



**Australian Government**  
Department of Industry, Science,  
Energy and Resources

**Anti-Dumping Commission**

## **Exporter Verification Report**

### **Verification & Case Details**

<b>Initiation Date</b>	23 August 2019	<b>ADN:</b>	ADN No. 2019/100
<b>Case:</b>	Zinc coated (galvanised) steel – Review – China, Korea, Taiwan – BlueScope Steel Limited		
<b>Case Number</b>	521		
<b>Exporter</b>	Dongbu Steel Co., Ltd.		
<b>Location</b>	Seoul, Republic of Korea		
<b>Verification from</b>	20 November 2019	<b>to</b>	25 November 2019
<b>Review Period</b>	1 July 2018	<b>to</b>	30 June 2019

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

<b>CONTENTS</b>
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<b>CONTENTS</b> .....	<b>2</b>
<b>1 COMPANY BACKGROUND</b> .....	<b>3</b>
1.1 CORPORATE STRUCTURE AND OWNERSHIP .....	3
1.2 RELATED PARTIES .....	3
<b>2 THE GOODS AND LIKE GOODS</b> .....	<b>4</b>
2.1 PRODUCTION PROCESS .....	4
2.2 MODEL CONTROL CODES (MCCs) .....	4
2.3 VERIFICATION OF MCCS .....	4
2.4 THE GOODS EXPORTED TO AUSTRALIA .....	5
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET.....	5
2.6 LIKE GOODS – ASSESSMENT.....	7
<b>3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE</b> .....	<b>8</b>
3.1 EXCEPTIONS DURING VERIFICATION OF SALES COMPLETENESS AND RELEVANCE .....	8
3.2 SALES COMPLETENESS AND RELEVANCE FINDING.....	8
<b>4 VERIFICATION OF SALES ACCURACY</b> .....	<b>9</b>
4.1 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY .....	9
4.2 SALES ACCURACY FINDING .....	9
<b>5 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE</b> .....	<b>10</b>
5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA .....	10
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....	11
<b>6 VERIFICATION OF CTMS ACCURACY</b> .....	<b>12</b>
6.1 COST ALLOCATION METHOD .....	12
6.2 EXCEPTIONS DURING VERIFICATION OF CTMS ALLOCATION METHOD .....	12
6.3 VERIFICATION OF ACCURACY OF CTMS DATA.....	12
6.4 RELATED PARTY SUPPLIERS.....	13
6.5 ACCURACY FINDING.....	13
<b>7 EXPORT PRICE</b> .....	<b>14</b>
7.1 THE IMPORTERS.....	14
7.2 THE EXPORTER .....	14
7.3 ARMS LENGTH.....	14
7.4 EXPORT PRICE – ASSESSMENT .....	15
<b>8 DOMESTIC SALES SUITABILITY</b> .....	<b>16</b>
8.1 ARMS LENGTH.....	16
8.2 ORDINARY COURSE OF TRADE .....	16
8.3 SUITABILITY OF DOMESTIC SALES .....	17
<b>9 ADJUSTMENTS</b> .....	<b>19</b>
9.1 RATIONALE AND METHOD .....	19
9.2 ADJUSTMENTS .....	21
<b>10 NORMAL VALUE</b> .....	<b>22</b>
<b>11 DUMPING MARGIN</b> .....	<b>23</b>
<b>12 APPENDICES AND ATTACHMENTS</b> .....	<b>24</b>

## **1 COMPANY BACKGROUND**

### **1.1 Corporate Structure and Ownership**

Dongbu Steel Co., Ltd. (Dongbu) was established on 27 October 1982 and was listed on the Korean Stock Exchange in February 1986. During the review period, Dongbu was subject to an arrangement with its creditors.

Dongbu is involved in the manufacture and processing of steel products and produced zinc coated (galvanised) steel (the goods subject to this review or 'the goods'), and sold it direct to Australian customers, during the period 1 July 2018 to 30 June 2019 (the review period).

In its response to the exporter questionnaire (REQ), and confirmed during the onsite visit, Dongbu advised that its legal name would change in March 2020.

Dongbu listed 13 affiliated entities in its REQ. One affiliated entity is both a supplier of raw material and a domestic customer.

### **1.2 Related Parties**

The verification team examined the relationships between Dongbu and parties involved in the manufacture and sale of the goods.

#### **1.2.1 Related suppliers**

The verification team found that Dongbu purchased raw materials from one related supplier during the review period.

#### **1.2.2 Related customers**

The verification team found that, during the review period, Dongbu made domestic sales of the goods to a related party.

## **2 THE GOODS AND LIKE GOODS**

### **2.1 Production Process**

Dongbu purchases steel coil which undergoes the pickling and galvanising process to produce the goods and like goods. There is no difference in the production process for goods exported to Australia or like goods sold domestically.

### **2.2 Model Control Codes (MCCs)**

Dongbu provided sales and cost data in its response to the exporter questionnaire in accordance with the model control code (MCC) structure detailed in ADN 2019/100.

Dongbu provided sales and cost data for an additional Coating Type category in the MCC. The company identified the additional coating type as “McCOT” and included the category “D”.

Dongbu advised that this category is for a more advanced coated product featuring zinc, aluminium and magnesium alloy coated steel. Dongbu provided the verification team with a product brochure for this product.

The verification team considers that this product to not be the goods under consideration (GUC).

Dongbu provided data in line with the proposed MCC structure, as outlined in ADN 2019/100 for sales, identifying all categories. In the cost to make (CTM) data that Dongbu provided in its response to the exporter questionnaire, it did not include the category for “Alloy content” and “Quality”.

Dongbu advised that all zinc coated (galvanised) steel it produces are non-alloy and that it does not intentionally produce non-prime products. As stated in ADN 2019/100,<sup>1</sup> these two categories are not applicable in respect to the goods.

### **2.3 Verification of MCCs**

Table 1 below provides detail on how the MCC sub-categories were determined and verified to source documents.

<b>Category</b>	<b>Determination of the sub-category</b>
Alloy content	All goods and like goods produced by Dongbu are non-alloy.
Prime	All goods exported to Australia are prime products. Like goods can be sold either prime or non-prime. Dongbu identifies this subcategory with a grade code.
Steel base	All goods and like goods are produced from hot rolled steel.
Coating type	The coating type is identified in the universal product code (UPC) by the first character of that code.

<sup>1</sup> Refer to the electronic public record (EPR) for the case on the Commission’s website at: [www.adcommission.gov.au](http://www.adcommission.gov.au)

## PUBLIC RECORD

Category	Determination of the sub-category
Coating mass	Dongbu identified the coating mass subcategory by the production order in its system.
Steel grade	The third and fourth characters in the company's UPC identify quality specification (class) and quality specification (kind) respectively.
Base metal thickness	The information recorded in the production order for exported goods identifies this subcategory. For domestic sales, Dongbu uses a formula as the thickness recorded in the product order which includes the coating mass.
Width	The information recorded in the production order for all goods and like goods identifies the width subcategory.
Form	The information recorded in the production order for all goods and like goods identifies the form subcategory.

**Table 1 - MCC sub-category determination**

### 2.4 The goods exported to Australia

The verification team were satisfied that Dongbu produced and exported the goods to Australia. Dongbu exported the goods to Australia with the following MCCs during the period:

NA-P-H-F-1-A-3-B-C	NA-P-H-F-1-A-5-B-C	NA-P-H-F-1-A-6-C-C
NA-P-H-F-1-A-4-B-C	NA-P-H-F-1-A-5-C-C	NA-P-H-Z-3-A-3-B-C
NA-P-H-F-1-A-4-C-C	NA-P-H-F-1-A-6-B-C	NA-P-H-Z-3-A-4-B-C

**Table 2 - MCCs exported to Australia**

### 2.5 Like goods sold on the domestic market

The verification team were satisfied that Dongbu sold like goods in the domestic market.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods exported to Australia, as they:

- are not distinguished from the exported goods during production (the exported goods and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- the goods compete in the same market sectors, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

Dongbu sold like goods on the domestic market with the following MCCs during the period:

NA-N-H-F-1-A-4-B-C	NA-N-H-Z-2-A-4-C-C	NA-N-H-Z-5-A-5-B-C	NA-P-H-F-2-G-6-C-C	NA-P-H-Z-2-B-5-C-C
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**PUBLIC RECORD**

NA-N-H-F-1-A-4-C-C	NA-N-H-Z-2-A-5-B-C	NA-N-H-Z-5-A-6-C-C	NA-P-H-Z-1-A-1-B-C	NA-P-H-Z-2-B-6-B-C
NA-N-H-F-1-A-5-B-C	NA-N-H-Z-2-A-5-C-C	NA-P-H-F-1-A-1-B-C	NA-P-H-Z-1-A-1-C-C	NA-P-H-Z-2-B-6-C-C
NA-N-H-F-1-A-6-B-C	NA-N-H-Z-2-A-6-B-C	NA-P-H-F-1-A-1-C-C	NA-P-H-Z-1-A-2-B-C	NA-P-H-Z-2-C-1-C-C
NA-N-H-F-1-G-3-C-C	NA-N-H-Z-2-A-6-C-C	NA-P-H-F-1-A-2-B-C	NA-P-H-Z-1-A-2-C-C	NA-P-H-Z-2-C-2-C-C
NA-N-H-F-1-G-4-B-C	NA-N-H-Z-2-A-7-B-C	NA-P-H-F-1-A-2-C-C	NA-P-H-Z-1-A-3-B-C	NA-P-H-Z-2-D-1-B-C
NA-N-H-F-2-A-4-B-C	NA-N-H-Z-2-A-7-C-C	NA-P-H-F-1-A-3-B-C	NA-P-H-Z-1-A-3-C-C	NA-P-H-Z-2-D-2-B-C
NA-N-H-F-2-A-5-B-C	NA-N-H-Z-2-B-2-B-C	NA-P-H-F-1-A-3-C-C	NA-P-H-Z-1-A-4-B-C	NA-P-H-Z-2-D-2-C-C
NA-N-H-F-2-A-6-B-C	NA-N-H-Z-2-B-2-C-C	NA-P-H-F-1-A-4-B-C	NA-P-H-Z-1-A-4-C-C	NA-P-H-Z-2-D-3-C-C
NA-N-H-F-2-A-7-B-C	NA-N-H-Z-2-B-3-B-C	NA-P-H-F-1-A-4-C-C	NA-P-H-Z-1-A-5-B-C	NA-P-H-Z-2-D-4-B-C
NA-N-H-F-2-B-3-B-C	NA-N-H-Z-2-B-3-C-C	NA-P-H-F-1-A-5-B-C	NA-P-H-Z-1-A-5-C-C	NA-P-H-Z-2-D-4-C-C
NA-N-H-F-2-B-3-C-C	NA-N-H-Z-2-B-4-B-C	NA-P-H-F-1-A-5-C-C	NA-P-H-Z-1-A-6-B-C	NA-P-H-Z-2-D-5-B-C
NA-N-H-F-2-B-4-B-C	NA-N-H-Z-2-B-4-C-C	NA-P-H-F-1-A-6-B-C	NA-P-H-Z-1-A-6-C-C	NA-P-H-Z-2-D-5-C-C
NA-N-H-F-2-B-5-B-C	NA-N-H-Z-2-B-5-B-C	NA-P-H-F-1-A-6-C-C	NA-P-H-Z-1-A-8-C-C	NA-P-H-Z-2-D-6-B-C
NA-N-H-F-2-B-5-C-C	NA-N-H-Z-2-B-5-C-C	NA-P-H-F-1-A-7-B-C	NA-P-H-Z-1-B-1-C-C	NA-P-H-Z-2-D-7-B-C
NA-N-H-F-2-B-6-B-C	NA-N-H-Z-2-B-6-B-C	NA-P-H-F-1-B-3-B-C	NA-P-H-Z-1-B-2-B-C	NA-P-H-Z-2-D-8-B-C
NA-N-H-F-2-B-7-B-C	NA-N-H-Z-2-B-6-C-C	NA-P-H-F-1-B-3-C-C	NA-P-H-Z-1-B-3-B-C	NA-P-H-Z-2-F-1-B-C
NA-N-H-F-2-C-4-B-C	NA-N-H-Z-2-C-2-C-C	NA-P-H-F-1-B-4-B-C	NA-P-H-Z-1-B-3-C-C	NA-P-H-Z-2-F-1-C-C
NA-N-H-F-2-G-4-B-C	NA-N-H-Z-2-D-2-C-C	NA-P-H-F-1-B-4-C-C	NA-P-H-Z-1-B-4-B-C	NA-P-H-Z-2-F-2-C-C
NA-N-H-F-2-G-4-C-C	NA-N-H-Z-2-D-3-B-C	NA-P-H-F-1-B-5-B-C	NA-P-H-Z-1-B-4-C-C	NA-P-H-Z-2-F-3-B-C
NA-N-H-F-2-G-5-B-C	NA-N-H-Z-2-D-3-C-C	NA-P-H-F-1-B-5-C-C	NA-P-H-Z-1-D-2-C-C	NA-P-H-Z-2-F-4-B-C
NA-N-H-F-2-G-5-C-C	NA-N-H-Z-2-D-5-B-C	NA-P-H-F-1-B-6-B-C	NA-P-H-Z-1-D-4-B-C	NA-P-H-Z-2-F-4-C-C
NA-N-H-F-2-G-6-B-C	NA-N-H-Z-2-D-5-C-C	NA-P-H-F-1-B-6-C-C	NA-P-H-Z-1-D-6-B-C	NA-P-H-Z-2-F-5-B-C
NA-N-H-F-2-G-6-C-C	NA-N-H-Z-2-D-6-B-C	NA-P-H-F-1-G-3-C-C	NA-P-H-Z-1-F-1-B-C	NA-P-H-Z-2-F-5-C-C
NA-N-H-Z-1-A-1-B-C	NA-N-H-Z-2-D-7-B-C	NA-P-H-F-1-G-4-B-C	NA-P-H-Z-1-F-3-B-C	NA-P-H-Z-2-F-6-B-C
NA-N-H-Z-1-A-1-C-C	NA-N-H-Z-2-D-8-B-C	NA-P-H-F-1-G-5-B-C	NA-P-H-Z-1-F-4-B-C	NA-P-H-Z-2-G-1-C-C
NA-N-H-Z-1-A-2-B-C	NA-N-H-Z-2-F-1-B-C	NA-P-H-F-1-G-6-B-C	NA-P-H-Z-2-A-1-B-C	NA-P-H-Z-2-G-4-C-C
NA-N-H-Z-1-A-2-C-C	NA-N-H-Z-2-F-1-C-C	NA-P-H-F-2-A-2-B-C	NA-P-H-Z-2-A-1-C-C	NA-P-H-Z-3-A-2-B-C
NA-N-H-Z-1-A-3-B-C	NA-N-H-Z-2-F-2-B-C	NA-P-H-F-2-A-4-B-C	NA-P-H-Z-2-A-2-B-C	NA-P-H-Z-3-A-3-B-C
NA-N-H-Z-1-A-3-C-C	NA-N-H-Z-2-F-2-C-C	NA-P-H-F-2-A-6-B-C	NA-P-H-Z-2-A-2-C-C	NA-P-H-Z-3-A-4-B-C
NA-N-H-Z-1-A-4-B-C	NA-N-H-Z-2-F-4-B-C	NA-P-H-F-2-A-7-B-C	NA-P-H-Z-2-A-3-B-C	NA-P-H-Z-3-A-4-C-C
NA-N-H-Z-1-A-4-C-C	NA-N-H-Z-2-F-4-C-C	NA-P-H-F-2-A-7-C-C	NA-P-H-Z-2-A-3-C-C	NA-P-H-Z-3-A-5-B-C
NA-N-H-Z-1-A-5-B-C	NA-N-H-Z-2-F-5-B-C	NA-P-H-F-2-B-3-B-C	NA-P-H-Z-2-A-4-B-C	NA-P-H-Z-3-A-5-C-C

## PUBLIC RECORD

NA-N-H-Z-1-A-5-C-C	NA-N-H-Z-2-F-5-C-C	NA-P-H-F-2-B-3-C-C	NA-P-H-Z-2-A-4-C-C	NA-P-H-Z-3-A-6-B-C
NA-N-H-Z-1-A-6-B-C	NA-N-H-Z-3-A-2-B-C	NA-P-H-F-2-B-4-B-C	NA-P-H-Z-2-A-5-B-C	NA-P-H-Z-3-A-6-C-C
NA-N-H-Z-1-A-6-C-C	NA-N-H-Z-3-A-5-B-C	NA-P-H-F-2-B-4-C-C	NA-P-H-Z-2-A-5-C-C	NA-P-H-Z-3-A-7-B-C
NA-N-H-Z-1-B-1-C-C	NA-N-H-Z-3-A-5-C-C	NA-P-H-F-2-B-5-B-C	NA-P-H-Z-2-A-6-B-C	NA-P-H-Z-3-B-3-B-C
NA-N-H-Z-1-B-4-B-C	NA-N-H-Z-3-A-6-B-C	NA-P-H-F-2-B-5-C-C	NA-P-H-Z-2-A-6-C-C	NA-P-H-Z-3-B-5-B-C
NA-N-H-Z-1-D-2-C-C	NA-N-H-Z-3-B-3-B-C	NA-P-H-F-2-B-6-B-C	NA-P-H-Z-2-A-7-B-C	NA-P-H-Z-3-B-6-C-C
NA-N-H-Z-1-F-1-B-C	NA-N-H-Z-3-D-5-B-C	NA-P-H-F-2-B-6-C-C	NA-P-H-Z-2-A-7-C-C	NA-P-H-Z-3-C-3-B-C
NA-N-H-Z-1-F-2-B-C	NA-N-H-Z-3-D-6-B-C	NA-P-H-F-2-B-7-B-C	NA-P-H-Z-2-A-8-B-C	NA-P-H-Z-3-C-3-C-C
NA-N-H-Z-1-F-3-B-C	NA-N-H-Z-3-D-7-C-C	NA-P-H-F-2-B-7-C-C	NA-P-H-Z-2-B-1-C-C	NA-P-H-Z-3-D-4-B-C
NA-N-H-Z-1-F-4-B-C	NA-N-H-Z-3-E-5-B-C	NA-P-H-F-2-G-3-B-C	NA-P-H-Z-2-B-2-B-C	NA-P-H-Z-3-D-5-B-C
NA-N-H-Z-2-A-1-B-C	NA-N-H-Z-3-E-5-C-C	NA-P-H-F-2-G-3-C-C	NA-P-H-Z-2-B-2-C-C	NA-P-H-Z-3-D-6-B-C
NA-N-H-Z-2-A-1-C-C	NA-N-H-Z-3-E-6-C-C	NA-P-H-F-2-G-4-A-C	NA-P-H-Z-2-B-3-B-C	NA-P-H-Z-3-D-6-C-C
NA-N-H-Z-2-A-2-B-C	NA-N-H-Z-3-E-7-B-C	NA-P-H-F-2-G-4-B-C	NA-P-H-Z-2-B-3-C-C	NA-P-H-Z-3-D-7-B-C
NA-N-H-Z-2-A-2-C-C	NA-N-H-Z-3-E-7-C-C	NA-P-H-F-2-G-4-C-C	NA-P-H-Z-2-B-3-C-S	NA-P-H-Z-3-D-7-C-C
NA-N-H-Z-2-A-3-B-C	NA-N-H-Z-3-F-2-B-C	NA-P-H-F-2-G-5-B-C	NA-P-H-Z-2-B-4-B-C	NA-P-H-Z-3-E-5-B-C
NA-N-H-Z-2-A-3-C-C	NA-N-H-Z-3-F-2-C-C	NA-P-H-F-2-G-5-C-C	NA-P-H-Z-2-B-4-C-C	NA-P-H-Z-3-F-1-B-C
NA-N-H-Z-2-A-4-B-C	NA-N-H-Z-3-F-5-B-C	NA-P-H-F-2-G-6-B-C	NA-P-H-Z-2-B-5-B-C	NA-P-H-Z-3-F-2-B-C
NA-P-H-Z-3-F-2-C-C	NA-P-H-Z-3-F-5-B-C	NA-P-H-Z-4-A-6-C-C	NA-P-H-Z-5-A-5-B-C	NA-P-H-Z-5-A-6-B-C
NA-P-H-Z-3-F-4-B-C	NA-P-H-Z-4-A-6-B-C	NA-P-H-Z-4-B-6-C-C	NA-P-H-Z-5-A-5-C-C	NA-P-H-Z-5-A-6-C-C
NA-P-H-Z-5-A-7-C-C	NA-P-H-Z-5-A-8-C-C			

**Table 3 - MCCs sold on the domestic market in Korea**

## 2.6 Like goods – assessment

The verification team considers that the goods produced by Dongbu for domestic sale have characteristics closely resembling those of the goods exported to Australia and are therefore 'like goods' in accordance with section 269T(1) of the *Customs Act 1901* (the Act).<sup>2</sup>

<sup>2</sup> References to any section in this report relate to provisions of the ACT, unless specifically stated otherwise.

### **3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE**

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the export and domestic sales listings provided in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The visit team verified the relevance and completeness of the sales data as follows:

- Dongbu provided its 2018 audited report (for the period between 1 January to 31 December) and copies of its interim financial statements for the period 1 January to 30 June for both 2018 and 2019;
- Total revenue for 2018 and for the periods 1 January to 30 June for 2018 and 2019 reconciled to Dongbu's income ledger in its financial system;
- Revenue reconciled to the company's sales ledgers;
- Detailed sales ledgers reconciled to the export and domestic sales listing submitted in its REQ.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

#### **3.1 Exceptions during verification of sales completeness and relevance**

No.	Exception	Resolution
1	Dongbu did not include a small volume of sales of the GUC in its domestic sales listing. These sales were of goods not manufactured by Dongbu but sold during the review period.	Dongbu provided a revised domestic sales listing which included these additional sales. Dongbu also provided the costs for these sales.
2	Dongbu included sales and costs associated with goods that contain an aluminium alloy coating. The verification team confirmed with the case manager that these products were not the goods.	All sales and costs that include the aluminium alloy coating were excluded from the data used to calculate the dumping margin.

**Table 4 - Exceptions during verification of completeness and relevance of sales data**

#### **3.2 Sales completeness and relevance finding**

The verification team is satisfied that the sales data provided by Dongbu, including any required amendments as outlined in the exception table above, is complete and relevant.



## **4 VERIFICATION OF SALES ACCURACY**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data down to source documents. This verifies the accuracy of the data.

The verification team verified accuracy of the export and domestic sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issue outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

### **4.1 Exceptions during verification of sales accuracy**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
<b>3</b>	For export sales, Dongbu recoded the date of sale as being the date of the bill of lading. The verification team considers that the date of the invoice should be used to establish the date of sale. No evidence was presented by Dongbu to establish that the material terms of sale were established on the bill of lading date or that the terms of the sale could be materially be altered after the issuing of the commercial invoice.	The verification recorded the invoice date as being the date of sale.

**Table 5 - Exceptions during verification of accuracy of sales data**

### **4.2 Sales accuracy finding**

The verification team is satisfied that the sales data provided by Dongbu, is accurate after making the adjustment specified above to the date of sale. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

## **5 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE**

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that have been excluded or should be excluded.

The verification team verified the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The visit team verified the relevance and completeness of the cost data as follows:

- Dongbu provided a statement of comprehensive income from its 2018 audited financial report and for the half year periods ending 30 June for 2018 and 2019;
- This reconciled to income statement in the company's financial system;
- Trial balances for the relevant periods were provided;
- The verification team traced the production quantity and value breakdown through the company's finished goods inventory ledger by division and product group.

The visit team verified the relevance and completeness of the SG&A data by examining the accounts for SG&A during the review period.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

### **5.1 Exceptions during verification of completeness and relevance of CTMS data**

No.	Exception	Resolution
<b>4</b>	As mentioned in section 2, Dongbu included costs associated with manufacture and sales of goods not under consideration.	All costs that included this product were removed from cost data.
<b>5</b>	Dongbu was not able to separate the cost to make (CTM) based on the market the GUC were sold in. The company prepared the Commission's CTM spreadsheets based on the sales data of each MCC model. This resulted in double and triple counting of the CTM for some MCC models.	The verification team confirmed that the unit CTM for MCC models is the same regardless of the market in which the model is sold. The verification team is satisfied that the unit CTM calculated is appropriate for the calculation of a dumping margin.
<b>6</b>	Two MCC models were sold during the review period, however were not manufactured in the period. For this reason there was no CTM reported for these MCC models.	These two models were not exported to Australia. The volume of domestic sales for these models is small. The verification team consider the CTM for these models to be immaterial and has no effect on the

## PUBLIC RECORD

No.	Exception	Resolution
		dumping margin calculation.
7	Sales discounts and sales rebates were treated as a SG&A expense. SG&A expenses were consequently allocated as a proportion of gross revenue, not net sales revenue.	The verification team recalculated the allocation of SG&A by removing sales discounts and sales rebates from SG&A expenses and reallocating the revised SG&A costs as a portion of net revenue, not gross revenue. It should be noted that sales discounts and sales rebates were deducted from the gross invoice values to establish a net invoice values for domestic sales.
8	SG&A costs included losses and gains from investments in subsidiaries. The verification team considers the net loss on these investments to be irrelevant to the sale or manufacture of the goods subject of this application.	The verification team recalculated the amount of SG&A by removing costs and gains associated with investments in subsidiaries.
9	Domestic SG&A costs included costs associated with export sales.	The verification team deducted these costs from the SG&A costs.

**Table 6 - Exceptions during verification of completeness and relevance of CTMS data**

### 5.2 Completeness and relevance finding of CTMS data

The verification team is satisfied that the CTMS data provided in the exporter questionnaire response by Dongbu, including any required amendments as outlined as an exception above, is complete and relevant.

## **6 VERIFICATION OF CTMS ACCURACY**

### **6.1 Cost allocation method**

The verification team verified the reasonableness of the method used to allocate the cost information provided in the REQ to the relevant MCCs, in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

Table 7 below outlines the allocation method applied to each cost item.

<b>Cost item</b>	<b>Method applied</b>
Raw Materials	Raw material costs are allocated to the GUC based on the actual cost of for each individual coil produced.
Manufacturing Overheads	Manufacturing overhead costs are allocated in the company's accounting system by workshop. The costs are based on standard costs and varied to account for actual costs. This is allocated to each individual coil in the production system based on the total production quantity, and quantity of the coil.
Labour	The company inputs standard costs and records an adjustment to record the actual cost of direct labour for each individual coil in its production system. The labour cost is based on the total hours worked in the workshop, the total salary cost for the workshop and the hours worked to produce the individual coil.
Depreciation	Depreciation costs are allocated to each individual coil based on the total quantity of coils produced and the quantity of the individual coil.

**Table 7 - Cost allocation method**

### **6.2 Exceptions during verification of CTMS allocation method**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
10	Dongbu allocated the individual cost components for CTM based on a ratio, regardless of the MCC model. The verification team consider that the cost reported in the CTM spreadsheets do not, therefore, represent the actual cost component for each MCC model.	The verification team was able to verify the total cost for each model and consider this to be accurate. Dongbu was able to provide the total cost for each coil it produced, which the verification team were able to trace through the company's financial system.

**Table 8 - Exceptions during verification of CTMS allocation method**

### **6.3 Verification of Accuracy of CTMS data**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

## **PUBLIC RECORD**

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at Confidential Attachment 1.

### **6.4 Related party suppliers**

Dongbu purchased raw material (i.e. hot rolled steel) from a related party during the review period. The verification team tested the purchase price for these purchases and found that the unit price was lower, on average, than most other suppliers. However the amount purchased was substantially less than one per cent and is immaterial, having no effect on the production cost of the goods produced by Dongbu.

### **6.5 Accuracy finding**

The verification team is satisfied that the total CTMS data provided in the exporter questionnaire response by Dongbu, including any required amendments as outlined as an exception above, is accurate.

## **7 EXPORT PRICE**

### **7.1 The importers**

Subject to further inquiries, the verification team considers Dongbu's Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importer as they are:

- named on the commercial invoice as the customer or where not named on the commercial invoice as the customer, they were the ultimate beneficial owner of the goods by the time the goods arrived in Australia;
- named as the consignee/notify party on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges; and/or
- arranges delivery from the port.

In relation to the goods exported by Dongbu to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

### **7.2 The exporter**

The verification team considers Dongbu to be the exporter of the goods<sup>3</sup>, as Dongbu is:

- the manufacturer of the goods;
- named on the commercial invoice as the supplier;
- named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export; and
- predominately arranges and pays for the port handling charges at the port of export.

The verification team were satisfied that for all Australian export sales during the period the verification team considers Dongbu to be the exporter of the goods.

### **7.3 Arms length**

In respect of Dongbu's export sales of the goods to Australia during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or

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<sup>3</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

## PUBLIC RECORD

- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>4</sup>

The verification team therefore considers that all export sales to Australia made by Dongbu during the period were arms length transactions.

### 7.4 Export Price – assessment

In respect of Australian sales of the goods by Dongbu, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>4</sup> Section 269TAA of the Act refers.

## **8 DOMESTIC SALES SUITABILITY**

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under section 269TAC(1).

### **8.1 Arms length**

#### **8.1.1 Related party customers**

In respect of Dongbu's domestic sales of like goods to its related customer during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.<sup>5</sup>

The verification team therefore considers that all domestic sales made by Dongbu to its related customer during the period were arms length transactions.

The verification team compared weighted average selling prices of the same models sold to the related and unrelated parties and found that these were comparable.

#### **8.1.2 Unrelated customers**

In respect of Dongbu's domestic sales of like goods to its unrelated customers during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that all domestic sales made by Dongbu to its unrelated domestic customers during the period were arms length transactions.

### **8.2 Ordinary course of trade**

Section 269TAAD states that domestic transactions are not in the ordinary course of trade (OCOT) if arms length transactions are:

- unprofitable in substantial quantities over the investigation period; and
- unlikely to be recoverable within the period.

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<sup>5</sup> Section 269TAA of the Act refers.



## PUBLIC RECORD

The verification team tested profitability by comparing the price at ex-works against the relevant cost for each domestic sales transaction.

The team then tested whether the unprofitable sales were in substantial quantities (not less than 20%) by comparing the volume of unprofitable sales to the total sales volume, for each MCC over the period.

The team tested recoverability by comparing the price at ex-works against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

OCOT particulars	Details
Price	Net invoice price, excluding direct selling expenses
Cost	Quarterly cost to make and sell, excluding direct selling expenses
Weighted average cost	Weighted average cost to make and sell, excluding direct selling expenses, over the review period.

**Table 9 - OCOT details**

### 8.3 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under section 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Domestic sales of like goods are taken to be in a low volume pursuant to section 269TAC(14) where the total volume of like goods is less than five percent of the total volume of the goods under consideration (GUC) that are exported to Australia (unless the Minister is satisfied that the volume is still large enough to permit a proper comparison).

The verification team assessed the total volume of like goods as a percentage of the goods exported to Australia for the whole period and found that the domestic sales were sufficient. As a result, the normal value can be ascertained under section 269TAC(1).

As per the *Dumping and Subsidy Manual*<sup>6</sup>, where the total volume of like goods is greater than five percent of the total volume of the GUC, and where comparable models exist, the Commission also tests the suitability of domestic sales of like goods individually for each model type.

The verification team's assessment of the suitability of domestic models to the models exported to Australia is further detailed below:

Export MCCs	Sufficient domestic sales of identical MCC	Surrogate MCC	Treatment of normal value where there were insufficient domestic sales of identical MCC
NA-P-H-F-1-A-3-B-C	Yes		Sufficient sales volumes available for TAC(1).
NA-P-H-F-1-A-4-B-C	Yes		
NA-P-H-F-1-A-4-C-C	Yes		
NA-P-H-F-1-A-5-B-C	Yes		

<sup>6</sup> Available at [www.industry.gov.au](http://www.industry.gov.au).

**PUBLIC RECORD**

Export MCCs	Sufficient domestic sales of identical MCC	Surrogate MCC	Treatment of normal value where there were insufficient domestic sales of identical MCC
NA-P-H-F-1-A-5-C-C	Yes		Sufficient sales volumes available for TAC(1).
NA-P-H-F-1-A-6-B-C	Yes		
NA-P-H-F-1-A-6-C-C	Yes		
NA-P-H-Z-3-A-3-B-C	No	NA-P-H-Z-3-A-2-B-C NA-P-H-Z-3-A-5-B-C NA-P-H-Z-3-A-6-B-C NA-P-H-Z-3-A-7-B-C	Insufficient sales, therefore normal value has been determined under 269TAC(1) with a specification adjustment under 269TAC(8), using percentage differences in quarterly weighted average selling prices between the surrogate MCCs.
NA-P-H-Z-3-A-4-B-C			
All sales	Yes		

**Table 10 - Sufficiency test**

As outlined in Table 10 - Sufficiency test

above, the verification team found that there were sufficient domestic sales volumes of identical MCCs made in OCOT for seven MCCs exported to Australia.

For the other two MCCs exported to Australia, the verification team found insufficient sales of identical MCCs sold on the domestic market, however, found sufficient domestic sales volumes of surrogate models based on MCCs with the closest physical characteristics under the MCC hierarchy structure. In relying on surrogate models, the verification team considered sales based specification adjustment, under 269TAC(8) is warranted to ensure fair comparison between the export model and surrogate domestic models, as detailed in section 9 of this report.

The verification team’s preliminary assessment of domestic sales is at **Confidential Appendix 3**.

## **9 ADJUSTMENTS**

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with section 269TAC(8).

### **9.1 Rationale and Method**

<b>Adjustment type</b>	<b>Assessment for adjustment</b>	<b>Calculation method and evidence</b>	<b>Claimed in REQ?</b>	<b>Adjustment required?</b>
Domestic credit terms	Sales made domestically during the review period are on an open account basis. This is materially different to the credit terms (letter of credit at sight) offered on export sales.	Based on the accounts receivable turnover for each customer, the average credit term for each customer, and applying the short term interest rate to the net invoice value.	Y	Y
Domestic packaging	Generally, the domestic and export packaging is similar, however exported goods are loaded for shipping in stacks, where domestic goods are placed on the side. Therefore, additional packing material is used in-between each coil stack for export.	Based on the actual cost, including material, labour and conversion costs, for each sale listed in the domestic sales listing and recorded in the company's financial system.	Y	Y
Domestic inland transport	Inland transport costs were incurred in relation to certain domestic sales.	The actual costs relating to the sale, as listed in the domestic sales listing, and recorded in the company's financial system.	Y	Y
Early payment discount	Some domestic customers receive an early payment discount for payments made in cash. The discount is applied to a payment made at the end of the month and applied to all purchases made in that month.	Based on the ratio for each customer receiving the discount and applied it to sales within the review period. Not treated as an adjustment as amount was deducted from gross invoice value to arrive at net invoice value.	Y	N
Quantity discount	Some domestic customers receive a quantity discount when sufficient volumes are purchased each month.	Based on the actual discounted amount per month, averaged over all sales in that month for the customer receiving the discount. Not treated as an adjustment as amount was deducted from gross invoice value to arrive at net invoice value.	Y	N

## PUBLIC RECORD

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Warranty Expense	Some domestic customers claimed and received a warranty credit during the review period.	Based on the amount each customer receiving a warranty credit received and applied proportionally across all sales.	Y	Y
Export packaging	Generally, the domestic and export packaging is similar, however exported goods are loaded for shipping in stacks, where domestic goods are placed on the side. Therefore, additional packing material is used in-between each coil stack for export.	The weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Y	Y
Export inland transport	Freight charges have been incurred for all export sales to Australia.	Weighted average cost based on the actual cost incurred and the actual sales quantities listed in the export sales listing.	Y	Y
Export port handling charges	Port handling charges were incurred for exports of the goods to Australia.	Based on actual costs incurred, listed in the Australian sales listing and recorded in the company's financial system.	Y	Y
Export brokerage charge	Brokerage charges were incurred for export sales to Australia.	Based on the actual charges as listed in the export sales listing and recorded in the company's financial system.	Y	Y
Export bank charge	Bank charges were incurred for all export sales to Australia.	Bank charges are based on the actual cost incurred for each export sale listed in the Australian sales listing and recorded in the company's financial system.	Y	Y
Export letter of credit (LC) notification charge	LC notification charges were incurred for all export sales.	LC notification charges are based on the actual cost incurred for each export sale listed in the Australian sales listing and recorded in the company's financial system.	Y	Y
Specification adjustment	For the MCCs that have insufficient sales made in the OCOT, surrogate MCC prices were used to make a specification adjustment.	MCCs that had otherwise identical characteristics differing by only one MCC sub-category, were used to calculate the average percentage difference between MCCs.	N	Y
Timing adjustment	There were several MCC models with no domestic sales in certain quarters of the review period	The quarterly normal value for the relevant quarters was derived based on the normal value for the same MCC in another quarter, with a	N	Y

**PUBLIC RECORD**

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
		timing adjustment based on changes to the normal value of the most comparable model in accordance with the MCC hierarchy		

**Table 11 - Assessment of adjustments**

## 9.2 Adjustments

The verification team considers the following adjustments under section 269TAC(8) are necessary to ensure that the normal value so ascertained is properly compared with the export price of those goods.

Adjustment Type	Deduction/addition
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Domestic inland transport	Deduct an amount for domestic inland transport
Domestic Warranty expense	Deduct an amount for warranty expense
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port handling charges	Add an amount for port charges
Export brokerage charge	Add an amount for export brokerage charge
Export bank charge	Add an amount for export bank charge
Export letter of credit (LC) notification charge	Add an amount for LC notification charge
Specification adjustment	Add or deduct an amount for specification differences

**Table 12 - Summary of adjustments**

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## **10 NORMAL VALUE**

The verification team found that there were models with sufficient volumes of domestic sales of the goods, exported to Australia, that were arms length transactions and at prices that were within the OCOT<sup>7</sup>. The verification team is therefore satisfied that the prices paid in respect of domestic sales of these models of the goods are suitable for assessing normal value under section 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with section 269TAC(8), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 9 above.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

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<sup>7</sup> Having made specification adjustments to two models as detailed in table 10 in this report.

## **11 DUMPING MARGIN**

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by Dongbu for the period is **negative 4.1 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

**PUBLIC RECORD**

**12 APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program