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HSS exported from Korea – Briefing Notes

Key points from Kukje Steel Co. Exporter Questionnaire Response

OneSteel ATM ("ATM") has reviewed Kukje Steel Co. ("Kukje") exporter questionnaire response placed on the public file. The document includes detailed understandings of Kukje's manufacturing process for HSS (P. 48&49) that permit a clear understanding from raw material HRC feed, through slitting and welding, testing and finishing stages. The identified processes provide an excellent reference for other HSS exporters in this HSS investigation.

Important considerations for C&BP arising from Kukje's response include:

- Kukje is a producer and seller of round/square/rectangular steel pipe on the Korean and export markets
 - Has domestic sales of like goods for comparing exports of the GUC;
 - Claims domestic sales are identical to export sales to Australia;
 - However, Kukje states that "ordinary" domestic pipe sales are not like goods to export sales – this claim is incorrect;
 - Sells to a distributor in Australia, with domestic sales to end-users and distributors and has not sought a level of trade adjustment;
 - One domestic sale involves a commission paid to an agent – C&BP to make an upward adjustment to Kukje's normal value if based on domestic sales (for fair comparison purposes);
 - Credit notes are issued by Kukje for returned goods;
 - Has not sought an adjustment for any specification differences between local and exported goods (as identical);
 - Has outlined that different credit periods apply on domestic v export;
 - Claimed no differences between domestic and export packing – no adjustment required. This needs to be tested.
 - No import duties on imported HRC – hence no claim for duty drawback;
 - Claimed that export sales to Australia are measures on nominal basis and domestic sales on actual basis. C&BP to be satisfied evidence can be verified to test claim;
 - Adjustment required for inland freight included in export sales; all export sales are on an FOB basis;
- Kukje's costs are prepared annually – no monthly breakdowns
 - Costing method is weighted average;
 - Certain costs (e.g. HRC, painting) are allocated across all products even though goods sold may not include certain process
 - Kukje's a/c system does not differentiate costs for different grades, and all grades have same cost for raw materials;
 - Has specifically prepared quarterly costs for investigation period – C&BP to ensure appropriate matching of raw material HRC feedstock costs for each quarter;
 - C&BP will need to look at yielded cost for HRC – [reference Kukje Questionnaire]
 - Don't distinguish costs between prime and damaged (or sub-standard goods) as quality of goods is determined post production;
 - C&BP to exercise special care in identifying these costs so that they are only appropriately allocated to process undertaken (e.g. for each product category of black/oiled, painted, ILG and HDG);
 - Kukje's product codes distinguish goods by raw material used and are recorded for inventory tracking system – this will aid identification of costs for each quarter of investigation period;
 - Full cost accounting process detailed from P.50 of Response;

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- Date of Sale
 - Comments by Kukje in Exporter Questionnaire Response support position that date of export is appropriate basis for date of sale and fair comparison purposes, including:

[reference Kukje Questionnaire]

Kukje's comments supporting ATM's position about Japan market for HRC as an open market are noted. [reference Kukje Questionnaire] ATM maintains its position that Japan FOT prices for HRC (as per SBB) are appropriate for assessing whether HRC prices in certain countries (e.g. China and Thailand) are artificially low.