

6.2 Who is the exporter?

The Commission will generally identify the exporter as:

- a principal in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

In relation to importations of the goods by Hyundai Australia, we are satisfied that:

- the commercial invoices identify the supplier as HDCP;
- the bills of lading identify HDCP as the shipper of the goods; and
- HDCP arranges and pays for the goods to be transported to the wharf and loaded onto the ship in Korea; and
- Hyundai Australia pays HDCP for the goods on contracted CIF or FOB terms.

As a caveat to the above, however, the Commission notes that HDCP is a centralised trading house in Korea within the Hyundai Heavy Industries Group of companies responsible for the exportation and domestic trade of goods manufactured by other entities within the Hyundai Heavy Industries group, including HHI, who are the manufacturer of the GUC.

The Commission also notes that;

- HHI is responsible for the liaison with Hyundai Australia (and its agents) required in relation to the development of technical responses to tenders and expressions of interest put to market by Australian end-users; and

- HHI controls a majority shareholding in HDCP

On the basis of the above, the visit team was satisfied that there is prima facie evidence that the HDCP acts as a directly affiliated facilitator in the sale and shipment of the goods manufactured by HHI, who produces individual units in accordance with precise technical specifications advised by the ultimate end use in Australia and who knowingly sells the goods to HDCP for export.

On this basis, subject to further inquiries with respect to the commercial relationship between HDCP and HHI, we are satisfied that HHI can be considered the exporter of goods Korea.

7 ARMS LENGTH

Section 269TAA 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;
- 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.

On the basis of the sampled importations of the GUC by Hyundai Australia during the POI we found that Hyundai Australia was trading profitably in relation to the significant majority of its Australian sales of the GUC and was trading profitably overall in relation to the sale of all goods during the period of investigation, of which sales of the GUC comprise a significant proportion.

Further, we did not find any evidence that:

- there is any consideration payable other than price between Hyundai Australia and its suppliers; or that
- Hyundai Australia provides any form of compensation or consideration to its suppliers with respect to the supply of the GUC other than the price invoiced by the supplier, and paid by Hyundai Australia.

As a caveat to the above, the visit team notes that there is a clear legal relationship between Hyundai Australia and HDCP and, vicariously HHI, by virtue of Hyundai Australia's status as a wholly-owned subsidiary of HDCP.

However, the visit team did not find any evidence within the source commercial documentation provided by Hyundai Australia that would indicate that the price paid to HDCP is influenced by the relationship between Hyundai Australia and its relationship with its parent companies within the Hyundai group;

Therefore, we consider that sales between Hyundai Australia and the identified exporter were arms-length transactions.

8 DUMPING, MATERIAL INJURY AND CAUSATION

We asked Hyundai Australia to outline its views (if any) in relation to injury and causation with respect to the investigation.

In summary Hyundai Australia did not have any specific views on these issues aside from views regarding the capacity of the applicant to compete with overseas products in relation to tenders submitted by certain Australian end-users for large power transformers.

As indicated previously, Hyundai Australia advised that it would consider providing a formal submission to the Commission in relation to these matters at a later date

9 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price (USP) and non-injurious price (NIP) issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

The Commission generally derives the NIP by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the USP.

The Commission's preferred approach to establishing USPs observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the USP, the Commission then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

At the time of the visit Hyundai Australia did not have any comments on the calculation of an USP or NIP.

10 RECOMMENDATIONS

From our investigations, we are of the opinion that, for the GUC directly imported by Hyundai Australia from its suppliers in Italy:

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

Subject to further inquiries with these exporters, we recommend that the export price for goods imported by from manufacturer/exporter can be established under s.269TAB(1)(a) of the Act, using the invoiced price, less deductions to the FOB level as required.

11 APPENDICES AND ATTACHMENTS

Confidential Attachment GEN 1	Visit Agenda
Confidential Attachment GEN 2	Hyundai Australia corporate structure diagram
Confidential Attachment GEN 3	Hyundai Australia audited special purpose reports FY 2010,2011 and 2012
Confidential Attachment Sales 1	Email correspondence from 'EPC' customer
Confidential Attachment Sales 2	RFT documentation
Confidential Attachment Sales 3	Standing offer [REDACTED]
Confidential Attachment Sales 4	Tender application
Confidential Attachment Sales 5	Letter of acceptance
Confidential Attachment Sales 6	Sales flow summary
Confidential Attachment Sales 7	Contract No. [REDACTED]
Confidential Attachment IMP/SALES 1	Source purchase and correlative sales data
Confidential Attachment IMP/SALES 2	Cost to import and sell worksheet
Confidential Attachment IMP 1	Amended import listing
Confidential Attachment IMP 2	Hyundai Australia purchase/forward order summary
Confidential Attachment IMP 3	Hyundai Australia mixed consignment cost allocation methodology
Confidential Attachment SGA 1	SGA calculation methodology
Confidential Attachment SGA 2	Extract of special purpose report for FY 2011
Confidential Attachment SGA 3	Commercial invoice for [REDACTED]