



## **Exporter Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	16/07/2018	<b>ADN:</b>	2018/115
<b>Case:</b>	Wind Towers - Continuation Inquiry - China and Korea		
<b>Case Number</b>	487		
<b>Exporter</b>	Win&P., Ltd		
<b>Location</b>	Seoul, Korea Desktop analysis undertaken		
<b>Inquiry Period</b>	1/01/2017	<b>to</b>	30/06/2018

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED HEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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## 1 COMPANY BACKGROUND

### 1.1 Corporate Structure and Ownership

Win&P., Ltd. (Win&P) is a wholly owned subsidiary of Unison Co., Ltd (Unison). Win&P is a wind tower supplier and is the exporter of the goods under consideration. Unison is a supplier of complete wind power generation systems focusing on wind turbine and wind park development.

Win&P's head office is located in Seoul, Korea. Manufacturing is based in Sacheon which is in the southern part of Korea.

### 1.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

#### 1.2.1 Related Customers

Based on Win&P's response to the Exporter Questionnaire (REQ), verified sales data and audited financial statements, the verification team did not identify any information that suggests Win&P's customers are related to Win&P.

#### 1.2.2 Related Suppliers

Based on Win&P's REQ, verified sales data and audited financial statements, the verification team did not identify any information that suggests Win&P's suppliers are related to Win&P.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

Wind towers are manufactured in accordance with unique designs and specifications required by customers for each project. The design will take into account the environmental conditions and market of the individual project concerned.

Win&P provided a description of its production process. In summary, the main raw material input to producing a wind tower is plate steel (ordered to specific grades and properties depending on the design requirements of the tower). Plate steel is cut to the specified dimension, its edge bevelled and then bent into the desired radius forming a cone cylinder (a “can”). Subsections are can-welded and then welded to other subsections to form a section. Flanges are then attached to each section before an internal weld takes place. Door parts are installed before the section is shot blasted and painted. Finally, internals are assembled, the section is packed and transported to the main shipping port. Each stage includes multiple quality and assurance checks.

#### 2.1.1 Model Control Codes (MCCs)

Win&P Ltd does not maintain MCCs for the goods, nor is it necessary. As outlined in section 2.1, Win&P produces and sells wind towers on an order basis to specific customer and project requirements.

### 2.2 The goods exported to Australia

During the inquiry period, Win&P did not export wind towers to Australia.

### 2.3 Like goods sold on the domestic market

Win&P advised that it sold wind towers on the domestic market in Korea during the inquiry period. However, Win&P claimed that the goods sold domestically differ significantly to goods sold on the export markets due to different design specifications (height, weight, circumference and internals), market conditions and environment.

#### 2.3.1 Model matching

Noting that the goods produced for the domestic market are not identical to those produced for export and the absence of exports of wind towers to Australia during the inquiry period, the verification team is unable to carry out model matching.

### 2.4 Like goods – assessment

The verification team notes that wind towers vary from project to project and have different technical properties and specifications. Nevertheless, all wind tower sections share common characteristics, have comparable end use applications and are produced in a similar manner. Therefore the verification team considers that the goods produced by Win&P for domestic sale are ‘like goods’ in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

### 3 UPWARDS VERIFICATION OF SALES

#### 3.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with Anti-Dumping Notice (ADN) No. 2016/30.<sup>2</sup>

The revenue reported in Win&P's 2017 audited financial statement, and 2018 half year Income Statement, was demonstrated in the accounting system used by the exporter. Sales ledgers to separate revenue streams were provided to breakdown the revenue by goods and non-goods sold during the inquiry period. Revenue shown in the domestic sales and third country sales listings provided in Win&P's REQ were then reconciled to the Win&P's accounting system via the relevant sales ledgers for the inquiry period.

#### 3.2 Completeness and Relevance Finding

The verification team is satisfied that the sales data provided in the REQ by Win&P is complete and relevant.

The verification team did not identify any issues during this process.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

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<sup>2</sup> [Anti-Dumping Notice No. 2016/30](#).

## **4 DOWNWARDS VERIFICATION OF SALES**

### **4.1 Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur). The verification team verified accuracy of the domestic sales and third country sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team were alerted to the following issues, outlined below, during this process.

#### **4.1.1 Exceptions during Verification of Sales Accuracy**

No.	Exception	Resolution	Evidence Relied On
1	Project specified weight: The weight presented in the original sales data was based on the original specification diagram. There are normally slight variances between the originally specified weight and the actual weight of the finished product.	Win&P amended the sales data for both Domestic Sales and Third Country Sales to now reflect the weight stated on the final specification drawing.	The verification team reconciled the revised weights to the commercial invoices and packing lists. These are based on the final specification diagram.
2	Credit expense was incorrectly recorded for one domestic sale. Credit was originally calculated based on the original contract amount which was subsequently revised.	Win&P amended the entry and recalculated the credit expense.	New credit calculation based on total invoice amount which was reconciled to source documents.
3	When applying the credit expense for a small number of third country sales, some of these projects were unpaid prior to the REQ being submitted. Win&P assumed the unpaid amount was paid on the date of the REQ, for credit period reporting purposes.	This was revised by applying the now known actual payment dates, collected after the REQ date.	New credit calculation provided, and payment dates were reconciled to source documents.
4	In the REQ, Win&P had reported the packing labour cost by applying almost the same unit price per piece. The packing labour cost for the embed product was inadvertently not reported.	Packing was amended to include embed product as recorded.	Revised packing calculation with total amounts for labour and material costs reconciled to the relevant ledger accounts.

## **4.2 Sales Accuracy Finding**

The verification team is satisfied that the sales data provided in the REQ by Win&P, including any required amendments as outlined as an exception above, is accurate.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

**5 COST TO MAKE AND SELL**

**5.1 Verification of completeness and relevance of CTMS data**

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

**5.2 Completeness and Relevance Finding of CTMS data**

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

The verification team is satisfied that the CTMS data provided in the REQ by Win&P is complete and relevant.

**5.3 Verification of CTMS Allocation Methodology**

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ, in accordance with ADN No. 2016/30.

<b>Cost Area</b>	<b>Methodology Applied</b>	<b>Evidence Relied On</b>
Raw Materials	Win&P applies an actual cost allocation method for raw materials assigned on a project basis. The three main raw material types are plate steel, flanges and internals. Production records track consumption of all inputs and outputs of raw materials on a project basis.	The verification team was provided copies of selected raw material invoices which were able to be reconciled to the exporter’s accounting system and raw materials ledger.
Scrap Allocation	Steel scrap is generated from the production of wind towers. Scrap is temporarily stored and sold to unaffiliated companies. Sales of steel scrap are recognised as domestic sales income in income statements.	The verification team was provided with relevant calculations and source documentations to verify the sale value of scrap.
Manufacturing Overheads	Manufacturing overheads are directly incurred for each project. Indirect costs are traced to the individual project on an allocation basis.	Win&P provided an excerpt from its accounting system (relevant trial balance) to reconcile direct and indirect overheads.
Labour	Direct labour is included in the direct overhead costs and is directly incurred for each project.	Win&P provided an excerpt from its accounting system (relevant trial balance) to reconcile labour costs.
Depreciation	Win&P uses straight line depreciation.	Win&P demonstrated depreciation costs by providing excerpts from its accounting system as well as a copy of its asset register.



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Packaging	Packaging costs are included under materials allocated directly to each project as well as direct overheads for packaging labour.	Win&P provided screen shots from its accounting system showing packing material costs incurred, and the packing outsourcing contract for labour.
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### 5.4 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the CTMS data provided in the REQ by Win&P is reasonable.

### 5.5 Verification of Accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified one issue, outlined below, during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

#### 5.5.1 Exceptions during Verification of Accuracy of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Slight variation from one of the selected sales and the raw material ledger. This only affected three line items. Noting that the total value and quantity of the three lines was still correct, it was just that they had been allocated to each line incorrectly.	Verification team was able to manually adjust the three line items. The error was due to a manual entry. There was no overall change to the CTMS for each project.	Sales invoices, packing list and an explanation from Win&P.

### 5.6 Accuracy Finding of CTMS data

The verification team is satisfied that the CTMS data provided in the REQ by Win&P, including any required amendments as outlined as the exception above, is accurate.

## 6 EXPORT PRICE

### 6.1 The importer

Win&P did not export wind towers to Australia during the inquiry period, therefore an assessment on importers could not be made.

### 6.2 The exporter

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

As Win&P did not export the goods to Australia during the inquiry period the verification team is unable to consider whether Win&P Ltd is the exporter of the goods in this instance.

### 6.3 Export Price – assessment

As Win&P did not export wind towers to Australia during the inquiry period, sufficient information is not available to determine the export price of the goods using:

- the price paid or payable by the importer;<sup>3</sup>
- the price in Australia less prescribed deductions (deductive export price);<sup>4</sup> or
- the price having regard to all the circumstances of the exportation.<sup>5</sup>

### 6.4 Conclusion

The verification team recommends that export price be determined under subsection 269TAB(3), having regard to all relevant information.

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<sup>3</sup> Subsection 269TAB(1)(a) refers.

<sup>4</sup> Subsection 269TAB(1)(b).

<sup>5</sup> Subsection 269TAB(1)(c).

## **7 DOMESTIC SALES SUITABILITY**

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

### **7.1 Arms length**

In respect of domestic sales of the goods made by Win&P to its customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Win&P to domestic customers during the investigation period were arms length transactions.

### **7.2 Ordinary course of trade**

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of wind towers to the actual domestic CTMS for that wind tower to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for particular goods, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the OCOT.

### **7.3 Suitability of domestic sales**

As discussed in section 2.3.1 there are no export sales of the goods to Australia. Given the substantial variability from tower to tower and the absence of exports with which to compare domestic sales, the Commission considers there is an absence of relevant sales on the domestic market that would enable a proper comparison.

Normal value in this circumstance would normally be constructed under subsection 269TAC(2)(c), using the costs to make the goods that were exported to Australia, plus selling, general and administrative (SG&A) costs applicable to the goods sold domestically, and an additional amount for profit. As there were no relevant exports during the inquiry period, a relevant cost to make is not available.

Finally, while Win&P did provide sales and cost data for third country sales which were verified, the verification team considers that it is not relevant to determine a normal value under 269TAC(2)(d) (sales to an appropriate third country). The significant variability

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between tower specifications means that there is no basis for an appropriate comparison which would then have relevance to the Australian market.

### **7.4 Conclusion**

The verification team recommends that normal value be determined under subsection 269TAC(6), having regard to all relevant information.

As the verification team was unable to ascertain a normal value, and the fact there were no export sales to Australia during the inquiry period, the verification team did not calculate a dumping margin.

**8 APPENDICES AND ATTACHMENTS**

<b>Confidential Attachment 1</b>	Verification work program
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