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**INVESTIGATIONS INTO THE ALLEGED DUMPING  
AND SUBSIDIATION OF  
HOT ROLLED PLATE STEEL  
EXPORTED FROM  
  
THE PEOPLE'S REPUBLIC OF CHINA, REPUBLIC OF  
INDONESIA, JAPAN, THE REPUBLIC OF KOREA  
AND TAIWAN  
  
EXPORTER REPORT  
  
POSCO**

THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED  
WITHIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM  
AND MAY NOT REFLECT CUSTOMS AND BORDER PROTECTION'S  
FINAL POSITION.

June 2013

# PUBLIC RECORD VERSION

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## 1. Background

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).

Following the initiation of the investigation of hot rolled investigations, a search of Customs and Border Protection's import database identified that POSCO exported plate steel from The Republic of Korea (Korea) to Australia during the period 1 January 2012 to 31 December 2012 (the investigation period)

### 1.1. Purpose of report

Following the verification visit of 28 May 2013 and POSCOS's response to the exporter questionnaire, the purpose of the report is to:

- determine the normal value and export price of hot rolled plate steel; and
- determine the dumping margin, if any.

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### 1.2. Introduction

Customs and Border Protection notified POSCO of the initiation of the investigations and sought its cooperation with the investigation, providing the company with an exporter questionnaire to complete.

POSCO completed the exporter questionnaire, and provided the non-confidential version of this questionnaire response. This is available on the Public Record.

Prior to the meeting Customs and Border Protection forwarded POSCO an agenda. The agenda identified

- various domestic and export sales transactions where by supporting documentation was sought;
- verification outline of the income and expense items to be verified.; and
- Discussion on like goods

Customs and Border Protection visited POSCO as part of the recently concluded investigation into dumping of hot rolled coil from Korea, Taiwan, Malaysia and Japan. The Customs and Border Protection found that POSCO's questionnaire response was complete and accurate. For this reason, and due to the volume of hot rolled plate steel exported by POSCO to Australia relative to other exporters, Customs and Border Protection determined that a one day verification visit to POSCO was required.

A record of this meeting forms **Attachment 1** to this report.

### 1.3. Company information

POSCO is a publicly listed company, limited by shares, incorporated on 1 April 1968 under the Commercial Code of Korea. POSCO has been listed on the Korean stock exchange since 1988.

POSCO is an integrated manufacturer that supplies a full range of steel products including hot-rolled and cold-rolled sheet, galvanised coil and sheet, plate and wire rod to the domestic market of Korea and to foreign export markets. POSCO maintains international offices and production and sales offices in Asia, Europe, Africa and America.

In its exporter questionnaire response (EQR), POSCO provided a detailed shareholding structure for the POSCO group of companies and affiliates. It indicated that POSCO is listed company (joint stock corporation) in Korea and is not a subsidiary of another company. POSCO has two principal shareholders with respective shareholding percentages above 5%, including the National Pension Fund and Nippon Steel Corporation. POSCO provided a full list of its domestic and foreign subsidiaries and affiliate companies and ownership / shareholding percentages.

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POSCO provided a diagram representing its internal organisational structure in its exporter questionnaire response.

### **Accounting**

POSCO's financial year is from 1 January to 31 December and it uses an enterprise wide system to capture revenue, expenses and production information.

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## 2. The Goods and Like Goods

### 2.1. The 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 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.

#### 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.

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

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### 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)).

### 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:

- 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.

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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.

### 2.2. 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 POSCO provided a list of all models exported to Australia and a list of domestic models that were considered like goods. POSCO advised that it specifies each model with a code based on the characteristics of product type, specification, thickness, width, length and surface.

In its EQR, POSCO provided domestic sales of all like goods, and indicated that two models were identical to the models exported to Australia, namely **[CONFIDENTIAL TEXT DELETED – product grade]** was identical to **[CONFIDENTIAL TEXT DELETED – product grade]** and **[CONFIDENTIAL TEXT DELETED – product grade]** was identical to **[CONFIDENTIAL TEXT DELETED – product grade]**.

The verification team was informed that the goods sold to **[CONFIDENTIAL TEXT DELETED – customer details]** being **[CONFIDENTIAL TEXT DELETED – Q &T greenfeed]** and **[CONFIDENTIAL TEXT DELETED – Q &T greenfeed]** were not like to anything that POSCO manufactured and sold on the domestic market.

POSCO prepared a like goods package that summarised the product characteristics of the **[CONFIDENTIAL TEXT DELETED – product grades]** in terms of:

1. Flatness
2. Controlled rolling
3. Rolling type T5 temperature
4. Accelerated cooling

Manufacturing production sheets were included to support the summaries. These documents are at **Confidential Attachment 2**.

POSCO explained the following in terms of the grades exported to Australia:

#### **[CONFIDENTIAL TEXT DELETED – product grade]**

- there are two grades:
  - **[CONFIDENTIAL TEXT DELETED – product grade]** (PJ) plate grade; and
  - **[CONFIDENTIAL TEXT DELETED – product grade]** (HE) HR plate grade (not supplied to the Australian market)
- POSCO indicated this was almost identical to AS3678 350



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### **[CONFIDENTIAL TEXT DELETED – product grade]**

- is a POSCO specification
- normally supplied to a distributor or a fabricator
- competes with the Q275 (from China)
- almost identical to the **[CONFIDENTIAL TEXT DELETED – product grade]**

### **[CONFIDENTIAL TEXT DELETED – product grade]**

- developed a few years ago for the Australian market
- supplied to distributors
- almost identical to the **[CONFIDENTIAL TEXT DELETED – product grade]**

### **[CONFIDENTIAL TEXT DELETED – product grade]**

- stronger than the **[CONFIDENTIAL TEXT DELETED – product grade]**
- developed a few years ago for the Australian market
- supplied to distributors
- almost identical to the **[CONFIDENTIAL TEXT DELETED – product grade]**

### **[CONFIDENTIAL TEXT DELETED – product grade]**

- same grade as Korean standard **[CONFIDENTIAL TEXT DELETED – product grade]**
- normally an end user order
- specified for use in government contracts
- tighter specifications than the **[CONFIDENTIAL TEXT DELETED – product grade]** and **[CONFIDENTIAL TEXT DELETED – product grade]** and with regard to flatness and surface scale
- customised use for example heavy machinery such as an excavator that requires the steel plate to be “flatter”
- global purchasers for example are **[CONFIDENTIAL TEXT DELETED – customer information]**
- domestic purchasers are **[CONFIDENTIAL TEXT DELETED – customer information]**
- “rolled” to have a smaller micro-structure than the **[CONFIDENTIAL TEXT DELETED – product grade]**
- manufactured using a cooling process (without water) which has the effect of reducing the thickness of scale when compared to the **[CONFIDENTIAL TEXT DELETED – product grade]**

### **[CONFIDENTIAL TEXT DELETED – POSCO’s opinion regarding comparability of domestic and exported goods]**

POSCO considers that the goods sold to Australia are sold to distributors where the end use is not specifically known.

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**[CONFIDENTIAL TEXT DELETED – POSCO’s opinion regarding comparability of domestic and exported goods]**

POSCO indicated that the **[CONFIDENTIAL TEXT DELETED – type of goods]** sold on the domestic market held the same **[CONFIDENTIAL TEXT DELETED – POSCO’s opinion regarding comparability of domestic and exported goods]** as the goods sold to Australia. From these characteristics POSCO considered **[CONFIDENTIAL TEXT DELETED – POSCO’s opinion regarding comparability of domestic and exported goods]**.

**[CONFIDENTIAL TEXT DELETED – Q&T greenfeed grades]**

- **[CONFIDENTIAL TEXT DELETED – Q&T greenfeed grades]**
- chemical composition is very specific **[CONFIDENTIAL TEXT DELETED – chemical composition]**
- is green feed
- POSCO product is not Q&T but assumes the final product goes on to be Q+T
- POSCO indicated it was not sure what the product was used for but speculated it was for excavator buckets and the like where hardened steel is required, or where the products came into contact with chemicals.

POSCO stated that the **[CONFIDENTIAL TEXT DELETED – Q&T greenfeed]** grades do not match to any other grade of steel plate sold on the domestic market hence no comparable like goods.

### 2.3. Like Goods – preliminary assessment

POSCO provided approximately **[CONFIDENTIAL TEXT DELETED]** different grade specifications that it considered were like goods. However given the array of applications for all these grades which included inter alia, ship building and pressure plate grade steel as well as general structural grade steel, the verification team considered the essential characteristics of the goods to help identify like goods sold on the domestic market.

The verification team considered the essential characteristics were the functional and physical forms associated with the goods and should be given greater weight when identifying like goods. Given that grades **[CONFIDENTIAL TEXT DELETED – product grades]** and **[CONFIDENTIAL TEXT DELETED – product grade]** are general structural grades with certain tensile strengths, the verification team compared the general structural grades manufactured by POSCO for the domestic market against other verified data.

Apart from the **[CONFIDENTIAL TEXT DELETED – Q&T greenfeed]** grades, the verification team found a number of grades that were considered to fall to the general structural grade specifications thereby having the characteristics closely resembling the goods under consideration.

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The verification team is satisfied that the hot rolled steel plate manufactured by POSCO for the domestic market are like goods to those exported to Australia under s.269T(1) of the *Customs Act 1901* (the Act).

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### 3. Export sales to Australia

#### 3.1. General

Although not specifically identified as a topic in the visit agenda, POSCO briefly described its export sales functions.

In its EQR POSCO indicated it had two export sale distribution channels. Channel one comprises sales made via **[CONFIDENTIAL TEXT DELETED – related Australian entity]**. All sales via **[CONFIDENTIAL TEXT DELETED – related Australian entity]** are sold on **[CONFIDENTIAL TEXT DELETED – sales terms]** terms however **[CONFIDENTIAL TEXT DELETED – related Australian entity]** never takes delivery of the goods; rather, it sells the goods prior to the goods entry into Australia.

Channel two consists of sales via Korean domiciled trading companies that sell the goods to Australia.

In the export sales worksheet the selling terms for all these customers is **[CONFIDENTIAL TEXT DELETED – sales terms]** as well. POSCO indicated it is responsible for the goods until the goods pass the ship rail, however the selling terms paid by the Australian importers may be different.

POSCO advised the verification team that is fully aware of the final destination of the goods irrespective of the sales channel. The verification team noted the final destination and customer in the commercial invoice and order sheet. POSCO indicated the goods are shipped directly to Australia despite the intermediaries that may be involved. POSCO does not negotiate the shipping which is evidenced by the omission of the bill of lading in the documents provided.

In their EQR, POSCO also provided export sales worksheets from **[CONFIDENTIAL TEXT DELETED – related Australian entity]** and **[CONFIDENTIAL TEXT DELETED – trading entity]**. POSCO indicated both companies are related entities.

Prior to the verification, the verification team selected 11 invoices from the POSCO export sales worksheet and four invoices from **[CONFIDENTIAL TEXT DELETED – related Australian entity]** and **[CONFIDENTIAL TEXT DELETED – trading entity]** export sales worksheets.

POSCO provided these invoices together with

- order sheet;
- daily shipment list;
- commercial invoice;
- packing list;
- proof of payment.

Bills of lading were also provided as part of the **[CONFIDENTIAL TEXT DELETED – trading entity]** and **[CONFIDENTIAL TEXT DELETED – related Australian entity]** document packages.

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During the verification, the verification team verified the total export sales to sales records that could be reconciled to the financial statements. Based on the information provided, the verification team is satisfied that the export sales volume and values in the Australian Sales spreadsheet are accurate.

### 3.2. Models and Volume sold to Australia

#### Volumes

Customer name	Total	Vol %
[CONFIDENTIAL TEXT DELETED – customer and sales details]		

#### Models sold to Australia

Customer name	Grade	Vol
[CONFIDENTIAL TEXT DELETED – customer and sales details]		

POSCO advised that the hot rolled plate steel exported to Australia was not made from hot rolled coil. Within the POSCO product identification nomenclature, hot rolled plate steel made from hot rolled coil had separate product identification. The verification team confirmed that none of the goods exported to Australia was made from hot rolled coil.

Of the four grades that POSCO exported to Australia during the investigation period, the verification team identified **[CONFIDENTIAL TEXT DELETED - number]** different models which were defined by;

- Grade specification;
- Thickness;
- Width;
- Length;

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- Surface; and
- Edge.

### 3.3. Price Setting

POSCO indicated that price is negotiated on a case by case basis. POSCO advised the verification team that its customers will approach POSCO and the price is negotiated based on the volume, market, type of goods and credit terms sought.

Once this process is finalised an order is placed and the production of the goods will commence.

### 3.4. Who is the exporter and importer – preliminary assessment

An examination of Customs commercial database indicated that the trading companies identified as POSCO's export customers did not enter the goods on arrival into Australia.

POSCO;

- Manufactured the goods;
- Was paid for the goods;
- Received the order and knew of the final destination of the goods; and
- Transferred ownership once the goods passed the ships rail.

Based on our understanding of the arrangements we consider that all sales from POSCO to the trading companies including POSCO Australia, POSCO is the exporter.

There is insufficient information pertaining to the circumstances of the exportation to determine the importer.

### 3.5. Related Company analysis

From the company video and the discussion during the verification meeting, the verification team was informed that **[CONFIDENTIAL TEXT DELETED – trading entity]** was recently acquired by POSCO. POSCO indicated that both it and **[CONFIDENTIAL TEXT DELETED – related entity]** are separate business with their own premises and business structures and financial targets.

From POSCO's exporter spreadsheets, the verification team examined the weighted average selling prices by quarter and by customer.

**[CONFIDENTIAL TEXT DELETED – customer]** was the only buyer of the **[CONFIDENTIAL TEXT DELETED – product grade]** grades with the prices being significantly above the grades **[CONFIDENTIAL TEXT DELETED – related entity]**.

For **[CONFIDENTIAL TEXT DELETED – product grade]** grades, pricing fluctuated between the related trading companies and non related trading

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companies with the related trading companies being approximately **[CONFIDENTIAL TEXT DELETED - number]** per cent less to being approximately **[CONFIDENTIAL TEXT DELETED - number]** per cent more during the investigation period. It is noted that the **[CONFIDENTIAL TEXT DELETED – comment regarding relativities of volumes of purchase]**.

### 3.6. 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.

For sales to Australia, the verification team considers 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.

The documentation provided with the selected invoices and the pricing analysis indicated that the price invoiced by POSCO was the price paid. There was no evidence to indicate that sales between POSCO and its customers were not at arms' length.

### 3.7. Export price

On the basis of the above the verification team considers the export price can be established under section 269TAB(1)(c) using the invoiced price (on an **[CONFIDENTIAL TEXT DELETED – sales term]** basis) between POSCO and the respective intermediaries.

Export price calculations are at **confidential Appendix 1**.

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### 4. Cost to make and sell

POSCO uses accounting principles that are in accordance with the generally accepted accounting principles of Korea.

In its EQR, POSCO provided separate cost to make and sell spreadsheets for both domestic and Australian export sales.

The spreadsheets provide quarterly costs for materials, direct labour and manufacturing overheads to arrive at the cost of manufacturing the product. The spreadsheets also provide amounts for selling, general, and administrative and finance costs. The spreadsheets provide a unit cost per metric tonne (MT) for each quarter of the investigation period for each model.

Customs and Border Protection visited POSCO for the hot rolled coil investigation and despite there being some overlap of production processes, the focus to the verification meeting was to verify the cost to make and sell of hot rolled plate steel.

The attached record of meeting sets out the discussion and conclusion in relation to verification of selling, general and administrative expenses.

The verification team is satisfied that sufficient information was available and verified to substantiate the CTMS for hot rolled plate steel provided by POSCO. We consider the CTMS are suitable for:

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



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### 5. Domestic sales

#### 5.1. General

In its EQR POSCO identified that there are two selling channels on the domestic market.

The first sales channel was sales made by POSCO to its customers directly. The second selling channel was via a related company called **[CONFIDENTIAL TEXT DELETED – related entity]**.

In its domestic sales worksheet sales on the domestic market were made to distributors, end users and one trading company being **[CONFIDENTIAL TEXT DELETED – related entity]**. With regard to pricing, POSCO indicated that the prices are similar despite the selling channels used.

As identified in the domestic sales worksheet provided with the EQR POSCO sells approximately **[CONFIDENTIAL TEXT DELETED - number]** tonnes of plate steel on the domestic market in **[CONFIDENTIAL TEXT DELETED - number]** different grades.

For the identical grades identified by POSCO the volume of sales totals **[CONFIDENTIAL TEXT DELETED - number]** tonnes.

#### 5.2. **[CONFIDENTIAL TEXT DELETED – sales to related entity]**

POSCO explained that **[CONFIDENTIAL TEXT DELETED – customer details]** is a trading company being **[CONFIDENTIAL TEXT DELETED - number]**% owned by POSCO and **[CONFIDENTIAL TEXT DELETED - number]**% owned by POSTECH (Pohang University of Science and Technology) and operates from separate facilities. **[CONFIDENTIAL TEXT DELETED – customer details]** sells on the domestic market and sales represent about **[CONFIDENTIAL TEXT DELETED - number]**% of POSCO's domestic sales. POSCO indicated that **[CONFIDENTIAL TEXT DELETED - customer details]** has its own premises, business structure and financial targets.

For these sales the customer contacts **[CONFIDENTIAL TEXT DELETED – customer details]**, **[CONFIDENTIAL TEXT DELETED – customer details]** places the order with POSCO, POSCO ships the goods to **[CONFIDENTIAL TEXT DELETED – customer details]**' customer and **[CONFIDENTIAL TEXT DELETED – customer details]** invoices and collects payment from the customer. POSCO invoices **[CONFIDENTIAL TEXT DELETED – customer details]** and **[CONFIDENTIAL TEXT DELETED – customer details]** pays POSCO.

POSCO informed the verification team that a proposed buying price being sought by **[CONFIDENTIAL TEXT DELETED– customer details]** that is below cost will be rejected.

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In its EQR and later at the verification meeting, POSCO informed the verification team that **[CONFIDENTIAL TEXT DELETED – customer details]** does not take possession of the goods in the sales transaction.

### 5.3. Price Setting

POSCO indicated that domestic sales are all by negotiation with the final price set following consideration of the market conditions, competition, product, and volume and credit terms being sought.

#### Price analysis

Over the investigation period the verification team noticed an overall decline in prices with the decline being more noticeable in the second half of the calendar year.

The verification team examined the prices by distributor, end user and trading company by quarterly periods and noted that the price differences became apparent in the second half of the investigation period.

Typically the trading company received the lowest price however prices differences between the distributor and the end user was less defined.

### 5.4. Terms of Sales

POSCO indicated in its EQR that the terms of sales are **[CONFIDENTIAL TEXT DELETED – sales terms]**. On analysis, the verification team found an insignificant quantity sold on **[CONFIDENTIAL TEXT DELETED – sales terms]** terms.

Payment terms vary and extend up to **[CONFIDENTIAL TEXT DELETED - number]** days. Approximately **[CONFIDENTIAL TEXT DELETED - number]**% are either cash sales or payment terms up to **[CONFIDENTIAL TEXT DELETED - number]** days from the month end of shipping.

### 5.5. Discounts and Rebates

POSCO indicated that discounts and rebates **[CONFIDENTIAL TEXT DELETED – sales terms]**. The verification team found no evidence to the contrary. POSCO stated that invoice price is the price paid and the verification team found no evidence to the contrary.

### 5.6. Arms' length transactions

Section 269TAC(1) of the Act provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter, or if like goods are not so sold by the exporter, by other sellers of like goods.

A purchase or sale of goods shall not be treated as an arms length transaction if:

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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
- in the opinion of the Minister 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.

For the purposes of (a), above, we found no evidence that there is any consideration payable for or in respect of the goods other than their price.

For the purposes of (b), above, we do not consider that the price was influenced by a commercial or other relationship between the buyer and the seller.

For the purposes of (c), above, we found no evidence that 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.

The verification team recommends that domestic sales of like goods by POSCO be treated as arms' length transactions.

### 5.7. Ordinary course of trade

Customs and Border Protection used domestic sales made to **[CONFIDENTIAL TEXT DELETED – related entity]** for the ordinary course of trade tests. The verification team considered these sales were made at the same level of trade as Australian export sales. Both customer groups act as traders and purchase the goods to either be sold in transit, or on behalf of other customers and do not take possession of the goods.

The verification team compared the unit invoice price paid for each domestic model sale with the fully absorbed CTMS for those models in the corresponding quarter. For sales at a loss, the invoiced value was then compared to the weighted average CTMS for the investigation period of the relevant model 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%<sup>1</sup>, and deemed to be unrecoverable within a reasonable period of time.

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<sup>1</sup> S.269TAAD(2) of the *Customs act 1901*

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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%<sup>2</sup> of the volume of comparable goods exported to Australia.

### 5.8. Conclusion on OCOT

Although POSCO indicated that SS 400 was not a like good, following the like good analysis, the verification team used the following grades for the ordinary course of trade test. The table below summarises the grade and volumes of sales of the various models used for the ordinary course of trade (OCOT) tests.

Grade	Volume MT	Recovery test Sold at loss MT		Sold at loss %
<b>[CONFIDENTIAL TEXT DELETED – product grades and numbers]</b>				

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. The verification team found that **[CONFIDENTIAL TEXT DELETED - number]**% of domestic sales used in the OCOT test were deemed to be made in the ordinary course of trade.

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

### 5.9. 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.

The verification team considered the volume of sales and found a sufficient volume of sales with approximately 10 times the volume of that exported to Australia during the investigation period.

Following the recovery test, the verification team found approximately **[CONFIDENTIAL TEXT DELETED - number]**% of sales sold at a loss with a number of grades/models being all loss sales. Following the recovery test, approximately **[CONFIDENTIAL TEXT DELETED - number]** tonnes were considered suitable to establish normal values.

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

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<sup>2</sup> S.269TAC(14) of the *Customs Act 1901*

## PUBLIC RECORD VERSION

### 6. Adjustments

To ensure comparability of export prices to normal values for hot rolled plate steel Customs and Border Protection has made several adjustments to the normal values under s.269TAC(8) and 269TAC(9) of the Act. These adjustments (as detailed below) were based on the information and data provided in POSCO's EQR.

- less domestic credit terms;
- less domestic inland freight and warehousing;
- less domestic handling, loading and ancillary costs;
- less domestic warranty costs;
- less duty drawback;
- plus export inland freight;
- plus export handling, loading and ancillary costs; and
- plus export credit terms.

## PUBLIC RECORD VERSION

### 7. Normal Value

The verification team established normal values by model by quarter and found sufficient volumes of domestic sales of hot rolled plate steel for **[CONFIDENTIAL TEXT DELETED - number]** models exported to Australia that were arm's length transactions and at prices that were in OCOT. Therefore, the verification team is satisfied that prices paid in respect of domestic sales of these models of plate steel are suitable for assessing normal values under s. 269TAC(1) of the Act using POSCO's selling price.

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

Where there were no corresponding domestic sales sold in the OCOT for the model by quarter, the verification team considered that a significant number of adjustments would be required to be made for grade, length, width, thickness, surface and edge in order to make the domestic sales comparable. Consequently the verification team established normal value were under section 269TAC(2)(c). In addition a rate of profit was added in accordance with Customs Regulation 181A(2) being the a rate of profit of goods sold in the ordinary course of trade. The verification team calculated a rate of profit of **[CONFIDENTIAL TEXT DELETED - number]**%.

Normal value calculations are at **Confidential appendix 4**.

## PUBLIC RECORD VERSION

### 8. 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)(a).

The product dumping margin for the investigation period is negative 4.91%.

The calculation of the dumping margin is at **Confidential appendix 4**.

**PUBLIC RECORD VERSION****9. Attachments**

Confidential Attachment 1	Record of meeting
Confidential Appendix 1	Export Prices
Confidential Appendix 2	Ordinary course of Trade Test
Confidential Appendix 3	Sufficiency of Sales Test
Confidential Appendix 4	Normal value
Confidential Appendix 4	Dumping margin