



**INVESTIGATION INTO THE ALLEGED DUMPING OF
POWER TRANSFORMERS EXPORTED FROM**

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

EXPORTER VISIT REPORT

HYOSUNG CORPORATION

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

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2 BACKGROUND

2.1 Background to the current investigation

On 8 July 2013, Wilson Transformer Company Pty Ltd (Wilson Transformers) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of power transformers exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), the Republic of Korea (Korea), Taiwan, Thailand and the Socialist Republic of Vietnam (Vietnam). A full description of the goods under consideration is included in section 4 of this report.

On 29 July 2013, the Commissioner of the Anti-Dumping Commission (the Commission) decided not to reject the applications and initiated an investigation into the alleged dumping of power transformers from the nominated countries. Public notification of initiation of the investigation was made in The Australian newspaper on 29 July 2013. Anti-Dumping Notice No. 2013/64 provides further details of the investigation and is available on the Commission's website at www.adcommission.gov.au.

Since the investigation was initiated there have been changes to the administration of Australia's anti-dumping system. The Parliamentary Secretary is now responsible for making decisions concerning the publication of dumping and countervailing duty notices.

Wilson Transformers alleges that the Australian industry has suffered material injury caused by power transformers being exported to Australia from the nominated countries at dumped prices. It claimed that injury commenced with the significant increase in imports in 2007-08.

The application identified Hyosung Corporation (Hyosung) as an exporter of power transformers from Korea. A search of Customs and Border Protection's import database indicated that Hyosung exported power transformers from Korea to Australia during the investigation period. The Commission wrote to Hyosung 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. Hyosung completed the exporter questionnaire, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) power transformers.

2.2 Purpose of visit

The purpose of the visit was to verify information submitted by Hyosung in its exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spread sheets containing sales and cost data requested in the exporter questionnaire. A non-confidential version of the exporter questionnaire response was placed on the public record. We used 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 dates and attendees

Verification meetings were held at Hyosung's manufacturing facility in Changwon, Korea and its head office in Seoul, Korea.

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

Hyosung	
Hunt & Hunt	
Andrew Hudson	
Anti Dumping Commission	
Mr John Bracic	Director, Operations 1
Mr Kerry Taylor	Director, Operations 4

2.4 Meeting and preliminary issues

We advised Hyosung of the following.

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

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

3 COMPANY INFORMATION

3.1 Company background

Hyosung's power transformer facility is located at Changwon City on a site covering approximately [redacted – commercial information] square metres. On this site are four separate factories undertaking production of various products. Total number of employees at the Changwon site is approximately [redacted – commercial information] workers.

Commercial operations

3.1.1 General

Hyosung's operations are divided into the following seven product groups:

1. Power and industrial system performance group – this group comprises four business units which include:
 - a) Power systems Performance unit – this unit produces large power transformers, oil immersed transformers, cast-resin transformers and high voltage switchgear;
 - b) Industrial machinery Performance unit – this unit manufactures motors, gear units, generators, chemical process equipment, etc;
 - c) Wind Energy Business Division – manufactures wind turbine systems.
 - d) Hyosung Goodsprings – manufactures pumps for power plants, oil and gas, marine and offshore uses.
2. Industrial Materials Performance Group
3. Textile Performance Group
4. Chemicals Performance Group
5. Construction Performance Group
6. Trading Performance Group, and
7. Information and Communication Performance Group

3.1.2 Summary of power transformer production process

Hyosung provided numerous documents describing the production process. In simple summary it involves the working and fabricating of the insulation, coil, core to create the core coil assembly. Following tap changer assembly, the product undergoes vapour-phase treatment before the tank and radiator are worked/fabricated for final assembly. The transformer is then oil filled and degassed before final testing.

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

3.2 Accounting

[redacted – commercial information]

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The exporter questionnaire response states that Hyosung's financial accounting practices are in accordance with Korean GAAP. Hyosung's financial year is the calendar year.

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4 THE GOODS UNDER CONSIDERATION

The goods are:

liquid dielectric power transformers with power ratings of equal to or greater than 10 MVA (mega volt amperes) and a voltage rating of less than 500kV (kilo volts) whether assembled or unassembled, complete or incomplete

The goods are referred to as power transformers in this report.

Incomplete power transformers are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of power transformers. The active part of a power transformer consists of one or more of the following when attached to or otherwise assembled with one other:

- the steel core;
- the windings;
- electrical insulation between the windings; and
- the mechanical frame.

Gas filled and dry type power transformers are not included in the goods.

The application stated that distribution power transformers are not the subject of this application. The applicant considers that distribution power transformers are smaller transformers that have design and manufacturing technology which is different from power transformers. We note that some interested parties have a different definition of distribution power transformers. However, the Commission considers that all power transformers with a capacity of greater than or equal to 10 MVA are the goods under consideration.

The goods are currently classified to the tariff subheading 8504.22.00 (statistical code 40) and 8504.23.00 (statistical codes 26 and 41) of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is 5% and applies to power transformers imported from China, Korea and Taiwan. Power transformers from Indonesia, Vietnam and Vietnam are duty free.

Power transformers are individually designed and engineered to meet the customer's specifications. While electrical steel and copper conductor are the most significant cost components, there are many other variables that affect price. Items such as whether the power transformer is single or three phase, design costs, lead times and ancillary options (such as tap changers) can significantly affect price. We consider that because of the many variables it is not meaningful to adjust domestic prices to make them comparable with export prices. Therefore we have constructed normal values. Hyosung agrees with this approach.

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5 VERIFICATION OF SALES TO FINANCIAL STATEMENTS

In its questionnaire response, Hyosung provided copies of its audited financial statements covering the period of investigation. At the visit it provided a further breakdown of its sales accounts for the Power Systems Performance Unit (PU) and all other units combined. We were able to reconcile the total amounts to the company wide trial balances.

The sales accounts summary report separately identified direct exports, local and domestic. 'Local' was described as capturing sales of finished goods that were sold to a domestic customer for export.

A subsequent trial balance was provided showing a monthly breakdown of direct export sales according to the product groups within the Power Systems PU. Product code **[redacted – commercial information]** captured sales information in respect of Ultra Power Transformers.

A detailed sales transaction report was extracted from the company's **[redacted – commercial information]** showing for each and every order during the investigation period, the relevant sales team, order number, sales value and country of export. Hyosung provided a revised export sales spreadsheet showing minor revisions to the US dollar and Korean Won values. We were able to reconcile these revised values to the detail sales order transaction report.

Hyosung provided similar documentation to demonstrate that its domestic sales listing at D-4 of its questionnaire response was complete. However domestic sales of the Ultra Power Transformer product group included power transformers that were ordered prior to the investigation period and included products that did not meet the definition of like goods such as spare parts, reactors, transformers exceeding 500kV and transformers less than 10MVA.

By filtering out these products from its sales order transactional listing, we were able to reconcile the total value for remaining power transformers through to the domestic sales listing contained in its questionnaire response. For products considered to not be the subject goods, Hyosung provided source documents demonstrating the characteristics that ruled out these products.

During the verification of sales, Hyosung explained that it did not include sales of distribution transformers on the domestic market in Korea as it understood these goods to fall outside the scope of the investigation as outlined in the goods description. Hyosung confirmed that it produced and sold distribution transformers that complied with the goods description in that they exceeded 10MVA.

We pointed out to Hyosung that we had formally advised them soon after the initiation of the investigation that transformers meeting the 10MVA power and 500kV voltage ratings were considered to be like goods. We requested that Hyosung provide a revised domestic sales listing which would include all distribution transformers meeting the necessary ratings in the goods description.

As with the verification of power transformer domestic sales, Hyosung provided similar documentation to demonstrate the completeness of distribution transformers

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complying the goods description. We were able to filter out all products less than 10MVA or exceeding 500kV to reconcile the total value to the revised domestic sales listing.

We are satisfied that the revised export and domestic sales listings provided by Hyosung are a complete record of all power transformers exported to Australia and sold domestically during the investigation period.

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6 SALES TO AUSTRALIA

In the exporter questionnaire response, Hyosung identified **[redacted – commercial information]** power transformers that were exported to Australia during the investigation period although at the time of submitting their questionnaire response, Hyosung had not yet incurred installation and oil expenses. All exports were subject to contract agreements between the parties.

Hyosung's exports were all subject to tender processes. In its tender response, it includes a details relating to:

- the description of the goods,
- prices,
- competitiveness,
- experience in the market,
- sub-contractor details, and
- deviations to the customer's terms and conditions.

In general, the tender evaluation consists of a Technical component and a Commercial/Financial component, with each component being allocated a certain percentage. Terms and conditions of delivery, invoicing and payment milestones are specified in the tender document and unless Hyosung includes them in its deviation sheet, they become clauses within the contract which Hyosung is bound to.

Hyosung confirmed that the each transformer exported to Australia is designed, manufactured and tested at its operations in Korea and transported via bulk vessel. During this stage the main body of the transformer and the remaining accessories are disassembled and the re-assembled upon arrival in Australia.

[redacted – customer information]

Payment terms varied amongst the three Australian customers. The table below shows the payments terms:

[redacted – customer information]

Hyosung confirmed that there were no discounts, rebates or other allowances on its export sales to Australia.

6.1 Verification to source documents

Prior to the visit, we advised Hyosung that we would be seeking to verify its export transactions to supporting source documents. These documents are at **confidential attachments EXP 4 to 6** and included:

- sales contract;
- purchase note;
- list of variations to the contracts;
- commercial invoice and proforma invoices
- bill of lading and export permit;

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- sales ledgers and payment receipts, and
- documents supporting all post-exportation expenses including inland transport, ocean freight and marine insurance.

We were able to verify and reconcile all amounts shown in Hyosung's export sales spreadsheet to values identified on source documents. This included the value of the goods and post-exportation expenses. We are satisfied that the invoice price shown in the export sales spread sheet accurately reflected the price paid by the customers and that payments were made pursuant to the terms of sale.

In the export sales spreadsheet Hyosung used a different date for each of the exportations for the purposes of establishing the rate of exchange for conversion of currencies. There appeared to be little justification for selection of the different dates, especially given that the company advised during the verification of finance and other non-operating items that it had taken out forward exchange cover on its exports to Australia.

Hyosung did not provide sufficient information in relation to its forward exchange contracts for its exports. As a result, we consider it appropriate to use the rate of exchange on the date of the contract being agreed between the parties.

For conversion of currencies, Hyosung used a different methods for determining the appropriate rate of exchange for each of the export transactions. We queried Hyosung's approach as it didn't appear to address the issue of when the material terms of sale were established. During verification of SG&A, Hyosung provided information showing forward exchange contracts were taken out for the exports to Australia.

Section 269TAF(2) provides that if a forward rate of exchange is used by the exporter, the Minister may make use of that rate of exchange. We were not provided with all necessary information in relation to the forward exchange contracts to be able to determine the appropriate rate to be used. However, in the absence of this information, we consider that the material terms of sales are best established at the time when both parties agree to the terms and condition of the sale. This is confirmed by agreement by way of a contract.

Accordingly, we have used the rate of exchange on the contract date for conversion of currencies.

6.2 The exporter

For export sales during the investigation period, we consider Hyosung to be the exporter as it:

- is the manufacturer of the goods;
- arranges and pays inland transport costs from the place of manufacture to port of export;
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the FOB point at the port of export; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

6.3 The importer

We note that for exports to **[redacted – customer information]**:

- the customer negotiates directly with Hyosung for the supply of goods and enters into 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 **[redacted – customer information]** is the beneficial owner of the goods at the time of importation and is therefore the importer of the power transformer exported by Hyosung during the investigation period.

[redacted – commercial information], we consider Hyosung to be the importer of the goods as it is the beneficial owner of the goods at the time of importation into Australia.

6.4 Arms' length

In determining export prices and normal values, the legislation requires that the relevant sales are arms' length transactions. Section 269TAA¹ outlines the circumstances in which the price paid or payable shall not be treated as arms' length. These are where:

- there is any consideration payable for in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We found no evidence to suggest that there was any consideration payable for other than the price of the goods. We note that Hyosung and its customers operate and negotiate as buyer and seller parties would. Accordingly, we consider that the exports to Australia by Hyosung were arms-length transactions.

6.5 Export price preliminary assessment

In the case of export sales to **[redacted – customer information]**, 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.

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

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Therefore, we consider that export prices for exports from Hyosung to **[redacted – customer information]** can be established under section 269TAB(1)(a) having regard to the invoice price less post-exportation expenses for ocean freight and marine insurance.

In the case of export sales to **[redacted – customer information]**, we consider:

- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have not been purchased by the importer from the exporter; and
- the purchases of the goods were arms' length transactions.

Therefore, we consider that export prices for exports from Hyosung to **[redacted – customer information]** can be established under section 269TAB(1)(c) having regard to all the circumstances of exportation. Accordingly, we recommend that export prices be determined by reference to the invoice prices less all post-exportation expenses.

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

7 COST TO MAKE & SELL

7.1 Introduction

In its exporter questionnaire response Hyosung provided detailed cost to make and sell information for its domestic sales and exports to Australia during the investigation period. We were advised by the company at the outset of verification that revisions had been made to the cost information. The revisions related to the inclusion of allocated cost variances for spare parts and cost variances for 'other costs'.

7.2 Cost of production

7.2.1 Reconciliation to financial statements

Reconciliation of material costs

Hyosung undertook to demonstrate that all submitted costs in the production of transformers were complete and could be reconciled through to the company's audited financial statements.

It began by identifying the total cost of sales shown in the company's financial statements for the three period covering the investigation period. A corresponding trial balance for each accounting period was also provided which provided a breakdown of cost of sales by various accounts.

A further trial balance was provided which separately identified the cost of sales accounts for:

- Power and Industrial Systems;
- Textiles;
- Chemicals;
- Construction, and
- Support
- Industrial Materials,
- Trading

The subtotal for each division when added reconciled to the total cost of sales for the company.

The Power and Industrial Systems Product Group comprised three performance units which included power systems PU (includes power transformers), industrial machinery PU and Wind Energy Business Division. Hyosung provided trial balances for the Power Systems Performance Unit for each year of the investigation period, showing a breakdown of cost of sales for each product group within the Unit. We were able to reconcile the total for the Power Systems PU to the sum of the totals for each product group.

Once of the product groups was power transformers and another was oil-immersed transformers which included the distribution transformers. We were then provided with a copy of the inventory ledger for power transformer finished goods. The ledger

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identified the opening volume and value of finished transformers at the start of each year, production quantity and value, cost of goods sold quantity and value and ending quantity and value. The value of sales in the ledger matched the sum of cost of goods sold for export, local and domestic sales.

We then selected to further track the cost of power transformers sold in the month of January 2012. Hyosung provided a standard cost of goods sold inventory detailed report. The report identified for each individual project number and corresponding product number the accumulated cost by actual cost, the standard input cost (by standard costs), cost of goods sold (standard costs).

We selected individual transactions in the month of January 2012 and tracked them through to detailed inventory reports. We were then able to reconcile the total cost to make for selected transactions of power transformers in the company's G-3 and G-4 attachments to the questionnaire response to the cost of goods sold report by adding the input standard cost plus the project specific cost variance plus the allocated cost variances.

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

7.2.2 Verification to source documents

Prior to the visit we informed Hyosung of the particular cost components for selected power transformers that we would be seeking to verify to source documents. The cost items and particular projects included:

[redacted – commercial information]

For each select cost item Hyosung provided the following documentation:

- a bill of materials map showing the cost structure for the selected transformer;
- a product sheet detailing the transformers key specifications;
- a cost summary sheet showing the three stages of the cost construction that was the basis for the reported costs in the questionnaire;
- a cost of manufacture statement;
- a detailed cost buildup showing values against each cost component and their classification to materials, overheads, direct labour and other.

For each identified cost item for further verification, Hyosung provided the following documentation:

- purchase order request which identified the material specification, ordered volume and agreed price;
- order transaction detail sheet linking the purchase to the particular cost component id shown in the detailed bill of material;
- a transactional list of all purchases from the respective supplier for the month in which the particular purchase was undertaken and the total value of purchases;
- tax invoices reconciling to month purchased totals;
- evidence of payment for the issued invoices;

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- inventory ledger for the respective materials showing opening balances, purchased volume being transferred in and volume being transferred out to production;
- material transaction output report showing the transaction date and corresponding volumes used against specific project numbers.

[redacted – commercial information]

[redacted – commercial information]

This will allow the amount of the unallocated cost variance to be calculated for each individual project.

Hyosung provide all necessary cost variance reports for the months corresponding to the six selected projects for verification.

Supporting documents are at **confidential attachment COSTS #**.

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

Hyosung was able to calculate separate SG&A expenses for domestic and export by commencing with its total SG&A expenses identified in its trial balance for Power Systems Performance Unit and then either excluding certain expenses not relevant to power transformers, apportioning certain expenses equally across total revenue for all products, or allocating only to domestic or export.

Items excluded from the calculations included all export related expenses already captured in the export sales spreadsheet at appendix B-4 which includes all post-exportation expenses. **[redacted – commercial information]** were also excluded as none of these operations related to domestic or Australian export sales.

All administration, finance and other expenses were equally allocated across total turnover.

In terms of expenses allocated solely on the basis of domestic and export turnover, the unit differences are generated by the inclusion of domestic advertising expenses, bad debt and after sales services.

We consider that Hyosung's approach to allocation of relevant SG&A expenses to be appropriate and accurate.

7.4 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the CTMS data submitted by Hyosung. We consider the CTMS data is suitable for:

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

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

8 DOMESTIC SALES

8.1 Market conditions

Hyosung explained that the Korean market for power transformers can be categorised into three segments relevant to the type of customer. The first is the transmission market which is dominated by [redacted – commercial information].

The second segment is [redacted – commercial information].

The final segment relates to transformation for consumption and involves all other end users. In this segment, [redacted – commercial information].

Hyosung confirmed [redacted – commercial information]. It was not aware of any import competition in the power transformer market.

8.2 Sales process

The domestic sales process begins when Hyosung receive a request for a quote from a customer. Sales to [redacted – commercial information] begin when Hyosung obtains a tender notice from [redacted – commercial information]. The customer's request for quote or [redacted – commercial information] tender notice will include specifications for the power transformer unit requested and outline delivery terms.

[redacted – commercial information]

8.3 Verification to source documents

Prior to the visit, we requested Hyosung to prepare supporting documents for three selected domestic sales transactions. We requested Hyosung provide the purchase order, details of any progress payments schedule, tax invoices and evidence of payment. These documents are at confidential attachments DOM. We verified that the sales volume and value in the domestic sales spreadsheet reflected the volume and value in the source documents provided. Based on the transactions examined, we are satisfied that the invoice price shown in the domestic sales spread sheet accurately reflected the price paid by domestic customers and that payments were made pursuant to the terms of sale.

[redacted – commercial information]

8.4 Arms' length

Hyosung submitted that it sold its transformers directly to domestic customers and that no third party, wholesaler or other intermediary was involved. During the visit, no evidence was identified which would suggest that;

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

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- 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 Hyosung's domestic sales of power transformers to its customers were arms' length transactions.

8.5 Ordinary course of trade

We have constructed normal values and added the profit achieved on profitable domestic sales of power transformers. We verified the revenue and costs associated with domestic sales. The profit on profitable domestic sales, expressed as a percentage of CTMS, was **[redacted – commercial information]**. We consider it appropriate to only use profitable domestic sales as each power transformer is a separate model. Where a particular sales is found to have been sold at a loss, the recoverable cost is unchanged and the transactions is therefore considered to not be in the ordinary course of trade.

The calculation of the profitability of domestic sales is at **confidential appendix 3**.

8.6 Volume and suitability of sales

We have constructed normal values rather than use domestic sales.

8.7 Sales by other sellers

There are other sellers of power transformers in Korea and it is proposed to visit one other producer that exported power transformers to Australia.

8.8 Domestic sales – summary

We found the price paid for the goods in those domestic sales was established satisfactorily. Based on the information provided by Hyosung, and the verification processes conducted on site, we are satisfied that domestic sales are arm's length transactions in the ordinary course of trade. However, we do not consider they are suitable or relevant for the purpose of s.269TAC(1) because of the significant physical differences between power transformers. Details of domestic sales are at **confidential appendix 3**.

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9 THIRD COUNTRY SALES

We have constructed normal values rather than use selling prices.

10 ADJUSTMENTS

10.1 Level of trade

Hyosung argued that considering a reasonable amount of profit to be included in the constructed normal values, we should only have regard to those sales in the domestic market that are most comparable to the exports to Australia. The company noted that each of the transformers sold to Australia were to be used in the electricity transmission segment of the market.

Hyosung provided information to show the relevant transmission networks in which its transformers would be used, being:

[redacted – customer information]

As outlined in Section 8.1 of this report, the Korean domestic market is segmented into three distinct categories being transmission, power generation and transformation for consumption. The transmission segment is dominated by **[redacted – commercial information]** and Hyosung submits that only profits achieved on sales to **[redacted – commercial information]** that were made in the ordinary course of trade should be used in constructing normal values.

We are persuaded by Hyosung’s argument. Regulation 181A sets out the manner in which the Minister must determine an amount of profit to be included in a constructed normal value. Pursuant to reg. 181A(2), “the Minister must, if reasonably possible, work out the amount [for profit] by using data relating to the production and sale of like goods by the exporter or producer of the goods in the ordinary course of trade”

As Hyosung has domestic sales of like goods in the ordinary course of trade, we are able to use this verified data to determine a profit pursuant to reg. 181A(2).

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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 constructed normal values for comparison with export prices for power transformers exported to Australia during the investigation period under s. 269TAC(2)(c). We have made adjustments to the normal values under s. 269TAC(9) to make them fairly comparable with export prices by adding export credit costs (net of domestic credit terms). Normal value calculations are at **confidential appendix 1**.

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12 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin we compared each export transaction with the corresponding normal value. All identified exports were contracted and exported during the investigation period. The weighted average product dumping margin is 26.8%. The dumping margin calculation is at **confidential appendix 1**.

The preliminary dumping margin may be revised having regard to the various issues discussed in the Submission made by Hyosung dated 16 May 2014, made in response to this visit report.