



**Inquiry 450 and Review 456**

**CONTINUATION INQUIRY AND REVIEW OF  
ANTI-DUMPING MEASURES ON ALUMINIUM ZINC  
COATED STEEL EXPORTED FROM THE  
PEOPLE'S REPUBLIC OF CHINA AND THE  
REPUBLIC OF KOREA**

**VISIT 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**

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 in respect of aluminium zinc coated steel (the goods) and an inquiry into whether the continuation of anti-dumping measures in respect the goods exported to Australia from the People's Republic of China (China) and the Republic of Korea (Korea) is justified. The background to initiation of these matters is contained in Anti-Dumping Notices (ADN) No. 2017/156 and No. 2017/158.

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 aluminium zinc coated steel considered to be the goods to Australia during the inquiry period.

### **2.2 Like goods sold in the domestic market**

During the inquiry period, Dongbu sold like goods to domestic customers in Korea.

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 1 model of aluminium zinc coated steel to Australia during the inquiry period. By comparison, it sold 66 models on the domestic market.

## **2.4 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 that Dongbu 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 the single 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 of aluminium zinc coated 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.

## PUBLIC RECORD

- 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 consider that Dongbu may have exported a low volume of aluminium zinc coated steel to Australia during the review period. An analysis of Dongbu's export volumes will be conducted by the case team.

If the case team determine that Dongbu exported a low volume of the relevant goods to Australia during the review period, it will be appropriate to determine the export price of the goods under subsection 269TAB(2B) having regard to any of the following:

...

*(a) the export price for the goods exported to Australia by the exporter established in accordance with subsection 269TAB(1) for a decision of a kind mentioned in subsection 269TAB(2D);*

*(b) the price paid or payable for like goods sold by the exporter in arm's length transactions for exportation from the country of export to a third country determined by the Minister to be an appropriate third country;*

*(c) the export price for like goods exported to Australia from the country of export by another exporter or exporters established in accordance with subsection 269TAB(1) for a decision mentioned in subsection 269TAB(2D).*

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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 aluminium zinc coated 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).

## **PUBLIC RECORD**

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. This requirement has been referred to the case team for further consideration.

### **5.7 Domestic sales – summary**

The use of Dongbu's domestic sales listing to assess normal values under subsection 269TAC(1) has been referred to the case team for consideration, in conjunction with the determination of the export price due to the low volume of goods exported.

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). Export adjustments below have been recommended on the finding that both zinc coated (galvanised) steel and aluminium zinc coated steel sold by Dongbu carry the same costs.

### 6.1 Packing

The verification team considers that both a downwards adjustment to the normal value 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 both a downwards adjustment to the normal value 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 sale. In respect of Dongbu's domestic sales, Dongbu provided information about the discounts it provides its customers. The information provided was verified for accuracy. The verification team did not consider either of these discounts as an adjustment, but rather reduced the net invoice price. Therefore, no adjustments were made 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**

As noted above, the case team will consider whether Dongbu exported a low volume of the relevant goods to Australia during the review period, and whether it is appropriate to determine the export price of the goods under subsection 269TAB(2B). The case team will also determine the normal value methodology.

**8 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 Attachment 1</b>	Verification work program, with attachments