



Exporter verification report

Verification and case details

Initiation date	22/08/2022	Anti-Dumping Notice (ADN)	2022/086
Case number	611		
The goods under consideration	Zinc Coated (Galvanised) Steel		
Case type	Continuation Inquiry		
Exporter	KG Dongbu Steel Co Ltd.		
Location	7F, Seoul Square 416 Hangang dae-ro Jung-gu, Seoul, Korea		
Verification date	13/12/2022 to 19/12/2011		
Inquiry period	1/07/2021 to 30/6/2022		

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

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Introduction

KG Dongbu Steel Co Ltd (KGD) submitted data to the Anti-Dumping Commission (the commission) in response to an exporter questionnaire for Continuation Inquiry 611 (case 611) into zinc coated (galvanised) steel (the goods) from the People's Republic of China, the Republic of Korea (Korea) and Taiwan.

A verification team (the team) has verified whether the data that KGD submitted is complete, relevant and accurate for use in case 611. [Anti-Dumping Notice \(ADN\) 2016/30](#) describes the commission's verification procedure.

This report explains the team's key findings, including the evidence considered and material issues identified. Where KGD or the team materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for case 611.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901 (Cth)* (the Act).¹

¹ All legal citations in this report are to the Act unless otherwise stated.

1 Company background

1.1 Corporate structure and ownership

KGD is a public listed company in Korea. KGD was previously known as 'Dongbu Steel Co Ltd'. The change of name occurred on 27 March 2020.

On 24 February 2022, KGD changed its business name to 'KG Steel Co Ltd'. However, KGD explained that this name change pertained to its Korean name and that the English name of its company remained 'KGD'.

KGD provided a certificate of business registration dated 4 April 2022 to demonstrate its claims. From this document, the team found that the company's English name is 'KG Dongbu Steel Co Ltd'. The team also found that various Australian sales source documents (relating to sales after February 2022) indicate that 'KG Dongbu Steel Co Ltd' is the seller of the goods.

Accordingly, the team is satisfied that KGD is the correct company name of the company subject to this verification.

KGD is a manufacturer that produces a range of steel products which it sells in Korea and to various export markets, including Australia.

KGD's products include:

- hot-rolled steel sheets
- cold-rolled steel sheets
- galvanised steel sheets
- pre-painted metal sheets
- electrolytic tin plates
- tin free steel sheets and
- H-beam steel.

KGD has two production plants in Korea - one in Incheon and one in Dangjin.

KGD considers itself to be an integrated manufacturer because it produces a range of products. The team notes that KGD historically produced hot rolled coil (HRC) as an input for various finished goods. However, the team confirmed during verification that KGD had not used its HRC-producing machinery for a number of years before the inquiry period. Rather, during the inquiry period, it purchased (and still purchases) HRC to produce the goods and other products.

1.2 Related parties

The team examined the relationships between KGD and the parties involved in it producing or selling the goods.

The team found no related party customers or suppliers involved in KGD producing or selling the goods during the inquiry period.

1.3 Accounting records

PricewaterhouseCoopers (PWC) audited KGD's audited financial statement for the year ending 31 December 2021, and included a statement that the financial accounts comply with Korea International Financial Reporting Standards.

Therefore, the team considers that the accounting records held by KGD comply with the generally accepted accounting principles of Korea.

2 Goods under consideration and like goods

2.1 Production process

KGD manufactures the goods and like goods at its Incheon and Dangjin plants in Korea. KGD provided a summary of the production process:

Pickling and oiling: KGD pickles and oils the main raw material, being HRC, to remove rust prior to cold-rolling. At the Incheon plant the coils pass through a dedicated line for pickling and oiling. At the Dangjin plant, KGD operates a combined machinery line that first pickles and oils, and then cold-rolls the coils.

Cold-rolling: The hot rolled steel hardens through a cold-rolling process. The Incheon plant has two cold-rolling lines. At the Dangjin plant KGD combines the cold-rolling process with the pickling and oiling process as described above.

Galvanising: KGD operates four continuous galvanising lines; two at the Incheon plant and two at the Dangjin plant. At each line, the machinery continually passes the cold-rolled coil through an annealing furnace, then through a pot of molten zinc, a skin pass mill, and finally, a tension leveller.

Shearing and slitting: KGD cut some coils to the required length or width through shearing (length) or slitting (width). KGD provides this service only at the Incheon facility.

Scrap: KGD does not reuse steel scrap in its production process. Instead, KGD sells all scrap that it generates, to scrap metal dealers.

Packing: KGD packages domestic product in butcher paper, also using steel strapping and edges. KGD packages export product in butcher paper, steel strapping and edges, and use additional metal protective wrapping, wooden pallet, and plastic, for added protection.

Despatch: KGD staff despatch the goods on trucks to the port with respect to export sales, or to the customer's location with respect to domestic delivered sales.

The team visited the Dangjin plant as part of the verification and observed the production and packaging facilities. The team is satisfied that:

- KGD manufactures the Australian export goods and the domestic like goods.
- The production process agrees to the description provided by KGD in the REQ.
- KGD manufactures the goods for each sales market, using the same processes.
- The packaging of the Australian export goods is different to the packaging of the domestic like goods. Specifically, KGD uses more extensive packaging for export goods.

2.2 Model control codes

The sales and costs data KGD submitted complies with the model control code (MCC) structure detailed in ADN 2022/086.

However, KGD provided sales and cost data for an additional 'coating type' identifier in the MCC list. KGD refers to the additional coating type products as 'MgCOT' products, and classified these products as a new MCC identifier 'D'.

KGD advised that the MgCOT products are a more advanced coated product featuring zinc, aluminium and magnesium alloy coated steel. KGD provided the verification team with a

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product brochure for this product. The team considered whether the MgCOT products should be the goods.

Consistent with the finding from the verification of KGD's data in Review 521, the team considers this product not to be the goods.

2.2.1 Amendments to model control codes

After comparing prices of different models of the goods, the team does not recommend amending the MCC structure.

2.3 Verification of model control codes

The table below details how the team determined MCC sub-categories and verified them to source documents.

Category	Determination of the sub-category
Alloy content	KGD stated that it produces the goods from HRC of non-alloy content. The team did not identify any information to indicate otherwise.
Prime	Verified to production system and sales source documents.
Steel Base	All goods have an HRC steel base. Verified based on HRC purchase source documents. The team notes that the hot rolled steel base undergoes cold rolling prior to zinc coating.
Coating Type	Verified to KGD's internal material code, product order system, and sample sales source data.
Coating Mass	Verified to the product order system and sample sales source data.
Steel Grade	Verified to the product order system and sample sales source data.
Base Metal Thickness (BMT)	Verified to the product order system (KGD demonstrated relevant calculations) and sample sales source data.
Width	Verified to the product order system and sample sales source data.
Form	Verified using KGD's internal material code, and using sample sales source data.

Table 1: MCC sub-category determination

KGD provided the mapping between internal product code and MCC. The team sorted the MCCs in the relevant document by product code, and found that some product codes matched to more than one MCC. KGD stated that a product code can typically refer to goods of varying width or thickness. The team questioned the veracity of this claim by selecting an example product code that mapped to two different export MCCs. KGD provided source data, and the team found that this order was for two separate lines – i.e. same product codes but different widths. Accordingly, the team is satisfied KGD's product code to MCC mapping is reasonable.

The team's analysis and the source data provided by KGD is at **Confidential Attachment 1**.

2.4 The Australian export goods and domestic like goods

2.4.1 Australian export goods (the goods under consideration)

The team is satisfied that, during the inquiry period, KGD produced the Australian export goods and exported them to Australia.

2.4.2 Domestic like goods (like goods sold in the domestic market)

The team is satisfied that KGD produced and sold like goods for home consumption in its domestic market, being the country of export (domestic like goods).

The team considers that the domestic like goods were identical to, or had characteristics closely resembling, the Australian export goods, because:

- **Physical likeness:** Subject to customer specifications, the domestic like goods are physically identical, or similar to the Australian export goods.
- **Production likeness:** KGD produced all goods at the same facilities, using the same raw material inputs and production processes. KGD does not distinguish between domestic like goods and the Australian export goods during production (KGD produces the exported goods and goods sold in the domestic market in the same way, subject to individual customer specifications. Additionally, the costs of production for models sold domestically and for export are the same).
- **Commercial likeness:** All goods compete in the same market sector, are interchangeable and use similar distribution channels.
- **Functional likeness:** All goods are functionally alike, as they have similar end uses.

2.5 List of model control codes

KGD both produced and sold the domestic like goods and the Australian export goods during the inquiry period. Sales and cost MCCs relevant to domestic like goods and the Australian export sales are at **Non-confidential Attachment 1**.

2.6 Like goods assessment

The team considers that the goods KGD produced and sold for domestic home consumption had characteristics closely resembling those of the Australian export goods and were therefore 'like goods' according to section 269T(1).

3 Verification of sales completeness and relevance

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the sales listings which KGD submitted are complete and relevant by reconciling them to the audited financial statements, consistent with ADN 2016/30.

The team verified whether the sales data was complete and relevant by:

1. Reconciling total revenue pre-adjustments for the financial year ending 31 December 2021 (FY21) to audited financial statements.
2. Reconciling total revenue in the inquiry period and total revenue in FY21, to the Systems, Applications & Products in Data Processing (SAP) income statement, and reconciling the timing adjustments to the trial balance.
3. Reconciling the revenue for all product categories by verifying each revenue category to the appropriate ledger accounts and sales sample transaction source data.
4. Reconciling the domestic and export sales listings by checking sample non-goods transactions to be satisfied that these were in fact not the goods.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

3.1 Sales completeness and relevance exceptions

Exception 1: Inclusion of merchandise sales

Description: The team identified in KGD's accounting system that KGD made merchandise sales of the goods in its domestic market during the inquiry period. The team found that KGD did not include these merchandise sales in the REQ domestic sales listing.

Resolution: KGD presented a list of all its merchandise sales that fell under the goods description. The team reconciled the list to the accounting system during the verification. The team found that all the goods-related merchandise sales were non-prime goods sold on the domestic market. The verification team updated the REQ domestic sales listing by adding these sales to the listing.

Exception 2: Removal of MgCOT products from sales listings

Description: KGD included MgCOT products in its REQ domestic and Australian sales listings. As discussed in chapter 2.2, the team found the MgCOT products to not be the goods.

Resolution: The team updated the domestic and Australian sales listings by removing the MgCOT products from the dumping margin calculations. The team notes that the MgCOT products represent approximately 1% of the total export quantity of the goods.

3.2 Sales completeness and relevance finding

The team is satisfied that the sales data KGD submitted is complete and relevant, including any revision outlined in an exception above.

4 Verification of sales accuracy

The commission typically verifies sales as accurate by reconciling a selection of volume, revenue and other key data in the sales listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the export and domestic sales listings KGD submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

4.1 Sales accuracy exceptions

Exception 3: Incorrect terms of trade for some FCA sales

Description: The team identified that KGD listed some sales in the REQ Australian sales listing as the 'FOB' incoterm, but also that these sales did not have any 'port handling and other' charges.

Resolution: The team used source documents to verify the sales terms for a sample of these sales. The team subsequently found that the sales were actually at FCA terms. The team therefore amended the sales listing to correct the sales terms. As a result, the team was able to calculate accurate FOB export prices for all Australian sales.

Exception 4: Incorrect calculation of FOB export price

Description: The team found that the difference between FOB and FCA incoterm Australian sales was 'port handling and other' charges. However, the team identified that for all listed FCA invoiced sales in KGD's REQ Australian sales listing, KGD reported an incorrect FOB price. KGD did not add in any 'port handling and other' charges to calculate an FOB price for all the FCA invoiced sales.

Resolution: The team calculated a weighted average 'port handling and other' charge based on the FOB invoiced sales. The team then revised the Australian sales listing by adding this weighted average charge to the FCA invoiced unit prices to calculate an accurate FOB export price.

Exception 5: Addition of domestic payment days

Description: The team identified that KGD did not include payment days in its REQ domestic sales listing. The team therefore requested an accounts receivable ledger from KGD to demonstrate the average credit payment days during the inquiry period, for each domestic customer. KGD provided this document.

Resolution: The team used the document to revise the domestic sales listing, by including the average payment days for each domestic customer. The team then used this information to calculate the domestic credit adjustment.

Exception 6: Short-term interest rate for credit adjustments

Description: The team notes that KGD had provided a composite interest rate based on domestic and foreign currency borrowings. The commission requires separate interest rates for the domestic and export credit adjustment, where there are domestic and foreign borrowings. The team notes that all Australian sales had payment terms which the

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commission treats as immediate payment sales. Therefore, the team did not need to make a credit adjustment for Australian sales. Accordingly, the team requested KGD to recalculate the interest rate, to effectively provide the interest rate based only on domestic borrowings.

Resolution: KGD provided a revised interest rate pertaining to domestic borrowings only, which the team verified during the verification.

4.2 Sales accuracy finding

The team is satisfied that the sales data KGD submitted is accurate, including any revision outlined in the exceptions above.

5 Verification of cost to make and sell completeness and relevance

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings that KGD submitted are complete and relevant by reconciling them to audited financial statements, consistent with ADN 2016/30.

The team verified the CTM data as complete and relevant by:

1. Reconciling the REQ reported COGS for the year ending 31 December 2021, to audited financial statements and KGD's accounting system.
2. Reconciling the REQ reported COGS for the inquiry period, to KGD's accounting system.
3. Reconciling the REQ reported cost to make value and volume for all non-good products (individually) for the inquiry period, to KGD's accounting system.
4. Reconciling the REQ reported cost to make value and volume for the goods, for the inquiry period, to KGD's accounting system.

The team verified the SG&A data as complete and relevant by:

1. Reconciling the REQ reported SG&A expense for the year ending 31 December 2021, to audited financial statements and KGD's accounting system.
2. Reconciling the REQ reported SG&A expense for the inquiry period, to KGD's accounting system.
3. Reconciling the REQ reported individual SG&A accounts to the trial balances for both the year ending 31 December 2021, and the inquiry period.
4. Ensuring that KGD reported appropriate SG&A accounts (expenses that relate to the goods) with respect to calculating the total SG&A for the inquiry period.
5. Ensuring that KGD classified the appropriate SG&A accounts as direct selling expenses, as the SG&A calculation should ordinarily exclude certain direct selling expenses.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

5.1 Cost to make and sell completeness and relevance exceptions

Exception 7: Revision of domestic and Australian cost to make listings

Description: During verification, KGD demonstrated a cost to make Excel file, which detailed the goods-related cost to make by MCC, for the domestic, Australian and third country markets. The team however found that based on certain verified information provided in KGD's REQ, KGD excluded some goods-related cost to make data from the master cost to make listing.

Resolution: KGD revised the all-market goods-related cost to make listing to include all cost to make data relating to the goods. From this master file, the team used the listed MCCs and the relevant sales data to create complete domestic and Australian cost to make listings.

Exception 8: Removal of non-actual foreign exchange accounts from SG&A

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Description: KGD initially included various accounts representing non-actual foreign currency gains and losses in its SG&A listing. The team notes that actual foreign currency gain/losses should be part of SG&A as KGD purchased raw materials from foreign producers.

Resolution: The team removed the non-actual accounts from the SG&A listing as the SG&A listing is only supposed to include actual expenses. The team notes that KGD has included actual foreign currency gains/losses in SG&A through other SG&A accounts.

5.2 Cost to make and sell completeness and relevance finding

The team is satisfied that the CTMS data KGD submitted is complete and relevant, including any revision outlined in an exception above.

6 Verification of cost to make and sell accuracy

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings KGD submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **confidential attachment 1**.

6.1 Cost allocation method

The table below **Error! Reference source not found.** outlines how the team allocated each cost component.

Cost component	Method applied
Raw materials	KGD allocates raw material costs (HRC and zinc) based on raw material consumption allocated to each product code. KGD then obtains the MCC from the product code.
Scrap offset	KGD generates scrap from its production process. KGD however does not reuse any of this scrap in its production of the goods. Instead KGD sells the scrap to domestic customers. KGD records the cost to make deduction of scrap by the quantity of scrap it generates.
Direct labour	KGD allocates labour costs to each product code and MCC based on working hours.
Manufacturing overheads	KGD allocates manufacturing overhead costs to each product code and MCC based on production quantity.
Depreciation	KGD allocates depreciation costs to each product code and MCC based on production quantity.

Table 2: Cost allocation method

6.2 Cost to make and sell accuracy finding

The team is satisfied that the CTMS data KGD submitted is accurate and reasonably reflects the costs associated with the production and sale of the goods.

7 Export price

7.1 Background

Section 269TAB states the general rules for calculating export price. Under this section, the commission assesses the following to identify the correct method of calculating export price:

- Who is the importer?
- Who is the exporter?
- Did the importer purchase from the exporter at arms length?

This chapter discusses how the team assessed KGD's Australian export sales.

7.2 The importers

KGD sold the Australian export goods at FOB, CIF and FCA incoterms. With respect to the goods sold at FOB and CIF incoterms, KGD sold these goods directly to the Australian customer. In relation to the goods sold at FCA incoterms, KGD sold these goods to the Australian customer via Korean traders.

For all goods which KGD sold to Australia (either directly or through a trader), the team considers that the Australian customer for each sale was the beneficial owner of these goods at the time of importation into Australia and, therefore, is the importer.

In relation to each sale at FOB and CIF incoterms, the Australian customer is the importer, as the Australian customer was:

- the customer on the purchase order
- the customer on the commercial invoice
- the consignee on the bill of lading and
- the importer on the importation declaration to ABF.

For each sale at FCA incoterms, the Australian customer is the importer, as the Australian customer was:

- the customer on the sales contract and
- the importer on the importation declaration to ABF.

7.3 The exporter

The team considers KGD to be the exporter of the Australian export goods² because KGD:

- produced the Australian export goods
- is the supplier on the commercial invoice

² The commission generally identifies the exporter as a principal in transacting the Australian export goods, located in the country of export and either:

- gave up responsibility by knowingly placing the goods in the hands of another company, or its own vehicle, for delivery to Australia
- owned the goods, either at the time the goods were shipped or previously.

- is the consignor on the bill of lading
- arranged and paid for inland transport to the port of export and
- arranged and paid for port handling charges at the port of export.

7.4 Australian export arms length assessment

7.4.1 Unrelated customers

The team found that KGD sold Australian export goods only to unrelated customers during the inquiry period. The team assessed whether KGD sold these goods at arms length.

Subject to price analysis and assessment of supporting documentation, the team found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The team notes that KGD sold the goods at similar prices to all Australian customers, and appeared to genuinely negotiate the price with respect to sales to all customers.

The team therefore considers that, for all the Australian customer sales, KGD sold the Australian export goods at arms length.³

7.5 Export price assessment

For sales which KGD made directly to the Australian customer, the team recommends that the export price be determined under section 269TAB(1)(a), as the price paid (or payable) for the goods by the importer, other than any part of that price that represents a charge in respect of any other matter arising after exportation.

With respect to sales which KGD made to the Australian customer via a trader, the team notes that the importer did not purchase the goods from the exporter. Accordingly, the team cannot determine export price under sections 269TAB(1)(a) or 269TAB(1)(b).

The team therefore recommends that the export price be determined under section 269TAB(1)(c), having regard to all circumstances of the exportation. Specifically, the verification team recommends that the export price be the price the trader paid to KGD.

To ensure that the team calculates the ascertained export price using a consistent incoterm, the team has added an amount for port charges where required to certain export transactions.

The team has calculated export price at **confidential appendix 1**.

³ See section 269TAA.

8 Domestic sales

8.1 Background

Section 269TAC states the general rules for calculating normal value. Under this section, the commission must assess the following to identify the correct method of calculating normal value:

- Did like goods sell domestically at arms length?
- Did like goods sell domestically in the ordinary course of trade (OCOT)?
- Did like goods not sell domestically, or sold domestically in low volumes?

This chapter discusses how the team assessed KGD's domestic sales for use in normal value.

8.2 Domestic arms length assessment

8.2.1 Unrelated customers

The team found that in the domestic market, KGD sold the goods only to unrelated customers during the inquiry period. The team assessed whether KGD sold like goods domestically at arms length.

Subject to price analysis and assessment of supporting documentation, the team found no evidence that:

- there was consideration payable for, or in respect of, the goods other than its price
- the price appeared to be 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
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The team notes that KGD sold domestic like goods at similar prices to all customers and appeared to genuinely negotiate the price with its customers.

The team therefore considers that, for all domestic sales, KGD sold at arms length.⁴

8.3 Ordinary course of trade assessment

Section 269TAAD states that domestic sales of like goods are not in the OCOT if arms length transactions are both:

- unprofitable in substantial quantities over an extended period
- unlikely to be recoverable within a reasonable period.⁵

⁴ See section 269TAA.

⁵ The commission generally considers the inquiry, investigation or review period – whichever applies in the given case – is the relevant 'extended period' and 'reasonable period'.

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For domestic sales of like goods, the team assessed:

- if each sale was unprofitable by comparing the price to the relevant CTMS
- if each MCC had substantial quantities of unprofitable sales by calculating the volume of unprofitable sales as a percentage of total sales
- if any unprofitable sale was unlikely to be recoverable by comparing the price to the relevant weighted average CTMS.

The following table summarises the figures the team used to assess OCOT:

OCOT particulars	Details
Extended unprofitability period	The inquiry period
Reasonable recoverability period	The inquiry period
Price	Net invoice price
Cost	Quarterly CTMS, including direct selling expenses for each transaction.
Weighted average cost	Weighted average CTMS over the inquiry period, including direct selling expenses for each transaction.

Table 3: OCOT details

8.4 Domestic sales volume assessment

8.4.1 Overall sales volumes

Section 269TAC(2) provides alternative methods for calculating the normal value of the Australian export goods where there is an absence, or low volume, of relevant sales of like goods in the market of the country of export.

An exporter's domestic sales of like goods are taken to be in a low volume where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than 5% of the total volume of the goods exported to Australia by the exporter – unless the Minister is satisfied that the volume is still large enough to permit a proper comparison for the purposes of assessing a dumping margin.

The team assessed the total volume of relevant sales of like goods as a percentage of the Australian export goods and found that the volume of domestic sales was 5% or greater and therefore was not a low volume.

8.4.2 Model control code sales volume

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the Australian export goods and the domestic like goods, the commission considers the volume of sales of each exported MCC in the domestic market.

Where the volume of domestic sales of an exported model is less than 5% of the volume exported, the commission will consider whether it can make a proper comparison at the MCC level. In these situations, the commission may consider whether it should use a surrogate domestic model to calculate normal value for the exported model.

The table below details this analysis.

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Export MCC	Is MCC's domestic sales volume 5% or greater the export sales volume?	Treatment of normal value
NA-P-H-F-1-A-3-B-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-4-B-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-4-C-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-5-B-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-5-B-S	N	No domestic sales of NA-P-H-F-1-A-5-B-S. Surrogate model NA-P-H-F-1-A-5-B-C used, with specification adjustment under TAC(8).
NA-P-H-F-1-A-5-C-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-B-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-B-S	N	No domestic sales of NA-P-H-F-1-A-6-B-S. Surrogate model NA-P-H-F-1-A-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-F-1-A-6-C-C	Y	The team considers domestic sales of same MCC permits a proper comparison to exported goods.
NA-P-H-F-1-A-6-C-S	N	No domestic sales of NA-P-H-F-1-A-6-C-S. Surrogate model NA-P-H-F-1-A-6-C-C used, with specification adjustment under TAC(8).
NA-P-H-Z-2-C-4-A-C	N	No domestic sales of NA-P-H-Z-2-C-4-A-C. Surrogate model NA-P-H-Z-2-B-4-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-4-E-6-B-C	N	No domestic sales of NA-P-H-Z-4-E-6-B-C. Surrogate model NA-P-H-Z-3-D-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-4-E-7-B-C	N	No domestic sales of NA-P-H-Z-4-E-7-B-C. Surrogate model NA-P-H-Z-3-D-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-6-B-C	N	No domestic sales of NA-P-H-Z-5-C-6-B-C. Surrogate model NA-P-H-Z-5-A-6-B-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-7-B-C	N	No domestic sales of NA-P-H-Z-5-C-7-B-C. Surrogate model NA-P-H-Z-5-A-7-C-C used, with specification adjustment under TAC(8).
NA-P-H-Z-5-C-8-B-C	N	No domestic sales of NA-P-H-Z-5-C-8-B-C. Surrogate model NA-P-H-Z-5-A-8-C-C used, with specification adjustment under TAC(8).

Table 4: Domestic volumes

The team's volume analysis is at **confidential appendix 3**.

9 Adjustments

To properly compare an export price of the Australian export goods to the corresponding normal value, the team considered applying each of the following adjustments.

9.1 Rationale and method

Adjustment type	Adjustment assessment	Calculation method and evidence	Did KGD claim this adjustment?	Did the team apply the adjustment?
Domestic credit terms	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD provided an accounts receivable ledger to detail the average payment days for each customer. The team verified the domestic credit rate for short-term borrowings to SAP.	Yes	Yes
Domestic packaging	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD captures the actual cost of packaging for each order. The team verified sample packaging costs to SAP transactions and source data.	Yes	Yes
Domestic inland transport	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD captures the actual cost of inland transport for each order. The team verified sample domestic inland transport costs to SAP transactions and source data.	Yes	Yes
Domestic warranty	A downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD incurred warranty costs in relation to some of its domestic sales in the period. The team verified sample warranty costs to SAP transactions and source data.	Yes	Yes
Export packaging	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD captures the actual cost of packaging for each order. The team verified sample packaging costs to SAP transactions and source data.	Yes	Yes
Export inland transport	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD captures the actual cost of inland transport for each order. The team verified sample export inland transport costs to SAP transactions and source data.	Yes	Yes
Export port handling and other charges	An upwards adjustment to the normal value to ensure a fair	KGD captures the actual cost of export port charges for each order. The team verified sample export port	Yes	Yes

PUBLIC RECORD

Adjustment type	Adjustment assessment	Calculation method and evidence	Did KGD claim this adjustment?	Did the team apply the adjustment?
	comparison to the FOB export price.	costs to SAP transactions and source data.		
Export bank charges	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	KGD incurs specific bank charges in relation to its export sales transactions. These are actual bank charges. The team verified sample transactions to source data.	Yes	Yes
Export letter of credit (LC) notification fees	An upwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	Based on actual LC notification fees that the team verified to source data.	Yes	Yes
Specification	The team used surrogate export MCCs with specification adjustments, to calculate the normal value for MCCs not sold domestically.	The team based the specification adjustments for the surrogate MCCs on the difference in the CTMS, and an OCOT profit, between the export MCCs and their surrogates.	No	Yes
Timing	An upwards or downwards adjustment to the normal value to ensure a fair comparison to the FOB export price.	The team made timing adjustments where there was no corresponding quarterly MCC normal value for an export MCC that KGD sold in a given quarter. The team based the quarterly MCC adjustment using the appropriate values for the most alike MCC, in line with the MCC hierarchy.	No	Yes

Table 5: Assessment of adjustments

9.2 Adjustments

The team recommends the following adjustments so to properly compare export price of the Australian export goods to the corresponding normal value.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit terms
Domestic packaging	Deduct an amount for domestic packaging

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Adjustment Type	Deduction/addition
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic warranty	Deduct an amount for domestic warranty
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port handling and other charges	Add an amount for export port handling and other charges
Export bank charges	Add an amount for export bank charges
Export LC notification fees	Add an amount for export LC notification fees
Specification	Add or deduct an amount for the specification adjustment
Timing	Add or deduct an amount for the timing adjustment

Table 6: Summary of adjustments

The team calculated and applied adjustments in the normal value calculations at **confidential appendix 3**.

10 Normal value

The team found that there were sufficient volumes of sales of like goods sold for home consumption in the country of export that were arms length transactions and at prices that were within the OCOT.

The team is therefore not satisfied that there is an absence, or low volume, of sales relevant for the purpose of determining a price under section 269TAC(1).

The team has determined a normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the team considers that certain adjustments are necessary to ensure that differences between the normal value and the export price of the Australian export goods would not affect comparison of domestic prices with export prices, in accordance with section 269TAC(8), and as outlined in chapter 9.

The team's normal value calculations are at **confidential appendix 3**.

11 Dumping margin

The team calculated KGD's dumping margin by comparing weighted average Australian export prices to the corresponding weighted average normal values for the inquiry period.

The team calculated KGD's dumping margin as **-17.5%**.

The dumping margin calculation is at **confidential appendix 4**.

12 Appendices and attachments

Confidential appendix 1	Export price
Confidential appendix 2	Cost to make and sell
Confidential appendix 3	Normal value
Confidential appendix 4	Dumping margin
Confidential attachment 1	Verification work program
Non-confidential attachment 1	List of model control codes