

**PUBLIC RECORD VERSION**

**Australian Government**

**Australian Customs and  
Border Protection Service**

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**INVESTIGATION INTO THE ALLEGED DUMPING  
AND SUBSIDISATION OF  
HOT ROLLED PLATE STEEL  
EXPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA, REPUBLIC OF  
INDONESIA, JAPAN, THE REPUBLIC OF KOREA  
AND TAIWAN**

**CASE NUMBER 198**

**EXPORTER VISIT REPORT  
HYUNDAI STEEL COMPANY**

May 2013

THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT  
REFLECT THE FINAL POSITION OF THE AUSTRALIAN CUSTOMS AND BORDER  
PROTECTION SERVICE.

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## 2 ABBREVIATIONS

ACDN	Australian Customs Dumping Notice
AUD	Australian dollar
CNF	Cost and freight
CEO	Chief Executive Officer
Customs and Border Protection	Australian Customs and Border Protection Service
EQR	Exporter questionnaire response
FOB	Free on board
GUC	Goods under consideration
KRW	Korean Won
MT	Metric tonne
SEF	Statement of essential facts
S,G&A	Selling, general and administrative
the Act	<i>Customs Act 1901</i>
the Minister	the Minister for Home Affairs
USD	US dollars

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## 3 BACKGROUND

### 3.1 Introduction

On 21 December 2012, an application was lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister)

- publish dumping duty notices in respect of plate steel exported to Australia from the People's Republic of China (China), Republic of Indonesia (Indonesia), Japan, the Republic of Korea (Korea) and Taiwan; and
- publish a countervailing duty notice in respect of plate steel exported to Australia from China.

BlueScope alleged that the Australian industry has suffered material injury caused by hot rolled plate steel (the goods) being exported to Australia from Indonesia, Japan, Korea and Taiwan at dumped prices and from China at dumped and subsidised prices.

BlueScope provided further information and data in support of its application, the last of which was received on 29 January 2013. As a result, Customs and Border Protection restarted the 20 day period for considering the application.

On 12 February 2013, following consideration of the application, the CEO decided not to reject the application and the Australian Customs and Border Protection Service (Customs and Border Protection) initiated an investigation. Public notification of initiation of the investigation was made in *The Australian* newspaper on 12 February 2013. Australian Customs Dumping Notice (ACDN) No. 2013/18 provides further details of the investigations and is available on Customs and Border Protection's website at [www.customs.gov.au](http://www.customs.gov.au).

#### 3.1.1 Hyundai Steel Company

Following initiation of the investigations, a search of Customs and Border Protection's import database indicated that Hyundai Steel Company (Hyundai Steel) exported hot rolled plate steel from Korea to Australia in the period 1 January 2012 to 31 December 2012 (the investigation period).

Customs and Border Protection notified Hyundai Steel of the initiation of the investigations and sought its cooperation with the investigation and provided an exporter questionnaire in respect of hot rolled plate steel for the company to complete. The company completed the exporter questionnaire, and a non-confidential version of the questionnaire response is available on the public record.

### 3.2 Purpose of the visit

The purpose of the visit was to verify information contained in the Hyundai Steel exporter questionnaire response (EQR).

Information verified during the visit has been used to make preliminary assessments of:

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- who is the exporter and who is the importer;
- export prices and normal values; and
- dumping margins.

At the commencement of the meeting the verification team was advised it was not required to state the key dates or other important administrative issues. For the record Hyundai Steel would have been advised the following:

- the statement of essential facts (SEF) will be released on or before 3 June 2013 setting out the facts on which Customs and Border Protection proposes to base the recommendations to the Minister and given the current time frames an extension to the SEF was likely;
- Customs and Border Protection's Final Report was due to the Minister on or before 17 July 2013 subject to any extension to the due date for the SEF;
- Interested parties are invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of that statement being placed on the public record and that timely submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister;
- a visit report will be prepared and Hyundai Steel will be provided a draft of the report to review its completeness, accuracy and calculations;
- a public record of the visit report will be prepared following consultation about confidentiality; and any information provided by Hyundai Steel during the verification meetings would be treated as confidential unless we were advised otherwise.

### 3.3 Meeting – dates and attendees

The verification meetings took place at:

231 Yangjae-Dong  
Seoucho-Gu  
Seoul  
Korea

The following were present at various stages of the interview:

Dates	21,22 and 23 May 2013
Hyundai	<b>[CONFIDENTIAL TEXT DELETED – names of company officials]</b>
Sojong Accounting	<b>[CONFIDENTIAL TEXT DELETED – names of company employees]</b>
Moulis Legal	Daniel Moulis, Principal Andrea Goldberg, Graduate Lawyer

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Customs and Border Protection	Tom O'Connor, Manager Operations 1 Cathy Cole, Supervisor Operations 1
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**3.4 Cooperation**

Hyundai cooperated with the verification of details contained in the EQR and provided further information when requested.

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## 4 Company information

### 4.1 General

Hyundai Steel is Korea's oldest steel maker and the only steel maker to run both fully integrated steel mills and mini-mill operations.

Established as 'Korea Heavy Industry Corporation' in 1953, it was privatised in 1962, listed on the Korean Stock Exchange in 1987 and became a member of the Hyundai Group in 1978. In 2000 the company merged with Kangwon Industries and Sammi Steel Company and in 2001 joined the Hyundai Motor Group. In 2004 Hyundai Steel acquired the assets of Hanbo Steel's Dangjin plant and in 2006 was renamed as Hyundai Steel Company.

Hyundai Steel manages three manufacturing facilities located in Dangjin, Incheon and Pohang to produce a wide variety of steel products including reinforcing bars, H-beams, structural sections, HRC products, heavy plate, stainless steel products and other steel products for heavy machinery. These products are used in the construction, automotive, shipbuilding, home appliance, engineering and machinery industries.

Attachment **GEN1** is a copy of the Hyundai's PR Brochure.

Hyundai Steel's principal shareholders are Kia Motors (21.29%), MK Chung (12.52%) and **[CONFIDENTIAL TEXT DELETED – shareholder information (under 10%)]**.

The principal shareholders of Kia Motors are Hyundai Motor (33.8%) and National Pension (6.01%) and the principal shareholders of Hyundai Motor are Hyundai Mobis (20.78%), **[CONFIDENTIAL TEXT DELETED – shareholder information (under 10%)]**.

**Confidential Attachment GEN2** is a copy of the company information as provided at A-3, Appendix A-2 and Appendix A-3 of the EQR.

In its exporter questionnaire response (EQR) Hyundai Steel stated that its company is a member company of the Hyundai Motor Group through cross-ownership. Hyundai Motor Group is composed of 10 listed companies and 45 unlisted companies pursuant to the monopoly regulations and fair trade laws of Korea. A diagram of the ownership structure as included in Appendix A-1 of the EQR was provided along with a listing of related parties as per Appendix A-5 of the EQR. **Confidential Attachment GEN 3** refers.

Hyundai Steel advised that **[CONFIDENTIAL TEXT DELETED – name of unrelated company]** is a separate entity and not related to Hyundai Steel.

### 4.2 Accounting structure

The corporate accounting period for Hyundai Steel is the calendar year.



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Hyundai Steel maintains its books and records in Korean Won (KWN) and prepares its financial statements in KRW for local statutory purposes. Financial statements are prepared from 1 January to 31 December each year.

The accounting records are primarily held at its Seoul office.

Hyundai Steel advised that it used **[CONFIDENTIAL TEXT DELETED – identification of proprietary software system]** for reporting financial information.

Hyundai Steel provided a flowchart of its financial accounting system and a copy of its chart of accounts as per Appendix A-6 of the EQR, refer **Confidential Attachment GEN4**.

Hyundai Steel explained the production flow of hot rolled steel plate commencing with the iron making process, then the steel making process, the rolling process and finishing with the plate making process (Appendix A-11 EQR) and how these processes are captured in its cost accounting system (Appendix G-1). Hyundai Steel provided us with copies of these appendices; refer **Confidential Attachment GEN 5**.

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## 5 THE GOODS AND LIKE GOODS

Following the initiation of the investigation a number of interested parties sought clarification regarding goods that are subject to the investigation. Following consultation with BlueScope, Customs and Border Protection issued ACDN No. 2013/20<sup>1</sup> to provide clarification regarding the goods that are covered by the investigation. This ACDN did not alter the description of the goods as described in the application. Section 6.1.1 regarding the description of the goods reflects information provided in the application and clarified by ACDN 2013/20.

### 5.1 Description

The imported goods the subject of the application are:

Flat rolled products of:

- iron;
- non-alloy steel; or
- non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed;

of a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.

Goods excluded from this application are:

- 250 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;
- 350 megapascal (MPa) yield strength grades of plate steel with a thickness greater than 100mm;
- Q & T Green Feed grades of plate steel with a thickness greater than 105mm;
- heat treated Q & T grades of plate steel.

#### 5.1.1 Additional product information

The goods under consideration (GUC) are generically called hot rolled plate steel, plate steel, coil plate steel or Q&T green feed (used interchangeably with GUC in this application).

Trade or further generic names often used to describe these goods include:

- “XLERPLATE” steel;
- “XLERPLATE LITE” steel;
- Plate;
- Pattern Plate;

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<sup>1</sup> ACDN 2013/20 is available on Customs and Border Protection's website at [www.customs.gov.au](http://www.customs.gov.au).

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- Coil Plate;
- Checker Plate;
- Floor Plate;
- Q&T Green Feed.

### Quench and Tempered (Q&T) green feed

Imported alloy steel plate product grades that are made by BlueScope and also imported into Australia are generically called Q & T Green Feed. Q & T Green Feed is supplied only in non heat-treated condition. Q & T Green Feed steel grades possess a higher hardenability, which (on heat treating) results in higher strength and hardness properties over 250 MPa and 350 MPa non-alloy steel grades. To achieve this higher hardenability, additional specific alloys are added during the steelmaking process (i.e. thereby incurring a higher cost of production).

Q & T Green Feed grades of steel have chemical compositions that typically fall within the following range:

- Carbon Max – 0.40%
- Manganese Max – 1.6%
- Silicon Max – 0.65%
- Sulphur Max – 0.035%
- Phosphorous Max – 0.035%
- Nickel Max – 2.5%
- Chrome Max – 2.0%
- Molybdenum Max – 1.0%
- Vanadium Max – 0.15%
- Boron Max – 0.006%.

The percentage of individual alloying elements will vary in accordance with each manufacturer's grade specifications and not all elements may be utilised in all Q & T Green Feed steel grades.

Q&T Green Feed products are normally "negotiated mill to customer" chemistry grades of plate steel.

Q & T Green Feed is only supplied in the non heat-treated condition (ie the heat treatment process to achieve the higher hardenability is undertaken by BlueScope's customer(s)).

#### 5.1.2 Tariff classifications

The application states that plate steel is classified to the following tariff subheadings:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings:

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- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40; and
- 7208.52.00 statistical code 41

the general rate of duty is currently 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 statistical codes 22 and 24, the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia.

### 5.2 Like Goods

Subsection 269T(1) defines like goods to mean:

*Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

In its EQR Hyundai Steel stated that it manufactures and sells many kinds of plate steel specifications of the goods under consideration (GUC) in the Australian market as well as the domestic market. These can be classified into several groups having the same technical standards and therefore used in the same applications.

Hyundai Steel explained that the

**[CONFIDENTIAL TEXT DELETED – confidential statement from EQR]**

Seven grades of plate were exported to Australia during the POI. These were: **[CONFIDENTIAL TEXT DELETED – identification of grades exported to Australia]** grades.

So as to organise the GUC into certain groupings having the same physical characteristics, Hyundai established a 7-digit Product Control Number (PCN).

Each of the 7-digits relates to a particular characteristic, with each characteristic having a number of code options.

The PCN structure is as follows:

Digit	Characteristic	No of Codes
<b>[CONFIDENTIAL TEXT DELETED]</b>		

Digit 2 of the PCN is for categorising goods that have the same technical standards into the following applications:

- **[CONFIDENTIAL TEXT DELETED – product characteristics for coding purposes]**

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The tensile strength categories (Digit 3) are:

**[CONFIDENTIAL TEXT DELETED – product characteristics for coding purposes]** The verification team considers the PCN code structure reasonable with **[CONFIDENTIAL TEXT DELETED – product characteristics for coding purposes]**.

During the investigation period **[CONFIDENTIAL TEXT DELETED – number]**% of the export sales to Australia were **[CONFIDENTIAL TEXT DELETED – type of exported goods]** with the balance categorised as being for **[CONFIDENTIAL TEXT DELETED – other types of exported goods]**. The tensile strength of these export sales ranged from **[CONFIDENTIAL TEXT DELETED – details of product exported to Australia]**.

It is Hyundai Steel's view that exported models should be compared to domestic models based on PCN classification system outlined in the table above.

At Attachment 27 of its EQR Hyundai Steel provided a table of the **[CONFIDENTIAL TEXT DELETED – number]** PCNs for the goods exported to Australia during the investigation period and the correlating domestic PCNs for the domestic models that are considered comparable.

During the meeting Hyundai Steel explained that each specification meets a particular standard, for example **[CONFIDENTIAL TEXT DELETED – specification of exported product and limitation of its use]**. Hyundai Steel **[CONFIDENTIAL TEXT DELETED – details of company's production, costing and pricing information]**.

Hyundai Steel does not manufacture quench and tempered green feed.

Almost **[CONFIDENTIAL TEXT DELETED – number]** model types (when defined by item) of plate were sold on the domestic market and **[CONFIDENTIAL TEXT DELETED – number]** model types of the GUC were exported to Australia during the period of investigation.

Based on the Hyundai Steel PCN code structure explained above, the **[CONFIDENTIAL TEXT DELETED – number]** model types exported to Australia equate to **[CONFIDENTIAL TEXT DELETED – number]** PCN structure codes and the **[CONFIDENTIAL TEXT DELETED – number]** identical model types sold on the domestic market equate to **[CONFIDENTIAL TEXT DELETED – number]** PCN codes

Given differences in model numbers due to different standard and grade requirements in the Australian market, the verification team considers the Hyundai Steel methodology a reasonable approach for determining models sold on the domestic market that are like goods to those exported to Australia.

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### 5.3 Conclusion

We consider that the plate steel manufactured by Hyundai Steel for the domestic market, while not alike in all respects to the goods under consideration, has characteristics closely resembling those of the goods under consideration in terms of s.269T(1) of the *Customs Act 1901* (the Act) and are like goods.

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## 6 EXPORT SALES TO AUSTRALIA

### 6.1 General

During the investigation period Hyundai Steel exported a total volume of **[CONFIDENTIAL TEXT DELETED – number]** MT of the goods to **[CONFIDENTIAL TEXT DELETED – number]** importers comprising **[CONFIDENTIAL TEXT DELETED – number]** different grades. Hyundai Steel indicated it did not manufacture or export quench and tempered green feed to Australia. As part of its EQR, Hyundai Steel provided a spreadsheet identifying all of its export sales to Australia, by inter alia, customer, grade, weight and value.

Below is a summary of the grades sold during the investigation period.

Grade	MT
<b>[CONFIDENTIAL TEXT DELETED – grades and numbers]</b>	

### 6.2 Sales volume and value

During the investigation period Hyundai Steel exported the goods to **[CONFIDENTIAL TEXT DELETED – number]** Australian importers. The following table shows volumes and values to each of the importers.

Level of trade	Customer name	Sales Channel	MT	Gross invoice value USD
<b>[CONFIDENTIAL TEXT DELETED – customer names and numbers]</b>				

Hyundai Steel identified each of the importers by level of trade; distributor and or trader. In its EQR Hyundai Steel indicated the selling prices to the importers were negotiated on a transaction by transaction basis and no discernible price differences were noticeable for particular levels of trade. The verification team analysed selling prices to each importer and noted same.

### 6.3 Export sales process

In its EQR, Hyundai Steel indicated that there are two sales channels for goods shipped to Australia.

#### 6.3.1 Channel 1.

Hyundai Steel indicated that channel 1 is a direct sale to the importer located in Australia. These sales are on **[CONFIDENTIAL TEXT DELETED – sales terms]** terms.

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### 6.3.2 Channel 2.

These sales are made via trading companies located in **[CONFIDENTIAL TEXT DELETED – details of arrangement with trading companies]**

These sales were made on **[CONFIDENTIAL TEXT DELETED – sales terms]** terms.

Hyundai Steel indicated that all sales for goods destined for Australia were made in the abovementioned channels. The verification team was informed **[CONFIDENTIAL TEXT DELETED – details of commercial arrangements]**

### 6.4 Pricing

The verification team was informed that each sale was made via a negotiation process. Depending on the sales channel, the trader or importer would either contact Hyundai Steel, or via distribution of the *price idea*, the price negotiation would commence. Hyundai Steel released the *price idea* usually monthly or as needed. **[CONFIDENTIAL TEXT DELETED – details of pricing policy]**

The *price idea* is not a price list, but an indication of the price to commence negotiations, **[CONFIDENTIAL TEXT DELETED – details of pricing policy]**.

All factors are considered in formulating a final price. These include region, customer volume, type of good, market conditions and the credit terms sought. Despite importers being identified into different levels of trade on the Australian market, the verification team found this did not transpire into different pricing.

Once the price is confirmed an order confirmation is prepared. This may be in the form of a contract which is countersigned by Hyundai Steel and the importer. Together with the order confirmation **[CONFIDENTIAL TEXT DELETED – details of sales arrangement]** The execution of this document commences the manufacturing process. Hyundai Steel informed the verification team that it takes between **[CONFIDENTIAL TEXT DELETED – numbers]** days to manufacture the goods. Once completed, the goods are trucked to one of three ports. The port choice is dependent on the shipping company used.

The commercial invoice is prepared **[CONFIDENTIAL TEXT DELETED – details of invoicing]**.

### 6.5 Terms

During the investigation period the selling terms are **[CONFIDENTIAL TEXT DELETED – sales terms]** with payment being **[CONFIDENTIAL TEXT DELETED – payment terms]**.

Following the verification of the export documentation it was identified that for goods sold with **[CONFIDENTIAL TEXT DELETED – sales terms]** terms, Hyundai Steel indicated that **[CONFIDENTIAL TEXT DELETED – aspect of sales terms]**. Hyundai Steel pays for **[CONFIDENTIAL TEXT DELETED – aspect of sales terms]**.



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### 6.6 Export packaging

Hyundai Steel indicated that the vast majority of the goods are shipped as break bulk without any packaging. The verification team found one instance where the goods were containerised before shipping. Hyundai Steel advised that in this instance, **[CONFIDENTIAL TEXT DELETED – commercial arrangement with shipping company]**

### 6.7 Customer discounts

**[CONFIDENTIAL TEXT DELETED – details of pricing policy]** The negotiated price is the price paid. The verification team found no evidence to the contrary.

### 6.8 Export sales verification - reconciliation to source documents

Prior to the visit, the verification team requested that Hyundai Steel provide supporting documents for 10 shipments to Australia selected by Customs and Border Protection.

Hyundai Steel provided source document bundles for each of these shipments during the verification, containing the:

- purchase order;
- commercial invoice;
- packing list;
- shipping order/instructions;
- bill of lading;
- ocean freight tax invoice; and
- bank statement showing proof of payment

The verification team traced the information from the source documents and matched it to the data contained in the detailed sales spreadsheet. These document bundles form **confidential attachment EXP 1-9**.

#### 6.8.1 Ocean freight

The shipping terms for **[CONFIDENTIAL TEXT DELETED – number]**% of the exported transactions were **[CONFIDENTIAL TEXT DELETED – sales term]**

The remaining sales were **[CONFIDENTIAL TEXT DELETED – sales term]**.

Three of the selected transactions were for sales with **[CONFIDENTIAL TEXT DELETED – sales term]** terms. The **[CONFIDENTIAL TEXT DELETED – aspect of sales terms]** varied from USD **[CONFIDENTIAL TEXT DELETED - number]**/MT to USD **[CONFIDENTIAL TEXT DELETED – number]**/MT.

Hyundai Steel provided us with copies of the ocean freight invoices and we were able to trace the figures in the source documents to the data contained in the detailed sales spreadsheet. See **confidential attachment EXP 1-9**

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### 6.8.2 Inland freight

Hyundai Steel included inland transport costs in its export sales and domestic sales spreadsheets. The inland transport costs were based on the **[CONFIDENTIAL TEXT DELETED- freight company]** schedule.

**[CONFIDENTIAL TEXT DELETED – details of commercial freight arrangements, accounting for freight, and numbers]**

### 6.8.3 Port charges

Hyundai Steel's selling terms for export sales require it to deliver the goods to the relevant port. **[CONFIDENTIAL TEXT DELETED – details of port charges arrangement]**

To demonstrate these charges, Hyundai Steel provided us with documentation for the export sale, serial number **[CONFIDENTIAL TEXT DELETED – number]**. We were able to trace the value of the charge to the export sales worksheet and to the invoice amount charged by the crane company. See **confidential attachment EXP 12**

### 6.8.4 Bank Charges

On receipt of payment from the importer, Hyundai Steel pays bank charges. Within the export sales worksheet, the bank charges were added to the amount for port and wharfage charges. Hyundai Steel provided the bank charge voucher supplied by the bank as evidence of these fees. Each export sales from confidential attachment EXP 1-9 refers.

### 6.8.5 Warranty

In its EQR Hyundai Steel stated there were no warranty and guarantee expenses related to Australian export sales during the investigation period. **[CONFIDENTIAL TEXT DELETED – details of warranty arrangements]**, **confidential attachment EXP 13.**

## 6.9 Export sales verification – reconciliation to financial statements

Hyundai Steel's Income Statement for 2012 shows a total company sales value of KRW **[CONFIDENTIAL TEXT DELETED – number]**.

During the visit Hyundai Steel provided us with a package of documents reconciling export and domestic sales to its income statement **confidential attachment EXP 14 & 15.**

The verification of export sales also includes the verification of domestic sales.

As part of the package Hyundai Steel provided a schedule of total company sales that reconciled to the audited financial statements. In this schedule Hyundai Steel identified three general categories: **[CONFIDENTIAL TEXT DELETED – types of**

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**goods]** The schedule provided the value and volume by quarter. Attached to the schedule were quarterly screen shots from the sales system that identified the product value and volume. The total value and volume agreed to the turnover at attachment 10 of the EQR.

Hyundai Steel stepped the verification team through different schedules each with supporting documentation from the sales system to the export sales volume. Hyundai Steel removed non GUC goods, mainly those that were below the 4.75mm scope. The verification team was informed that Hyundai Steel records two types of domestic sales: domestic sales and *domestic sales local*, being sales to Korean fabricators where the manufactured goods are then sold overseas.

Hyundai Steel also identified total export sales value and volume by country.

We have reviewed the methodology and the supporting documentation and are satisfied that the sales value in the Australian sales spreadsheet reconciles with the audited financial statements. We are also satisfied that the sales volumes recorded in the spreadsheet can be reconciled to volumes recorded in the accounting system.

### 6.10 Forward orders

**[CONFIDENTIAL TEXT DELETED – details about forward orders].**

### 6.11 The exporter

The *Customs Act 1901* (Customs Act) does not define the “exporter”, however Customs and Border Protection tends to look for the circumstances surrounding the exportation of the goods.

#### 6.11.1 Direct exports: Channel 1.

For all direct export sales during the period of investigation, we consider Hyundai Steel to be the exporter of GUC because Hyundai Steel:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- directly invoices Australian customers for the goods;
- arranges and pays inland transport costs from the place of manufacture and packaging to port of export;
- arranges and pays for other associated freight and insurance costs depending on the specific sales terms;
- is the 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 freight forwarder for delivery to Australia;
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer.

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### 6.11.2 Indirect exports: Channel 2

We also consider Hyundai Steel to be the exporter for all indirect export sales to Australia because Hyundai Steel:

- is the manufacturer of the goods; and
- sells the goods to the intermediary with actual knowledge that the goods are destined for export to Australia.

We are satisfied that whilst Hyundai Steel remits all responsibility to the intermediaries for all administration of the export of the goods to Australia after the FOB point, the verification team considers:

- **[CONFIDENTIAL TEXT DELETED – names of trading companies]**

operate as third party traders, and are not appropriately characterised as the exporters of the goods.

### 6.12 The importer

#### 6.12.1 Direct exports

We noted that Hyundai Steel' Australian customers:

- negotiate directly with Hyundai Steel for the purchase of goods;
- are named as the consignee on the bill of lading;
- arrange customs clearance, quarantine, logistics, and, depending on the terms of sale as negotiated, overseas freight and storage of the goods after they have been delivered to the Australian port; and
- take control of the goods on arrival and become the beneficial owner of the goods.

We consider that Hyundai Steel' invoiced Australian customers are the beneficial owners of the goods at the time of importation and are therefore the importer of the GUC exported by Hyundai Steel during the POI.

#### 6.12.2 Indirect exports

With respect to indirect exports made via **[CONFIDENTIAL TEXT DELETED – names of trading companies]**:

- These intermediaries retain beneficial ownership of the goods once the goods have passed the FOB point in Korea; and
- These intermediaries are thereafter responsible for the exportation of the goods to Australia pursuant to independent sales negotiations between these intermediaries and Australian customers.

As such we consider Australian customers invoiced by these intermediaries to be appropriately characterised as the importer of indirect exports made via the intermediary trading companies during the investigation period.

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### 6.13 Arms length

In determining export prices under s.269TAB(1)(a) of the Act and normal values under s.269TAC of the Act, the legislation requires that the relevant sales are arms' length transactions.

Section 269TAA the Act 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.

#### 6.13.1 Direct exports

We found no evidence to suggest that the prices negotiated between Hyundai Steel and its Australian customers were influenced by any relationship or arrangement, commercial or otherwise during the investigation period. The verification team also did not find any evidence to indicate that any consideration, compensation or other benefit passes between Hyundai Steel and its Australian customers in relation to the goods other than the price negotiated, reflected in executed sales agreements and listed for payment in commercial invoices.

#### 6.13.2 Indirect exports - [CONFIDENTIAL TEXT DELETED – name of contracting party involved with exports]

Hyundai Steel submits that it is not affiliated with [CONFIDENTIAL TEXT DELETED – company name] and advised that [CONFIDENTIAL TEXT DELETED – company name] is part of the [CONFIDENTIAL TEXT DELETED – company group name] group of companies for which Hyundai Steel is not part of.

However we note that [CONFIDENTIAL TEXT DELETED – company name] publicly represents itself as being 'Korea's largest general trading company that has taken the lead in promoting export of Korea and [CONFIDENTIAL TEXT DELETED – company group name] (sic).

Hyundai Steel explained that the [CONFIDENTIAL TEXT DELETED – company name], whilst sharing a common historical origin, has no direct or indirect ownership or management affiliation with the Hyundai Motor Group. Furthermore in Hyundai Steel's financial statements there was no evidence of any ownership.

The verification team is satisfied with Hyundai Steel's explanation of the relationship between itself and [CONFIDENTIAL TEXT DELETED – company name]

For completeness, we analysed the unit prices by product, by customer across the period of investigation and found no significant or consistent pricing patterns with respect to sales between Hyundai Steel and [CONFIDENTIAL TEXT DELETED – company name] that would suggest that the affiliation between Hyundai Steel and [CONFIDENTIAL TEXT DELETED – company name] had any discernible influence on price of the goods sold, relative to comparable sales to unaffiliated parties.

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We also found no evidence to suggest that **[CONFIDENTIAL TEXT DELETED – company name]**, was directly or indirectly reimbursed in respect of the purchase price of the goods (or part thereof) during the period of investigation.

As such, we consider the sales between Hyundai and **[CONFIDENTIAL TEXT DELETED – company name]** to be arms' length transactions within the definition of the Act.

### 6.13.3 Indirect exports – Other intermediaries

We found no evidence to suggest that the prices negotiated between Hyundai Steel and **[CONFIDENTIAL TEXT DELETED – names of trading companies]** were influenced by any relationship or arrangement, commercial or otherwise during the investigation period. Furthermore the verification team did not find any evidence to indicate that any consideration, compensation or other benefit passes between Hyundai Steel and these intermediaries in relation to the goods other than the price negotiated, reflected in executed sales agreements and listed for payment in commercial invoices.

As such, we consider the sales between Hyundai Steel and these intermediaries to be arms' length transactions within the definition of the Act.

## 6.14 Export price – preliminary assessment

### 6.14.1 Direct export sales

In the case of direct export sales to Australia by Hyundai Steel, 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

Therefore, we consider that export price for direct export sales from Hyundai Steel can be established under section 269TAB(1)(a) of the Customs Act using the invoiced price less amounts for ocean freight and/or marine insurance as appropriate.

### 6.14.2 Indirect export sales

In the case of indirect export sales to Australia, we consider that:

- that the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from an entity other than the exporter; and
- the purchase of the goods were arm's length transactions

On the basis of the above and in the absence of any reliable information relating to the commercial sales terms between the intermediaries and their Australian customers from which to determine the sales price, we consider that the export price for indirect export sales from Hyundai Steel can be established under section

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269TAB(3) using the invoiced price (on an FOB basis) between Hyundai Steel and the respective intermediaries having regard to all relevant information.

Export price calculations are included at **confidential appendix 1**.

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## 7 COST TO MAKE AND SELL

### 7.1 Background

Hyundai Steel is a fully integrated steel producer with three facilities in South Korea. Hyundai Steel advised that the Dangjin plant is the only production facility that makes the goods. During the investigation period, Hyundai Steel indicated its production capacity of the goods to be **[CONFIDENTIAL TEXT DELETED – number]** million MT. At attachment 14 to the EQR Hyundai Steel indicated that the production volume was **[CONFIDENTIAL TEXT DELETED – number]**million MT during the investigation period.

Hyundai Steel advised that the goods manufactured for export to Australia have identical production costs to those goods sold on the domestic market. Hyundai Steel indicated that this will be the case in the domestic and export CTMS worksheets.

Hyundai Steel has adopted actual processing costs to record the cost of production In its EQR Hyundai provided a flowchart of its cost accounting system (EQR – Attachment 38).

The costs of the material, labour and overheads are based on the cost centres in Hyundai Steel's accounts. The cost centres comprise direct cost centres (manufacturing process) and indirect cost centres (supporting processes). All of the costs including material, labour and overhead costs for indirect costs centres are allocated to direct cost centres. Hyundai Steel then calculates all of the direct costs and indirect costs (as allocated from the indirect cost centres) for the manufactures product (including semi-products) so that the cost of the manufacturing statements includes all costs.

Finished goods costs are transferred to the finished goods inventory movement ledger, from which point Hyundai Steel can calculate the cost of sales as reported in its Income Statement.

Hyundai calculates the cost of manufacturing on a monthly basis. Amortized and depreciated costs are also calculated monthly.

Capital expenses are captured in the interest expenses included in the Income Statement. Capitalized development costs are amortised over five years and the amortised amount is classified to amortised expenses.

Hyundai maintains specific item cost in order to calculate the cost of manufacture for specific products

### 7.2 Production process

In tis EQR Hyundai stated that “the Company has two production methods for GUC as follows:



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### 7.2.1 HR Plate

Hyundai Steel makes the goods via hot rolled coil and via the production of slab. Both products are made by Hyundai Steel. HR plate is manufactured to a thickness on **[CONFIDENTIAL TEXT DELETED – number]** and down to approximately **[CONFIDENTIAL TEXT DELETED – number]**.

Hyundai indicated that HR plate is often made from ferroalloy and scrap metal either purchased or generated within the steel works.

### 7.2.2 Plate

The primary raw materials used for manufacturing the product concerned are iron ore and coal. Hyundai Steel produces pig iron from the raw material iron ore and coal through iron making process. After the iron making process Hyundai Steel produces slab through the steel making process. The slab is transferred to the plate rolling process to adjust the thickness and width to satisfy the customers' requirements."

Hyundai Steel advised that there is no by-product produced in these processes. Most of the steel scrap that results from producing the goods is reintroduced to the steel making process. Very few portions of steel scrap were sold out to customers."

## 7.3 Cost of production

For its production process Hyundai Steel uses a nomenclature to identify the manufacture of the goods. The nomenclature builds up on the initial production process adding additional digits until the final item code is derived for the finished good.

Hyundai Steel explained that its cost accounting system is based on an actual process cost accounting system. Costs are captured in the cost centres on an actual rather than a standard cost basis. At attachment 36 to the EQR is a diagram of the cost account system.

To manufacture the goods, Hyundai Steel indicated the following production processes:

### **[CONFIDENTIAL TEXT DELETED – production processes]**

For each process from a) through to e) Hyundai Steel uses separate cost codes that are noted on each of the production records.

To demonstrate the cost of manufacture the verification team identified a product with item code **[CONFIDENTIAL TEXT DELETED - number]**. Hyundai Steel provided the production records and inventory movement ledgers for each of the above stages of production and the cost code centres were identified.

At each stage we were provided with the ledger that identified all the actual costs incurred at the relevant stage. Whilst not standard costing, Hyundai Steel indicated that these records were akin to bill of materials at each stage.

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The verification team was able to trace to costs from the initial pig iron manufacturing stage through to the finished goods stage. See **confidential Attachment CTM 1**

The actual cost of production was then separated into two different products items although the unit cost of production was the same. Hyundai Steel indicated that the reason for the different finished goods item codes was the need to separate the goods by length to agree to the PCN codes as described in the like goods section.

The verification team compared the unit cost of production to the PCN recorded in the domestic cost to make and sell work sheet. The unit cost of production agreed.

Hyundai Steel described the process for classifying direct and indirect costs. To make plate steel Hyundai Steel considers the production lines to be direct costs. The verification team was advised that the all machinery is metered to record the usage of utilities and that time was the main cost driver.

Indirect costs were considered to be supporting processes that were considered to not fall to any one direct cost centre. These costs were allocated based on various allocation methods including production volume, and relative time.

To calculate CTM data for the EQR Hyundai Steel calculated cost factors based on the Danjin plant's actual cost to manufacture for 2012. These cost factors were then multiplied by the production quantity to calculate a CTM. To verify the cost factor calculation Hyundai Steel prepared a package that included the following:

1. Cost of Manufacture Statement – Dangjin; and
2. Total Production Cost Statement, generated from the production system

The total production cost statement listed the item classification (material, labour or overhead), the cost element code, the cost element name (listed in Korean) and the amount.

The verification team reviewed the documents and noted that the total amount in the cost of manufacture statement reconciled with the total amount in the Total Production Cost statement. See **confidential attachment CTM 2**

The verification team verified the following costs;

- Iron Ore – [CONFIDENTIAL TEXT DELETED – account details]
- Coking coal – [CONFIDENTIAL TEXT DELETED – account details]
- Labour – [CONFIDENTIAL TEXT DELETED – account details]
- Electricity – [CONFIDENTIAL TEXT DELETED – account details]
- Depreciation – [CONFIDENTIAL TEXT DELETED – account details]

### 7.3.1 Iron Ore

Hyundai Steel provided the verification team with a raw material report for iron ore from the cost system showing period ID, final element cost code, material item code, material item description, amount and allocation quantity. The total amount of KRW

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**[CONFIDENTIAL TEXT DELETED – number]** on this report for cost element code **[CONFIDENTIAL TEXT DELETED – account details]** reconciled with the amount for **[CONFIDENTIAL TEXT DELETED – account details]** in the Total Production Cost Statement.

The item selected for further verification was iron ore (low quality), material item code R80A15 showing an amount for February of KRW **[CONFIDENTIAL TEXT DELETED – number]** and allocated quantity of **[CONFIDENTIAL TEXT DELETED – number]** MT. We were provided with the raw material movement ledger for iron ore for February and the figures for withdrawal for item R880A15 balanced with the raw material report.

Referring back to the Iron ore raw material inventory movement ledger, the purchase quantity of item code R80A15 for the month of February was **[CONFIDENTIAL TEXT DELETED – number]** MT at a total cost of KRW **[CONFIDENTIAL TEXT DELETED – number]**. We were able to trace these figures to the Detailed Raw material purchase Report – Feb 2012. The report showed that the total cost figure was the sum of the material purchase cost, freight, customs clearance, unloading, demurrage and internal expense. The material cost component of KRW **[CONFIDENTIAL TEXT DELETED – number]** could be traced to a bank payment to **[CONFIDENTIAL TEXT DELETED – name of supplier]** for USD **[CONFIDENTIAL TEXT DELETED – number]**. This USD figure reconciled to an invoice from **[CONFIDENTIAL TEXT DELETED – name of supplier]** for a shipment of **[CONFIDENTIAL TEXT DELETED – number]** MT at a cost of USD **[CONFIDENTIAL TEXT DELETED – number]**. See confidential attachment CTM 3

### 7.3.2 Coking Coal

Hyundai Steel provided the verification team with a raw material report for coking coal (low quality) from the cost system showing period ID, final element cost code, material item code, material item description, amount and allocation quantity. The total amount of KRW **[CONFIDENTIAL TEXT DELETED – number]** on this report for cost element code **[CONFIDENTIAL TEXT DELETED – account details]** reconciled with the amount for **[CONFIDENTIAL TEXT DELETED – account details]** in the Total Production Cost Statement.

The item selected for further verification was iron ore (low quality), material item code R80B21 showing an amount for March of KRW **[CONFIDENTIAL TEXT DELETED – number]** and allocated quantity of **[CONFIDENTIAL TEXT DELETED – number]** MT. We were provided with the raw material movement ledger for coking coal for March and the figures for withdrawal for item R880A15 balanced with the raw material report.

Referring back to the Iron ore raw material inventory movement ledger, the purchase quantity of item code R80B21 for the month of March was **[CONFIDENTIAL TEXT DELETED – number]** MT (net) at a total cost of KRW **[CONFIDENTIAL TEXT DELETED – number]**. We were able to trace these figures to the Detailed Raw material purchase Report – March 2012. The report showed that the total cost figure was the sum of the material purchase cost, freight, customs clearance, unloading, demurrage and internal expense. The report also showed that the new weight of

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[CONFIDENTIAL TEXT DELETED – number] MT equated to a gross weight of [CONFIDENTIAL TEXT DELETED – number] MT. The material cost component of KRW [CONFIDENTIAL TEXT DELETED – number] could be traced to a bank general transaction slip showing a payment to [CONFIDENTIAL TEXT DELETED – supplier]BHP Billiton for USD [CONFIDENTIAL TEXT DELETED – number] for a material in transit account showing a balance of USD [CONFIDENTIAL TEXT DELETED – number]. The USD [CONFIDENTIAL TEXT DELETED – number] figure reconciled to two invoices from [CONFIDENTIAL TEXT DELETED – name of supplier] for shipments of totalling [CONFIDENTIAL TEXT DELETED – number] MT (gross) at a cost of USD [CONFIDENTIAL TEXT DELETED – number]. See **confidential attachment CTM 4**

### 7.3.3 Labour

Hyundai Steel provided us with a Cost Centre Report for cost code [CONFIDENTIAL TEXT DELETED – account details] showing a month by month summary for 2012. Each month had a unique period ID code. The total labour amount in this report KRW [CONFIDENTIAL TEXT DELETED – number] reconciled with the amount for cost code [CONFIDENTIAL TEXT DELETED – account details] in the Total Production Cost Statement.

We were then provided with a Detail Cost Centre Report for the month of February for period ID code A201202, first cost centre code [CONFIDENTIAL TEXT DELETED – account details], final cost centre code [CONFIDENTIAL TEXT DELETED – account detail]. The report showed period ID, final element cost code, final cost element name, first cost centre code, first cost centre name and amount. The report total of KRW [CONFIDENTIAL TEXT DELETED – number] reconciled with the amount for A201202 in the [CONFIDENTIAL TEXT DELETED – account detail] Cost Centre Report.

Referring to the detail cost centre report for period ID A201202, the report showed a labour amount of KRW [CONFIDENTIAL TEXT DELETED – number] for the plate rolling process, cost centre code [CONFIDENTIAL TEXT DELETED – account detail]. We were provided with a Wage Voucher Details report showing cost centre code, cost centre name, voucher details and amounts. The total figure for this report is KRW [CONFIDENTIAL TEXT DELETED – number], reconciling with Cost Code A201202 Report total.

For cost centre code [CONFIDENTIAL TEXT DELETED – account detail], the Cost Code [CONFIDENTIAL TEXT DELETED – account detail] Report showed a fixed wage amount of KRW [CONFIDENTIAL TEXT DELETED – number] and a variable rate of KRW [CONFIDENTIAL TEXT DELETED – number]. The total of these figures equals KRW [CONFIDENTIAL TEXT DELETED – number], reconciling with the figure for [CONFIDENTIAL TEXT DELETED – account detail] cost centre report.

We were provided with a Fixed Wage transaction slip that listed fixed wages for each cost centre code and were able to reconcile the fixed wage labour payment for cost centre [CONFIDENTIAL TEXT DELETED – account detail] to the Wage Voucher Details Report. See **confidential attachment CTM 5**

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### 7.3.4 Electricity

Hyundai Steel provided us with a Summary Cost Element Electricity Report. The report listed direct (cost code **[CONFIDENTIAL TEXT DELETED – account detail]**) and indirect electricity (cost code **[CONFIDENTIAL TEXT DELETED – account detail]**) costs for 2012. The total electricity amount reconciled with the electricity figures in the Total Production Cost Statement.

We were then provided with a Detail Cost Centre Report for the month of February for period ID code A201202, first cost centre **[CONFIDENTIAL TEXT DELETED – account detail]**, for direct and indirect electricity. The report total of KRW **[CONFIDENTIAL TEXT DELETED – number]** reconciled with the total amount for A201202 in the Summary Cost Element Electricity Report.

Referring to the detail cost centre report for period ID A201202, the report showed an amount of KRW **[CONFIDENTIAL TEXT DELETED – number]** for electricity for the plate rolling process, cost centre code **[CONFIDENTIAL TEXT DELETED – account detail]**.

We were provided with a Monthly Electricity Details Report for the Dangjin plant that and an Electricity Voucher Details report that both showed an amount of KRW **[CONFIDENTIAL TEXT DELETED – number]** for electricity for the hot rolling process. Both reports showed a total amount for electricity for the Dangjin plant of KRW **[CONFIDENTIAL TEXT DELETED – number]**.

We were provided with a **[CONFIDENTIAL TEXT DELETED – name of supplier]** electricity invoice and general transaction slip for payment of the electricity invoice for a total of KRW **[CONFIDENTIAL TEXT DELETED – number]**. After deducting VAT, this figure could be reconciled to the electricity cost centre cost report (page 7 of handout).

As mentioned above the electricity bill total was KRW **[CONFIDENTIAL TEXT DELETED – number]** less VAT is a net figure of KRW **[CONFIDENTIAL TEXT DELETED – number]**. Hyundai Steel explained that the electricity bill covers electricity supply for the entire site, including other business areas. The verification team was informed that each site is metered to separately record the usage. To demonstrate the electricity supply to the Dangjin plant Hyundai Steel provided us with sales vouchers for electricity totalling an amount of KRW **[CONFIDENTIAL TEXT DELETED – number]**. Additionally, Hyundai Steel indicated **[CONFIDENTIAL TEXT DELETED – arrangement with utility provider]**.

Hyundai steel provided the invoice from the electricity supplier and a via the electricity usage by cost centre ledger the verification team was able to reconcile the invoice cost back to usage. See **confidential attachment CTM 6**

### 7.3.5 Depreciation

Hyundai Steel provided us with a Cost Centre Report for cost code **[CONFIDENTIAL TEXT DELETED – account details]** showing a month by month summary for 2012. Each month had a unique period ID code. The total depreciation amount in this report

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KRW [CONFIDENTIAL TEXT DELETED – number] reconciled with the amount for cost code [CONFIDENTIAL TEXT DELETED – account details] in the Total Production Cost Statement.

We were then provided with a Detail Cost Centre Report for the month of February for period ID code A201202, first cost centre [CONFIDENTIAL TEXT DELETED – account details], final cost centre [CONFIDENTIAL TEXT DELETED – account details]. The report showed period ID, final element cost code, final cost element name, first cost centre code, first cost centre name and amount. The report total of KRW [CONFIDENTIAL TEXT DELETED – number] reconciled with the amount for A201202 in the [CONFIDENTIAL TEXT DELETED – account details] cost centre report.

Referring to the detail cost centre report for period ID A201202, the report showed a depreciation amount of KRW [CONFIDENTIAL TEXT DELETED – number] for the plate rolling process, cost centre code 04-64112. We were provided with a Depreciation Voucher Details Report showing cost centre code, cost centre name, voucher details and amounts. The total figure for this report is KRW [CONFIDENTIAL TEXT DELETED – number] reconciling with Cost Code A201202 Report total.

For cost centre code [CONFIDENTIAL TEXT DELETED – account details], the Depreciation Voucher Details Report showed two amounts, KRW [CONFIDENTIAL TEXT DELETED – number] and KRW [CONFIDENTIAL TEXT DELETED – number]. The total of these amounts is KRW [CONFIDENTIAL TEXT DELETED – number], reconciling with the figure for [CONFIDENTIAL TEXT DELETED – account details] in the A201202 cost centre report.

We were provided with a Detailed Depreciation Cost Centre [CONFIDENTIAL TEXT DELETED – account details] Report that listed machinery assets for the cost centre. The total of this report was KRW [CONFIDENTIAL TEXT DELETED – number], reconciling the Depreciation Voucher Details Report and the Cost Centre Report. See **confidential attachment CTM 7**

### 7.3.6 CTM verification– Reconciliation to financial statements

The verification team asked to reconcile the cost of manufacture to the audited financial statements.

Hyundai Steel provided a cost to manufacture schedule for each of its manufacturing facilities with Danjing being separately identified. The sum of the total cost of manufacture was transferred to another schedule and reconciled with the audited financial statements cost of sales. See **confidential attachment CTM 8**.

The reconciliation identified the movement of purchased goods and ending inventory and duty drawback revenue.

To confirm the total cost of manufacture at the Danjing facility, Hyundai Steel provided a schedule of all costs incurred at this plant. The costs were identified by class, being, materials labour, overhead and scrap revenue. The total of these costs classes agreed with the work in progress total. After adjusting for beginning and



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transferred out goods the total agreed to the cost of manufacture schedule used for the company wide cost of manufacture statement.

To drill down to reconcile the cost to make in the domestic and export cost to make worksheets, Hyundai Steel provided another schedule that identified the cost to manufacture of the Danjing plant by product class.

This schedule broke down the cost to manufacture further into product types eliminating non GUC. Furthermore for anti-dumping purposes, the schedule identified that overlap of cost to make of goods that were identical but were needed to be separated into domestic and export cost to make worksheets.

Hyundai Steel provided a package to show the audited financial statements reconciliation with the COS and COM Statements for 2012

### 7.4 SG&A

At attachment 39 to the EQR Hyundai Steel provided the SG&A calculation methodology. Allocation factors for selling, administrative, financial, delivery and other costs were calculated for domestic and export sales based on activity and sales value.

To support the figures in attachment 39 SG&A calculations we were provided with Korean versions (with English annotations) of the 2012 audited Income Statement and notes for SG&A, finance income and finance expense and other income and expense. See **confidential attachment CTMS 1**

We have reviewed the data provided and are satisfied that the SG&A calculations in EQR attachment 39 reconcile to the audited accounts.

The verification team was satisfied that Hyundai Steel appropriately identified relevant costs pertaining to the export and domestic sales activities and removed expenses not associated with the sales.

### 7.5 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the CTMS for hot rolled plate steel provided by Hyundai Steel. We consider the CTMS are suitable for:

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The CTMS the various models is summarised at attachments 37 and 40 of the EQR.

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## 8 Domestic Sales

### 8.1 Market

#### 8.1.1 General

During the period of investigation Hyundai Steel had domestic sales of approximately **[CONFIDENTIAL TEXT DELETED – number]** million tonnes valued at approximately **[CONFIDENTIAL TEXT DELETED – number]** million AUD of all plate products. Sales were made to approximately **[CONFIDENTIAL TEXT DELETED – number]** customers who were both related and non-related by virtue of control or ownership criteria.

Following the discussion of like goods in section 5, the verification team has narrowed the type of steel plate for comparison purposes due to, in particular, the essential characteristics of the goods exported to Australia. In essence it was classified as **[CONFIDENTIAL TEXT DELETED – type of goods]** steel plate. The volume and value of **[CONFIDENTIAL TEXT DELETED – type of goods]** steel plate sold on the domestic market that is most like to the GUC during the period of investigation was approximately **[CONFIDENTIAL TEXT DELETED – number]** MT and worth approximately \$**[CONFIDENTIAL TEXT DELETED – number]** AUD.

The total volume sold was made of sales from **[CONFIDENTIAL TEXT DELETED – number]** different grades of **[CONFIDENTIAL TEXT DELETED – type of goods]** grade plate steel. The **[CONFIDENTIAL TEXT DELETED – number]** largest customers by volume comprised approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the domestic market.

Hyundai Steel Company indicated that all the identified grades had the same general characteristics as the goods under consideration and included **[CONFIDENTIAL TEXT DELETED – details of grades sold]**. Hyundai Steel indicated it does not make, nor sell Quench and Tempered green feed grades.

All plate steel is manufactured in the Dangjin plant and trucked to various destinations.

The verification team was informed that the domestic market is very competitive for **[CONFIDENTIAL TEXT DELETED – type of goods]** grade plate steel as the market has suppliers from China and Japan together with domestic Korean manufacturers. Approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the domestic market is comprised of imported goods. Other specialty grade plate steel is not under the same competitive forces due to reduced number of manufacturers that can make such grades.

#### 8.1.2 **[CONFIDENTIAL TEXT DELETED – commercial sales aspect]**Differences in markets

We asked Hyundai Steel to explain whether there were any differences between the products exported to Australia and products sold in Korea during the period of investigation.



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Hyundai Steel stated that the goods sold to Australia were for all intents and purposes the same as those goods sold on the domestic market. Hyundai Steel indicated that there were very minor differences with some grades but nothing of significance that would take the goods out of the **[CONFIDENTIAL TEXT DELETED – type of goods]** plate steel classification.

The goods sold on the domestic market and Australian export markets were made in the same factory using the identical production processes with slight variances to meet grade specifications.

As such, Hyundai Steel contends that there are no tangible differences between product codes sold into the Korean domestic market and the same product codes exported to Australia in terms of:

- metallurgical chemistry;
- physical specification;
- mechanical quality (tensile strength/strength elongation); and
- packing materials

### 8.2 Selling Channels

Like the export market the domestic market has two selling channels to make domestic market sales.

#### 8.2.1 Channel 1

In the EQR, Hyundai Steel indicated that sales via channel 1 are predominately to **[CONFIDENTIAL TEXT DELETED – level of trade]**.

#### 8.2.2 Channel 2

For channel 2 sales, Hyundai Steel indicated that sales via this channel are to **[CONFIDENTIAL TEXT DELETED – level of trade]**.

### 8.3 Levels of trade

Although identified as channel one or channel two the verification team examined the prices of all domestic sales for the potential level of trade issues. Hyundai Steel indicated that **[CONFIDENTIAL TEXT DELETED – sales practices]**.

#### 8.3.1 Level of trade price variances

For non-related domestic customer sales the verification team found **[CONFIDENTIAL TEXT DELETED – details of domestic sales]**.

#### 8.3.2 Related company sales

In its EQR, Hyundai Steel indicated that it made domestic sales to related companies and had some raw material purchases from these related parties as well.

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Hyundai Steel identified the following related companies' domestic market **[CONFIDENTIAL TEXT DELETED – type of goods]** like good sales.

Customer Name	Quantity mt	Net Invoice Value (KRW)
<b>[CONFIDENTIAL TEXT DELETED – names of related companies and numbers]</b>		

Hyundai Steel indicated that it identified related party sales using both share ownership and or control criteria and **[CONFIDENTIAL TEXT DELETED – details of related party sales policy]**..

**[CONFIDENTIAL TEXT DELETED – details of related party sales policy]**.

The total sales to related companies represent approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the total like goods sales made during the investigation period and **[CONFIDENTIAL TEXT DELETED – details of related party sales policy]**..

In the EQR Hyundai Steel provided a list of the related parties and their commercial operations.

On analysis, when related company sales were compared to non-related domestic sales, **[CONFIDENTIAL TEXT DELETED – details of domestic sales]**. See **confidential appendix LOT 1**

The verification team considers there is a level of trade difference as identified by prices with regard to the different market segments and relationships.

### 8.4 Ordering

Hyundai Steel described its domestic sales process as;

- all orders are placed with Hyundai Steel directly by customers in Korea, specifying the specification – standard and physical dimensions - and quantities required;
- price is negotiated **[CONFIDENTIAL TEXT DELETED – sales policy]**. between Hyundai Steel and the customer, taking into account the prevailing market circumstances at the time and industry knowledge of price movements and cost recovery;
- once the order is confirmed, the product is manufactured to order, or supplied from existing inventory;
- minimum order quantity is **[CONFIDENTIAL TEXT DELETED – number]** tonnes;
- domestic sales are made on a delivered or ex-factory basis. The significant majority of domestic sales during the period of investigation were made on a **[CONFIDENTIAL TEXT DELETED – sales term]** basis ;

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- Goods are packed using the same materials as export sales;
- With respect to delivered sales, freight from the warehouse at Dangjin to the customer is provided by **[CONFIDENTIAL TEXT DELETED – freight company]**; and
- Payments are made subject to the credit terms negotiated.

### 8.5 Pricing and terms

Again, like the export market *price ideas* are used to commence the price negotiations in the domestic market. In the EQR, Hyundai Steel indicated that **[CONFIDENTIAL TEXT DELETED – sales policy]**. Further, no agencies are used to sell goods on behalf of Hyundai Steel. Hyundai Steel provided a copy of the domestic price guidance at attachment 28 to the EQR.

The verification team was advised that the majority of sales were sold following the manufacture of the goods. Hyundai Steel indicated that **[CONFIDENTIAL TEXT DELETED – sales and production policy]**. Inventory sales volume is approximately **[CONFIDENTIAL TEXT DELETED – number]**% of total domestic sales.

Hyundai Steel has a domestic sales staff of approximately **[CONFIDENTIAL TEXT DELETED – number]** people that assist in business generation. Based on the *price idea*, the negotiation commences taking into consideration many commercial factors. **[CONFIDENTIAL TEXT DELETED – details of sales negotiation process]**.

Referring to the *price idea* supplied in the EQR, it identifies **[CONFIDENTIAL TEXT DELETED – pricing policy]**.

Many of Hyundai Steel's customers are long term and as such **[CONFIDENTIAL TEXT DELETED – sales policy]**.

The verification team found negative sales in the domestic sales worksheet provided in their EQR. It was identified that these sales were **[CONFIDENTIAL TEXT DELETED – Hyundai accounting aspects]**. To record these activities another invoice is raised to counter the value and volume of **[CONFIDENTIAL TEXT DELETED – Hyundai accounting aspects]**. At **confidential attachment DOM 1** is evidence of a sales return and the accounting treatment and sales invoice.

Following an examination of the domestic sales documents the verification team found that some domestic customers pay via domestic letters of credit in favour of Hyundai Steel.

#### 8.5.1 Payment Guarantee Fee

The verification team was advised that some customers need to obtain a guarantee payment deed before the sale will commence. This deed is to reduce payment defaults. Deeds are supported by local banks that charge a guarantee payment fee.

As part of the sales process, Hyundai Steel indicated **[CONFIDENTIAL TEXT DELETED – sales payment policy]** **[CONFIDENTIAL TEXT DELETED – percentage range]** of the invoice value. Hyundai Steel typically **[CONFIDENTIAL**

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**TEXT DELETED – sales payment policy] [CONFIDENTIAL TEXT DELETED – number]% of the fee.**

The verification team asked Hyundai Steel to provide evidence of the **[CONFIDENTIAL TEXT DELETED – sales payment policy]** and evidence of **[CONFIDENTIAL TEXT DELETED – sales payment policy]** is **[CONFIDENTIAL TEXT DELETED – accounting policy]**.. See confidential attachment DOM 2

### 8.5.2 Terms of sale

In the vast majority of transactions the sales are on **[CONFIDENTIAL TEXT DELETED – sales term]** terms with delivery being undertaken via **[CONFIDENTIAL TEXT DELETED – freight company]**. An examination of the domestic sales worksheet indicted that approximately **[CONFIDENTIAL TEXT DELETED – number]% of domestic sales are made ex-works.**

### 8.5.3 Credit terms

Credit terms are offered with the sale. Hyundai Steel indicated that offering credit affects the price. Credit terms vary and for the identified sales they were **[CONFIDENTIAL TEXT DELETED – credit terms]**. As part of the domestic sales verification of selected domestic sales, Hyundai Steel provided source documents to confirm the credit terms. See **confidential attachment DOM 3 - 11**. Hyundai Steel provided extracts from the financial system that identified the actual credit terms received.

The rate of interest applied was the interest rate applied to short term loans for loans taken out by Hyundai Steel during the investigation period. At **confidential attachment DOM 12** is a bank voucher identifying the loan and the interest rate.

Separately, Hyundai Steel indicated in the EQR that the credit terms should in fact all be extended by 15 days. The rationale is, goods are delivered throughout the month of the sale whilst the invoice is raised at the end of each month with the credit terms based on the month end basis. Hence on an average basis, the customer is getting an extra 15 days credit.

During the verification visit no information was provided to demonstrate the extra 15 days and that the extra period affected the price already charged.

### 8.5.4 **[CONFIDENTIAL TEXT DELETED – sales price policy]**

**[CONFIDENTIAL TEXT DELETED – sales price policy]** See **confidential attachment DOM 13**

### 8.5.5 Promissory notes

Domestic customers can pay for the goods via an interbank transaction or via promissory notes. Hyundai Steel indicated this form of payment which has a similar operation to a bond security is on the decline. The promissory note can be traded for merchandise, be redeemed early and or held to maturity.

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During the investigation period a small number of customers had used promissory notes. The interest rate charged on these promissory note holders is based on the Woori Bank interest rate for short term loans which during the investigation period was **[CONFIDENTIAL TEXT DELETED – number]**%. See confidential attachment DOM 12 for the Woori Bank interest rate.

### 8.5.6 Warranty expenses

Hyundai Steel advised that during the investigation period certain orders of goods were returned by domestic customers, for a variety of reasons.

Over the investigation period Hyundai Steel paid warranty claims which amount to approximately **[CONFIDENTIAL TEXT DELETED – number]**KRW per tonne when divided by the like goods domestic sales volume. The verification team was advised that the warranty claim needs to be validated before the claim will be paid. As such, Hyundai Steel provided evidence of a warranty claim which was significantly reduced from the claimed amount following validation. See **confidential attachment EXP 13** Hyundai Steel advised, in such situations, **[CONFIDENTIAL TEXT DELETED – warranty policy]**.

### 8.5.7 Inland Freight

The inland transport costs in the domestic sales spreadsheet were based on the **[CONFIDENTIAL TEXT DELETED – freight company]** schedule. Similarly with the export sales verification, **[CONFIDENTIAL TEXT DELETED – details of commercial freight arrangements, accounting for freight, and numbers]**

## 8.6 Domestic sales verification

### 8.6.1 Domestic sales listing

In its response Hyundai Steel supplied a domestic sales spreadsheet. The spreadsheet includes line by line information relating to sales made between Hyundai Steel and its customers in Korea. The sheet includes information relating, inter alia, to:

- serial number
- customer;
- level of trade;
- product model;
- product code
- specification (thickness range, width range, whether product is pickled or oiled, whether product is mill edged or trimmed edge and whether product is skim passed or not) ;
- invoice number, date of invoice and date of sale;
- payment terms and delivery terms;
- sales quantity;

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- packing type;
- gross and net invoice values (expressed in KRW); and
- various domestic charges and costs.

The original sales listing database reflected line-by-line data relating to **[CONFIDENTIAL TEXT DELETED – number]** transactions, with a volume of **[CONFIDENTIAL TEXT DELETED – number]** million tonnes with **[CONFIDENTIAL TEXT DELETED – number]** different grades of steel plate.

### 8.6.2 Sampled invoices

Prior to the visit, we requested that Hyundai Steel provide supporting documents relating to nine domestic sales of the GUC to its customers in Korea.

The nine invoices selected were as follows:

Customer Name	Model/Type	Invoice Number	Quantity (Metric Ton)	Gross Invoice Value (KRW)
<b>[CONFIDENTIAL TEXT DELETED – names of customers and numbers]</b>				

### 8.7 Domestic sales verification – reconciliation to source documents

Prior to the visit, we requested that Hyundai Steel provide supporting documents for nine sales to domestic customers selected by Customs and Border Protection.

Hyundai Steel provided source document bundles for each of these shipments during the verification, containing the:

- Purchase order information captured in the sales information system
- Sales information captured in the sales information system
- Mill test certificate
- Sales invoice
- Tax invoice
- Payment details captured in the accounts information system; and
- bank statement showing proof of payment

We were then able to match the sales information in the source documents to the data contained in the detailed sales spreadsheet. These document bundles form **confidential attachment DOM 3- 11**.

### 8.8 Domestic sales verification - reconciliation to financial statements

Domestic sale verification to audited accounts was undertaken with the export sales verification to financial statements.

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A difference with the verification was that the domestic sales were broken down into domestic sales and domestic sales local. Domestic sales local were sales made to Korean fabricators that then sold the goods overseas. These sales were included in the domestic sales volume and values.

Although the goods are made at Dangjin plant only, Hyundai Steel indicated that the goods may be made via different production lines. As such it identified the production lines and separately identified the production volumes.

Once total sales volume was identified, Hyundai Steel then reconciled the volume taking into account the **[CONFIDENTIAL TEXT DELETED – Hyundai accounting aspects]**

Following the reconciliation, the volume and value agreed to the turnover presented at attachment 10 of the EQR. See **confidential attachment EXP 14 and 15**

### 8.8.1 Conclusion

The verification team reviewed the methodology and supporting documentation provided by Hyundai Steel and is satisfied that the sales value in the domestic sales spreadsheet can be reconciled to the audited financial statements. We are also satisfied that the sales volumes recorded in the spreadsheet can be reconciled to volumes recorded in the accounting system.

## 8.9 Arms' length

### 8.9.1 Related party transactions

**[CONFIDENTIAL TEXT DELETED – details of domestic sales to related parties].**

**[CONFIDENTIAL TEXT DELETED – details of domestic sales to related parties]**

Further there is no evidence that would suggest that;

- there is any consideration payable for or in respect of the goods other than their price; or
- 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,

However there is evidence to consider that;

- 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

We consider Hyundai Steel's domestic sales of the GUC to related parties are not made in arms' length transactions.

### 8.9.2 Non Related Parties

We found no evidence that would suggest that non related parties received any benefits and there is no evidence that would suggest that



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- 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
- 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.

### 8.10 Ordinary course of trade

Following the analysis of the level of trade, Customs and Border Protection used non-related party sales to **[CONFIDENTIAL TEXT DELETED – level of trade]** for the ordinary course of trade tests.

The verification team compared the unit invoice price paid for each domestic sale with the fully absorbed CTMS for those models for the corresponding quarter. We then compared the selling prices of the loss making sales with the weighted average CTMS for the investigation period to test whether some of those sales may be taken to be recoverable within a reasonable period of time.

Pursuant to the terms of the Customs Act, Customs and Border Protection will exclude domestic sales of products in circumstances in which the total volume of unprofitable sales is found to be in excess of 20%, and deemed to be unrecoverable within a reasonable period of time.

Domestic sales cannot be used to establish normal values if the volume of domestic sales that are in the ordinary course of trade is less than 5% of the volume of comparable goods exported to Australia.

A rate of profit has been added using data related to the production and sale of like goods in the ordinary course of trade.<sup>2</sup>

#### 8.10.1 Conclusion on OCOT

Hyundai Steel exported **[CONFIDENTIAL TEXT DELETED – number]** models to Australia of various tensile strengths, thicknesses and lengths. Following the recovery test only **[CONFIDENTIAL TEXT DELETED – number]** models sold on the domestic market passed this test.

Sales found to be made at a loss, and unrecoverable, were deemed to not be in OCOT and have been excluded from normal value calculations, pursuant to the terms of the Act.

Our ordinary course of trade calculations are at **confidential appendix 2**.

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<sup>2</sup> Regulation 181A(2) of the *Customs Regulations* 1926



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### 8.10.2 Volume and suitability of sales

Domestic sales cannot be used to establish normal values if the volume of domestic ordinary course of trade sales of like goods is less than 5% of the volume of comparable like goods exported to Australia. .

We identified that all domestically sold product codes identified as 'like' the codes exported to Australia passed the volume of sales test. Following the recovery test, **[CONFIDENTIAL TEXT DELETED – details of sales information]** Given the significant number of instances where comparable like models didn't match up to the export sales volumes on a quarterly basis, Customs and Border Protection does not consider using s.269TAC(1) to determine normal values as appropriate due to the significant number of adjustments required to make the sales comparable.

Our sufficiency test calculations are at **confidential appendix 3**.

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## 9 Third country sales by the exporter

In its EQR attachment 35, Hyundai Steel provided a listing of sales to countries other than Australia. This listing was subsequently verified via the export and domestic sales verification activities. The listing included country, quantity (MT), value (KRW), payment terms and shipment terms.

Hyundai Steel explained that the sales process for Japan and Canada is not significantly different to the sales process for Australia. An order is placed, the goods are manufactured, delivered to port and a commercial invoice is issued. Sales to Japan are normally in Japanese Yen and sales to Canada are normally USD with delivery terms being either FOB or CFR and credit terms are on a **[CONFIDENTIAL TEXT DELETED – sales term]** basis.

### 9.1.1 Japan

**[CONFIDENTIAL TEXT DELETED – export sales to Japan].**

The plate exported to Japan is predominantly (approximately **[CONFIDENTIAL TEXT DELETED – number]**%) for **[CONFIDENTIAL TEXT DELETED – type of goods]** applications and Hyundai Steel's major competitors in the Japanese market for **[CONFIDENTIAL TEXT DELETED – type of goods]** applications are goods of **[CONFIDENTIAL TEXT DELETED – competition in Japanese market]**.

Hyundai Steel provided a summary of export sales to Japan showing specification and volume, refer **confidential attachment TC 1**. **[CONFIDENTIAL TEXT DELETED – number]**% of the goods were for **[CONFIDENTIAL TEXT DELETED – type of goods]**, **[CONFIDENTIAL TEXT DELETED – number]**% **[CONFIDENTIAL TEXT DELETED – type of goods]** and **[CONFIDENTIAL TEXT DELETED – number]**% **[CONFIDENTIAL TEXT DELETED – type of goods]**.

### 9.1.2 Canada

**[CONFIDENTIAL TEXT DELETED – export sales to Canada]** The plate exported to Canada is for **[CONFIDENTIAL TEXT DELETED – type of goods]** and most exports are to Canada's **[CONFIDENTIAL TEXT DELETED – region]**. Hyundai noted that most of Canada's steel mills are located on the east coast and as such Hyundai Steel's major competitors in the Canadian market are **[CONFIDENTIAL TEXT DELETED – competition in Canadian market]**.

## 9.2 Conclusion

At the visit the verification team considered the volumes and or nature of trade of exports to Japan and Canada were not similar to the volumes and nature of trade exported to Australia. Consequently the verification did not do any further verification of third country sales.

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## 10 Adjustments

### 10.1 Positive Adjustments

#### 10.1.1 Export Inland transport

As mentioned in section 6.8.2 (export sales) and section 7.7 (domestic sales), during the verification process **[CONFIDENTIAL TEXT DELETED – details of commercial freight arrangements and accounting for freight]**

Using inland freight expenses for all goods transported from the Dangjin plant the verification team has calculated an **[CONFIDENTIAL TEXT DELETED – accounting for freight]** domestic inland freight rate of KRW **[CONFIDENTIAL TEXT DELETED – number]/MT** and an **[CONFIDENTIAL TEXT DELETED – accounting for freight]** export inland freight rate of KRW **[CONFIDENTIAL TEXT DELETED – number]MT**. See confidential attachment EXP 11.

#### 10.1.2 Export wharfage, loading and bank charges

The sum of actual wharfage, loading and bank charges is reported in the export sales spreadsheet. See confidential attachment EXP 12.

The verification team also considered whether it was necessary to include an adjustment for the portion of port and wharfage fees not paid by Hyundai Steel. In making this adjustment, the verification team would also need to increase the FOB invoice value by the same amount, thereby negating the impact the adjustment. Such adjustment was not made.

#### 10.1.3 Export credit expense

Hyundai Steel included an amount in the export sales sheet for bank commissions charges incurred on collecting the export sales payments.

Commission charges were confirmed as part of export sales verification to source documents exercise. See confidential attachment Exp 1-9.

#### 10.1.4 Trader Adjustment

Sales to Australia are via one of two sales channels. Hyundai Steel indicated that channel two is via traders who then on sell to importers in Australia. The verification team used verified information from traders to calculate the selling general and administrative expenses and a rate of profit from this other source.

The verification team calculated a trader margin to be **[CONFIDENTIAL TEXT DELETED – number]%** however only a small proportion of sales made by Hyundai to Australia were through this channel. Accordingly the adjustment would amount to less than **[CONFIDENTIAL TEXT DELETED – number].%** on a weighted average basis over all export sales because of the small volume of sales through this channel.

The verification team considered the magnitude of the adjustment to be too insignificant to be material. Consequently no adjustment was made.

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### 10.2 Negative Adjustments

#### 10.2.1 Domestic sales Inland freight

As mentioned in section 6.8.2 (export sales) and section 7.7 (domestic sales), during the verification process we found that **[CONFIDENTIAL TEXT DELETED – accounting for freight]**

Using inland freight expenses for all goods transported from the Dangjin plant the verification team has calculated an **[CONFIDENTIAL TEXT DELETED – accounting for freight]** domestic inland freight rate of KRW **[CONFIDENTIAL TEXT DELETED – number]**/MT. See confidential attachment DOM 14.

#### 10.2.2 Domestic advertising

At Appendix D-3 of its EQR Hyundai Steel calculated a unit advertising cost of KRW **[CONFIDENTIAL TEXT DELETED – number]** for domestic sales. At the visit Hyundai Steel provided the verification team with a copy of the 2012 trial balance for advertising. The figure for total domestic advertising cost in the trial balance reconciled with the figure used in the unit advertising cost calculation.

We were also able to reconcile the total volume of manufactured goods on domestic market figure in the unit advertising cost calculation to the 2012 Sales Revenue Report. This report showed a breakdown of sales volume and value for domestic and export. The total of this report (KRW **[CONFIDENTIAL TEXT DELETED – number]**) reconciled with the total company turnover figure (and the audited accounts) See **confidential attachment ADJ 1**

#### 10.2.3 Domestic warranty

Hyundai Steel stated that warranty expenses related to defective products incurred for domestic sales during the investigation period.

Hyundai Steel calculated a unit average warranty expense by dividing the warranty expense per customer by the sales volume for that customer.

At attachment 34 to the EQR Hyundai Steel provided a table listing customer name, warranty expense, sales volume and unit warranty charge.

During the verification we examined documentation related to warranty claims for export sales for shipments prior to the period of investigation (section 6.8.5) and are satisfied that the warranty amounts for the domestic sales as listed in the domestic sales spreadsheet are suitable.

#### 10.2.4 Domestic credit terms

According to the domestic sales spreadsheet payment terms vary from **[CONFIDENTIAL TEXT DELETED – number]** to **[CONFIDENTIAL TEXT DELETED – number]** days. At the meeting Hyundai Steel advised that the payment terms are applicable from the date the customer is invoiced, noting that the company usually issues invoices at the end of the month. Hyundai Steel added 15 days to the credit

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period, claiming that this was an additional average credit period incurred by its customers.

Hyundai Steel used the following formula to calculate domestic sales terms: Sales value x credit period (payment terms +15 days)/365 days x short term interest rate.

At Appendix D-2 of the EQR Hyundai Steel calculated a short term interest rate of **[CONFIDENTIAL TEXT DELETED – number]%**. To support this calculation Hyundai Steel provided us with a copy of a Repayment Schedule for KRW **[CONFIDENTIAL TEXT DELETED – number]** loan for a period of **[CONFIDENTIAL TEXT DELETED – number]** days during 2012. The Schedule provided details of the principal, interest rate, interest expense, beginning and ending date and duration of the loan. We were able to reconcile the figures in the Repayment Schedule with a **[CONFIDENTIAL TEXT DELETED – name of lender]** bank deposit slip. See confidential attachment DOM 12.

The verification team did not consider the additional 15 days credit as there was no information provided to support the additional 15 day period affected the unit selling price. The verification team accepted an adjustment was required for the credit periods recorded in the sales system.

### 10.2.5 Domestic Payment Guarantee Charges

In its EQR Hyundai Steel stated that some of its domestic customers **[CONFIDENTIAL TEXT DELETED – sales payment policy]** payment guarantee insurance charges. A worksheet showing the calculation of the unit payment guarantee charge was provided at attachment 32 to the EQR.

At the visit Hyundai Steel provided us supporting documentation (confidential attachment DOM 2) including a listing of tax invoice number and date and sales volume for one of the domestic customers **[CONFIDENTIAL TEXT DELETED – sales payment policy]**. The total sales volume for this customer reconciled with the sales volume listed for this customer in attachment 32 to the EQR.

We were provided with a tax invoice and were able to reconcile the sales volume in the tax invoice back to the sales listing.

Hyundai Steel also provided us with a list of **[CONFIDENTIAL TEXT DELETED – sales payment policy]** attachment 32 to the EQR.

We were provided a general transaction slip and payment voucher for a payment made to the customer on 12/01/2012 and were able to reconcile the payment amount on the transaction slip with payment amount **[CONFIDENTIAL TEXT DELETED – sales payment policy]**. We were also provided with a payment receipt for the insurance premium paid by the customer. Hyundai Steel explained the formula used by the bank to calculate the premium payable to the bank as well as the formula adopted by Hyundai Steel **[CONFIDENTIAL TEXT DELETED – sales payment policy]**. See confidential attachment DOM 2.

We **[CONFIDENTIAL TEXT DELETED – sales payment policy]**are satisfied an adjustment is required.

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### 10.2.6 Duty Drawback

Hyundai stated that it does receive duty drawback of some duties paid on material used in the production of plate however the amount was minor and no adjustment was claimed.

Hyundai advised that the two major materials for steel making were iron ore and coal and that the customs duty rate for both these materials was 0%. Hyundai provided us with a screen shot of the tariff for iron ore and coal to support this claim. Refer **confidential attachment ADJ 2**.

We have not made an adjustment for duty drawback.

### 10.2.7 Adjustments - Summary

We are satisfied that Hyundai has sufficiently demonstrated that adjustments should be made to the domestic selling prices to make them comparable to export prices in accordance with s. 269TAC(9):

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## 11 NORMAL VALUE

### 11.1 Sales by other sellers

Customs and Border Protection establish normal values pursuant to s.269TAC(1) from sales by other sellers if there are no sales of like goods made are by the exporter. Hot rolled plate steel is made by other producers in Korea. Customs and Border Protection is visiting other Korean producers of hot rolled plate steel.

Customs and Border Protection considers Hyundai Steel made sales of like goods during the investigation period.

### 11.2 Normal Value – preliminary assessment

The verification team consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under 269TAC(2)(c) of the Act.

The team considers adjustments are required to ensure a normal value can be properly compared to export prices. The adjustments, outlined in the section above, are recommended in terms of s. 269TAC(9) of the Act pursuant to normal value under s. 269TAC(2)(c).

Our preliminary normal value calculations are at **confidential appendix 4**.

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### 12 DUMPING MARGIN

We have assessed a preliminary dumping margin, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period in accordance with subsection 269TACB(2)(b).

The product dumping margin for the investigation period is negative 7.89%.

The calculation of the dumping margin is at **confidential Appendix 5**.



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## 13 LIST OF APPENDICIES AND ATTACHMENTS

### Appendices

Confidential Appendix 1	Export price calculations
Confidential Appendix 2	Ordinary course of trade calculations
Confidential Appendix 3	Sufficiency test
Confidential Appendix 4	Normal value calculations
Confidential Appendix 5	Dumping Margin
Confidential Appendix 6	Level of Trade

### Attachments

Confidential Attachment GEN1	Company brochure
Confidential Attachment GEN2	Shareholders
Confidential Attachment GEN3	Related parties
Confidential Attachment GEN4	Accounting Structure
Confidential Attachment GEN5	Production Process
Confidential Attachment EXP1 - 9	Export sales documents
Confidential Attachment EXP10	Inland freight premium charges
Confidential Attachment EXP11	Inland freight actual charges
Confidential Attachment EXP12	Crane charges
Confidential Attachment EXP13	Warranty correction
Confidential Attachment EXP14	Export Sales verification to financial statements
Confidential Attachment EXP15	Export sales verification to financial statements
Confidential Attachment DOM1	Sales returns
Confidential Attachment DOM2	Guarantee fee terms.
Confidential Attachment DOM3 – 11	Selected domestic sales packets
Confidential Attachment DOM12	Evidence of interest rate
Confidential Attachment DOM13	Early payment discount
Confidential Attachment DOM14	Verification of inland freight
Confidential Attachment DOM15	Actual inland freight costs
Confidential Attachment TCS1	Product mix sales to Japan
Confidential Attachment CTM1	Product actual costs
Confidential Attachment CTM2	Cost factor
Confidential Attachment CTM3	Iron ore
Confidential Attachment CTM4	Coking coal
Confidential Attachment CTM5	Labour
Confidential Attachment CTM6	Electricity
Confidential Attachment CTM7	Depreciation
Confidential Attachment CTM8	CTM reconciliation to financial statements

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Confidential Attachment CTMS1	Selling General and Administration expenses
Confidential Attachment ADJ 1	Advertising expense
Confidential Attachment ADJ 2	Duty rate iron ore and coal