



**Inquiry 449 and Review 457**

**CONTINUATION INQUIRY AND REVIEW OF  
ANTI-DUMPING MEASURES ON ZINC COATED  
(GALVANISED) STEEL  
EXPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA, THE  
REPUBLIC OF KOREA AND TAIWAN**

**VERIFICATION REPORT - EXPORTER**

**DONGBU STEEL CO., LTD**

**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**

**February 2018**

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## **1 BACKGROUND**

### **1.1 Inquiry background**

On 10 November 2017, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate a review of anti-dumping measures and an inquiry into the continuation of anti-dumping measures in respect of zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan. The background to initiation of these matters is contained in Anti-Dumping Notices (ADN) No. 2017/157 and No. 2017/159.

Following initiation, the Anti-Dumping Commission (the Commission) notified Dongbu Steel Co., Ltd (Dongbu) and sought its cooperation through the completion of an exporter questionnaire. Dongbu provided a completed exporter questionnaire response (REQ) and relevant attachments for the inquiry period (1 October 2016 to 30 September 2017).

## 2 THE GOODS AND LIKE GOODS

### 2.1 The goods exported to Australia

Dongbu produced and exported galvanised steel considered to be the goods to Australia during the inquiry period.

### 2.2 Like goods sold on the domestic market

Dongbu produced and sold galvanised steel considered to be like goods to customers for home consumption in Korea during the inquiry period.

The verification team considers that the goods manufactured by Dongbu for domestic consumption are identical to, or have characteristics closely resembling, the goods Dongbu exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes; and
- can be considered functionally and commercially alike, as they have similar end uses.

### 2.3 Model matching

Dongbu provided a product control number (PCN) structure for the purpose of categorising its products into comparable groups or models. The verification team discussed the product control number (PCN) structure that Dongbu had devised for the purposes of the inquiry.

Dongbu's PCN structure specifies each model by the following nine key attributes:

- Coating material (either aluminium zinc or zinc);
- Product (identifies zinc coated galvanized products);
- Quality (structural, commercial, hard, drawing or deep drawing);
- Metallic coating weight (grouped ranges);
- Thickness (base metal thickness grouped ranges);
- Width (grouped ranges);
- Form (coil or sheet);
- Temper rolling (wet skin pass or no skin pass); and
- Spangle (ultra smooth, minimised spangle, regular spangle, zero spangle).

Dongbu's PCN structure is consistent with the original investigation.

Based on this structure, Dongbu exported 13 models of galvanised steel to Australia during the inquiry period. By comparison, it sold 169 models on the domestic market.

### **2.3 Like goods – preliminary assessment**

The verification team considers that the goods produced by Dongbu for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore '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 VERIFICATION OF EXPORT SALES TO AUSTRALIA

#### 3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Dongbu's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

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**.

#### 3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Dongbu's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. 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**.

#### 3.3 The exporter

For all Australian export sales during the inquiry period, the verification team considers Dongbu to be the exporter of the goods.<sup>2</sup>

#### 3.4 The importer

The verification team considers that the customer listed for each shipment in the Australian sales listing was the beneficial owner of the goods at the time of importation and therefore was the 'importer' of the goods.

#### 3.5 Related party customers

The verification team did not identify any information that might suggest any of the Australian customers were related to Dongbu based on its REQ, sales data and audited financial statements.

#### 3.6 Arms length

In respect of Dongbu's Australian sales galvanised steel during the inquiry period, the verification team found no evidence that:

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<sup>2</sup> 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.

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- 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 directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>3</sup>

The verification team therefore considers that all export sales to Australia made by Dongbu during the inquiry period were arms length transactions.

### 3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate.

In respect of Dongbu's Australian sales of galvanised steel, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>3</sup> Section 269TAA of the Act refers.

## 4 COST TO MAKE AND SELL

### 4.1 Verification of costs to audited financial statements

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

### 4.2 Verification of costs to source documents

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

### 4.3 Related party purchases

Based on Dongbu's CTMS information and REQ, the verification team identified raw material purchases from a related supplier.

The verification team found that volume of raw materials purchased from the related supplier was not material.

### 4.4 Cost to make and sell – summary

Having verified Dongbu's CTMS information to audited financial statements and to source documents, the verification team is satisfied that Dongbu's CTMS information is complete, relevant and accurate.

Dongbu's CTMS information is at **Confidential Appendix 2**.



## 5 VERIFICATION OF DOMESTIC SALES

### 5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Dongbu's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30. The verification team did not identify any issues during this process.

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

### 5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Dongbu's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. The verification team did not identify any issues during this process.

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

### 5.3 Related party customers

Dongbu made domestic sales of the goods to related customers during the inquiry period.

The verification team compared the volumes and unit selling prices of sales made to related customers and sales made to non-related customers. The verification team found that prices to related customers were comparable to prices to non-related customers purchasing similar volumes of goods.

### 5.4 Arms length

In respect of Dongbu's domestic sales of galvanised steel during the inquiry 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 directly or indirectly reimbursed, compensated or otherwise receive 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 Dongbu during the inquiry period were arms length transactions.

### 5.5 Ordinary course of trade

Section 269TAAD of the Act 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).

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The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model group, 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 inquiry period. Those sales found to be unrecoverable were considered not to be in the OCOT.

### **5.6 Suitability of domestic sales**

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export.

Low volume is defined by subsection 269TAC(14) as less than 5% of the total volume of the goods under consideration that are exported to Australia. The verification team found there was a sufficient volume of comparable domestic sales made in the OCOT for all but one model exported to Australia during the inquiry period. For the one model where the verification team did not find a sufficient volume of comparable domestic sales made in the OCOT, a surrogate model was used.

### **5.7 Domestic sales – summary**

The verification team is satisfied that the Dongbu's domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1).

The revised domestic sales listing is at **Confidential Appendix 3**.

## 6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(8).

### 6.1 Packing

The verification team considers that a downwards adjustment for domestic packing costs and an upwards adjustment to the normal value for export packing costs is necessary to ensure a fair comparison to the FOB export price.

The verification team has applied the downwards adjustment based on the actual domestic packing expense, and the upwards adjustment based on the weighted average export packing cost (per MT) over the inquiry period.

### 6.2 Inland freight

The verification team considers that a downwards adjustment for domestic inland freight costs and an upwards adjustment to the normal value for export inland freight costs are necessary to ensure a fair comparison to the FOB export price.

The verification team has applied the downwards adjustment based on the actual domestic inland freight cost and the upwards adjustment based on Dongbu's weighted average Australian export inland freight cost over the inquiry period.

### 6.3 Credit terms

The verification team considers a downwards adjustment for domestic credit costs and an upwards adjustment to the normal value for export credit costs is required to ensure a fair comparison to the export price. Calculated by the short term interest rate over payments days covering the inquiry period.

Dongbu's credit adjustments have been applied in accordance with the *Dumping and Subsidy Manual*. The downwards adjustment was calculated by reference to the short term interest rate and the average number of payment days for each customer during the inquiry period. The upwards adjustment was calculated by reference to the short term interest rate and the average number of payment days for the sample of sales the verification team verified to source documents.

### 6.4 Discounts

Dongbu advised that no discounts apply to its Australian sales. In respect of Dongbu's domestic sales, Dongbu provided information about the discounts it provides its customers. The information provided was verified for accuracy. Certain discounts were not considered as an adjustment but rather reduced the net invoice price.

The verification team notes that for other discounts none of the domestic models whereby the discount applied were compared to any Australian model for the purpose of

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ascertaining a normal value. Therefore, an adjustment for these discounts does not apply to the normal value.

### 6.5 Warranties

Dongbu advised that it did not provide warranties in relation to sales to Australia. In respect of Dongbu's domestic sales, Dongbu submitted that, occasionally, credit is provided to customers in certain circumstances whereby a claim is made for defective merchandise. Dongbu explained that there were no formal documents regarding warranties for the goods. For this reason, a downwards adjustment to the normal value for warranty expenses was not made. The verification team notes that the amounts in relation to warranties is not material.

### 6.6 Handling

The verification team considers an upward adjustment for export handling is required to ensure a fair comparison to the export price. The adjustment for export handling is based on Dongbu's weighted average Australian export handling cost over the inquiry period.

### 6.7 Bank charges

The verification team considers an upward adjustment for export bank charges is required to ensure a fair comparison to the export price. The adjustment for export bank charges is based on Dongbu's weighted average Australian export bank charge cost over the inquiry period.

### 6.8 Adjustments – conclusion

Adjustment Type	Deduction/addition
Domestic packing	<b>Deduct</b> the cost of domestic inland transport
Domestic inland freight	<b>Deduct</b> the cost of domestic inland freight
Domestic credit costs	<b>Deduct</b> the cost of domestic credit
Export inland freight	<b>Add</b> the cost of export inland freight
Export handling	<b>Add</b> the cost of the export handling
Export packing	<b>Add</b> the cost of export packing
Export bank charges	<b>Add</b> the cost of export bank charges
Export credit costs	<b>Add</b> the cost of export credit

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## 7 NORMAL VALUE

### *Galvanised steel*

The verification found that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in Section 6.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## **8 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the inquiry period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of galvanised steel exported to Australia by Dongbu for the inquiry period is **2.4%**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

**9 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Australian export sales
<b>Confidential Appendix 2</b>	CTMS information
<b>Confidential Appendix 3</b>	Domestic sales
<b>Confidential Appendix 4</b>	Normal value
<b>Confidential Appendix 5</b>	Dumping margin
<b>Confidential Attachment 1</b>	Verification work program, with attachments