



## Exporter Verification Report

### Verification & Case Details

<b>Initiation Date</b>	30 June 2020	<b>ADN:</b>	2020/067
<b>Case Number</b>	558		
<b>The goods under consideration</b>	Aluminium Zinc Coated Steel ( $\geq$ 600 mm)		
<b>Case type</b>	Dumping and Subsidy Investigation		
<b>Exporter</b>	KG Dongbu Steel Co., Ltd.		
<b>Location</b>	Remote verification		
<b>Verification from</b>	16 March 2021	<b>to</b>	22 March 2021
<b>Investigation Period</b>	1 April 2019	<b>to</b>	30 March 2020

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

# PUBLIC RECORD

## CONTENTS

<b>CONTENTS</b> .....	<b>2</b>
<b>PREFACE</b> .....	<b>3</b>
<b>1 COMPANY BACKGROUND</b> .....	<b>4</b>
1.1 CORPORATE STRUCTURE AND OWNERSHIP .....	4
1.2 RELATED PARTIES .....	4
1.3 ACCOUNTING RECORDS .....	4
<b>2 THE GOODS AND LIKE GOODS</b> .....	<b>5</b>
2.1 PRODUCTION PROCESS .....	5
2.2 MODEL CONTROL CODES (MCCs).....	5
2.3 VERIFICATION OF MCCS .....	6
2.4 THE GOODS EXPORTED TO AUSTRALIA .....	6
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET .....	6
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 .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
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 .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
4.2 SALES ACCURACY FINDING .....	9
<b>5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE</b> .....	<b>10</b>
5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA .....	11
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA .....	11
<b>6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY</b> .....	<b>12</b>
6.1 COST ALLOCATION METHOD .....	12
6.2 VERIFICATION OF ACCURACY OF CTMS DATA .....	12
6.3 RELATED PARTY SUPPLIERS .....	12
6.4 ACCURACY FINDING .....	12
<b>7 EXPORT PRICE</b> .....	<b>12</b>
7.1 THE IMPORTERS .....	13
7.2 THE EXPORTER .....	13
7.3 ARMS LENGTH .....	14
7.4 EXPORT PRICE – ASSESSMENT .....	14
<b>8 DOMESTIC SALES</b> .....	<b>15</b>
8.1 ARMS LENGTH .....	15
8.2 ORDINARY COURSE OF TRADE .....	16
8.3 VOLUME OF RELEVANT SALES .....	16
<b>9 ADJUSTMENTS</b> .....	<b>18</b>
9.1 RATIONALE AND METHOD .....	18
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>

## **PREFACE**

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

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

---

<sup>1</sup> References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

## 1 COMPANY BACKGROUND

### 1.1 Corporate Structure and Ownership

Dongbu Steel Co., Ltd. (Dongbu), as it was known until 27 March 2020, is a joint-stock corporation publicly listed on the Korean stock exchange. It was acquired by the KG Group in September 2019 and later changed its name to KG Dongbu Steel Co., Ltd (KG Dongbu). All Dongbu affiliated entities were acquired by the KG Group, with KG Dongbu's affiliated entity, Dongbu Incheon (also a manufacturer of aluminium zinc coated steel or 'the goods') acquired under KG Dongbu at the end of February 2020.

During the investigation period KG Dongbu (Dangjin mill) produced the goods, as well as other steel products which were sold domestically and exported in the investigation period. For the last month of the investigation period, KG Dongbu (Incheon mill) also produced the goods. Relevant data for the Incheon mill was included in KG Dongbu's response to the exporter questionnaire (REQ).

As this was a remote verification, the verification team did not inspect KG Dongbu's production facilities and has relied on other sources of information to verify KG Dongbu's production of the goods.

### 1.2 Related Parties

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

#### 1.2.1 Related suppliers

The verification team identified that KG Dongbu sourced less than half a percent of its total HRC purchases in the investigation period from a related party (KG Dongbu Incheon).

#### 1.2.2 Related customers

KG Dongbu sold the goods to a related domestic customer in the investigation period.

The verification team examined the prices of the models sold to this related customer and unrelated customers and observed no price difference. In addition, there was no evidence that the price was affected by KG Dongbu's relationship with this customer.

### 1.3 Accounting records

KG Dongbu's audited financial statement includes a statement from KG Dongbu's auditors that its financial accounts comply with Korean International Financial Reporting Standards (K-IFRS).

The verification team did not identify any issues. Therefore, the verification team considers that the accounting records held by the company are in accordance with the generally accepted accounting principles of Korea.

## 2 THE GOODS AND LIKE GOODS

### 2.1 Production Process

KG Dongbu's production process is the same for domestic and export production. During the investigation period, the goods were produced primarily at KG Dongbu's Dangjin production facility, with an immaterial quantity produced at KG Dongbu's Incheon facility at the end of the investigation period.

KG Dongbu's production process is as follows

- Pickling and Oiling Line ("CPL") - The input metal (hot-rolled carbon steel coil) is prepared for cold-rolling by passing it through an acidic bath to remove surface contaminants. The surface of the metal is then lightly coated with oil.
- Cold-Rolling Line ("CRL"); Pickle Line & Tandem CR Mill ("PL/TCM") - Cold-rolling at KG Dongbu's Incheon facility consists of the cold-reduction of the pickled and oiled (P/O) hot-rolled coil metal by passing it under pressure, through a reversing cold-rolling mill. With each "pass" through the cold-rolling mill, the substrate metal is reduced in thickness.

At Dangjin, there is a single pickling and cold-rolling line (PL/TCM). The rolling line is a tandem rolling line (in contrast to a reversing rolling type).

- Continuous Galvanizing Line ("CGL") - The input coil (from the related cold-rolling process described above) is continuously passed through an annealing furnace, then through a pot of molten zinc (in the case of galvanized ("GI") or galvannealed ("GA") products), or a pot of molten aluminium (in the case of aluminium-coated steel ("AL") at the Incheon works), or a pot of 55% aluminium and zinc (in the case of super galvanum ("GL")), then a skin pass mill, and finally a tension-leveller.
- Shearing/Slitting - Shearing is the cutting of coils to length and slitting is the cutting of a coil into one or more narrower coils. All products are mill or slit edge. There is no shearing or slitting facility at the Dangjin works.
- Packing Line - Coils and sheets are generally packed in waterproof paper, which is held together with steel bands and seals. Edge protectors are attached to protect the edges of the steel during transport.

Export coils are loaded in stacks then the stacks are bound by a steel band, but domestic coils are loaded on their side. This means that export coils require more packing material.

### 2.2 Model Control Codes (MCCs)

KG Dongbu provided sales and cost data in its REQin accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/67.

### 2.2.1 Amendments to MCCs

KG Dongbu sold aluminium zinc coated steel with base metal thickness (BMT) greater than 2 mm. It included an additional subcategory in the BMT category to capture these products in its sales and cost spreadsheets.

No.	Exception	Resolution
1	KG Dongbu provided an additional subcategory of BMT (subcategory 6) for aluminium zinc coated steel it sold and produced which had BMT greater than 2 mm.	The verification team tested selling prices of the goods having BMT greater than or equal to 2 mm. The verification team is satisfied that the addition of a BMT subcategory 6 for BMT greater than or equal to 2 mm is warranted.

### 2.3 Verification of MCCs

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

Category	Determination of the sub-category
Prime	Sales and production system; mill certificate; commercial invoice; purchase contract; bill of lading
Coating Mass	Mill certificate; commercial invoice; purchase contract; product code
Steel Grade	Sales and production system; mill certificate; commercial invoice; shipment invoice; purchase contract; bill of lading; product code
Base Metal Thickness (BMT)	Sales and production system; shipment invoice; product code; mill certificate
Width	Sales and production system; product code; shipment invoice; mill certificate
Form	Sales and production system; shipment invoice; mill certificate

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

### 2.4 The goods exported to Australia

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

P-1-F-3-2-C	P-2-D-4-2-C	P-2-F-2-2-C	P-2-F-5-2-C
P-2-D-2-2-C	P-2-D-5-2-C	P-2-F-4-2-C	P-3-F-4-2-C
P-2-D-3-2-C	P-2-F-1-2-C		

**Table 2: List of MCCs exported to Australia**

### 2.5 Like goods sold on the domestic market

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

## PUBLIC RECORD

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;
- compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

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

N-1-A-1-2-C	N-2-A-4-2-C	N-2-F-5-2-C	N-3-G-4-2-C	P-2-A-1-2-C
N-1-A-2-2-C	N-2-A-5-2-C	N-2-G-2-2-C	N-3-G-5-2-C	P-2-A-2-2-C
N-1-A-3-2-C	N-2-A-6-2-C	N-2-G-3-2-C	P-1-A-1-2-C	P-2-A-3-2-C
N-1-A-4-2-C	N-2-B-2-2-C	N-2-G-4-2-C	P-1-A-2-2-C	P-2-A-4-2-C
N-1-A-5-2-C	N-2-B-3-2-C	N-3-A-1-2-C	P-1-A-3-2-C	P-2-A-5-2-C
N-1-B-1-2-C	N-2-B-5-2-C	N-3-A-2-2-C	P-1-A-4-2-C	P-2-A-5-2-S
N-1-B-2-2-C	N-2-D-1-2-C	N-3-A-3-2-C	P-1-A-5-2-C	P-2-A-6-2-C
N-1-D-3-2-C	N-2-D-2-2-C	N-3-A-4-2-C	P-1-A-6-2-C	P-2-B-3-2-C
N-1-F-1-2-C	N-2-D-3-2-C	N-3-B-3-2-C	P-1-B-1-2-C	P-2-B-4-2-C
N-1-F-2-2-C	N-2-D-4-2-C	N-3-D-2-2-C	P-1-B-2-2-C	P-2-B-5-2-C
N-1-G-1-2-C	N-2-D-5-2-C	N-3-D-3-2-C	P-1-B-3-2-C	P-2-D-2-2-C
N-1-G-3-2-C	N-2-F-1-2-C	N-3-D-5-2-C	P-1-B-4-2-C	P-2-D-5-2-C
N-2-A-1-2-C	N-2-F-2-2-C	N-3-F-2-2-C	P-1-B-5-2-C	P-2-D-6-2-C
N-2-A-2-2-C	N-2-F-3-2-C	N-3-G-2-2-C	P-1-D-5-2-C	P-2-G-4-2-C
N-2-A-3-2-C	N-2-F-4-2-C	N-3-G-3-2-C	P-1-F-1-2-C	

**Table 3: List of MCCs sold domestically**

### 2.6 Like goods – assessment

The verification team considers that the goods produced by KG Dongbu for domestic sales have characteristics closely resembling those of the goods exported to Australia and are therefore ‘like goods’ in accordance with section 269T(1) of the Act.

### 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 verification team verified the relevance and completeness of the sales data as follows:

- KG Dongbu provided a statement of comprehensive income from its 2019 audited financial report, as well as quarterly income statements for the 2019 financial year and investigation period;
- these statements reconciled to the income statement in the company's financial system;
- trial balances for the relevant periods were provided; and
- the verification team traced the sales volume and revenue through the financial accounting system by division and product group, to the revised sales lists provided at the commencement of the verification visit.

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**.

#### 3.1 Sales completeness and relevance finding

The verification team is satisfied that the sales data provided by KG Dongbu 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 source documents in accordance with ADN No. 2016/30.

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**.

### 4.1 Sales accuracy finding

The verification team is satisfied that the sales data provided by KG Dongbu is accurate. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential Attachment 1**.

## 5 VERIFICATION OF COST TO MAKE AND SELL (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 were excluded or should be excluded.

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

- KG Dongbu provided a statement of comprehensive income from its 2019 audited financial report, as well as quarterly cost of goods sold (COGS) and cost to make (CTM) statements for the 2019 financial year and investigation period;
- these statements reconciled to the COGS statement in the company's financial system;
- trial balances for the relevant periods were provided; and
- the verification team traced the production quantity and cost through the company's finished goods inventory ledger by division and product group.

The verification team verified the relevance and completeness of the SG&A data as follows:

- KG Dongbu provided a statement of comprehensive income from its 2019 audited financial report, as well as a detailed reconciliation of its SG&A list to the 2019 audited amounts;
- KG Dongbu provided an SG&A list for the investigation period; and
- both lists reconciled to the SG&A values in the company's financial system.

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**

<b>No.</b>	<b>Exception</b>	<b>Resolution</b>
2	Goods which are not the goods under consideration were identified in KG Dongbu's CTM data.	KG Dongbu provided revised CTM data which only included the goods under consideration. The verification team were satisfied that it had identified the goods under consideration and reconciled the CTM to KG Dongbu's records.
3	The CTM data was derived from KG Dongbu's cost of finished goods inventory ledger. As KG Dongbu did not provide separate CTM data for domestic and Australian export production, the quarterly CTM data included packing costs for both domestic and export sales.	The verification team used the verified actual packing costs for domestic and export sales to calculate a domestic CTM and an export CTM inclusive of the relevant packing costs.
4	Dongbu included expenses in SG&A which are not attributable to the domestic sales of the goods.	The verification team has excluded these from the domestic SG&A calculation.

**Table 4: 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 REQ by KG Dongbu, including any required amendments as outlined as an exception table above, is complete and relevant.

## 6 VERIFICATION OF COST TO MAKE AND SELL (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 was unable to verify the allocation of individual cost components. However, the total CTM was reliable and can be used for the dumping margin calculation. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 6.2 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.

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**.

### 6.3 Related party suppliers

As discussed at chapter 1.2.1 above, the verification team identified an immaterial quantity of HRC purchased from a related party in the investigation period.

### 6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by KG Dongbu is accurate.

## 7 EXPORT PRICE

### 7.1 The importers

The verification team considers, for KG Dongbu's free on board (FOB) transactions sold directly to its Australian customers, that these Australian customers are the beneficial owner of the goods at the time of importation and therefore the importer as the Australian customer is:

- named on the commercial invoice as the customer;
- named as the consignee on the bill of lading,
- declared as the importer on the importation declaration to ABF;
- pays for all the post-FOB importation charges; and
- arranges delivery from the port.

The verification team considers that, for the remaining transactions made by KG Dongbu to Australian customers via Korean-based intermediary traders, the Australian customers are the beneficial owner of the goods at the time of importation and therefore the importer as:

- KG Dongbu knows that that the goods are destined for Australia; and
- the Australian customers were declared as the importer on the importation declaration to ABF, having purchased from the Korean-based trader identified by KG Dongbu.

### 7.2 The exporter

The verification team considers KG Dongbu to be the exporter of the goods<sup>2</sup>, as KG 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
- for FOB transactions arranges and pays for the port handling charges at the port of export.

The verification team is satisfied that for all Australian export sales during the period that KG Dongbu was the exporter of the goods.

---

<sup>2</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.

## **7.3 Arms length**

### **7.3.1 Unrelated customers**

In respect of KG Dongbu's Australian sales of the 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 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; 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>3</sup>

The verification team therefore considers that all export sales made by KG Dongbu to its unrelated Australian customers and those via unrelated Korean-based traders during the period were arms length transactions.

## **7.4 Export Price – assessment**

For Australian sales of the goods by KG Dongbu made directly to Australian customers, the verification team recommends that the FOB export price be determined under section 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**.

In respect of Australian sales of the goods by KG Dongbu, made to Australian customers via Korean-based traders, the verification team found that the importer has not purchased the goods from the exporter, therefore, export prices cannot be determined under sections 269TAB(1)(a) or 269TAB(1)(b).

The verification team recommends that the export price be calculated under section 269TAB(1)(c) having regard to all the circumstances of the exportation. Specifically, the verification team recommends that the export price be calculated based on the price between KG Dongbu and the Korean-based trader, adjusted to FOB terms to include port, handling, brokerage and other expenses.

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

---

<sup>3</sup> Section 269TAA refers.

## 8 DOMESTIC SALES

Section 269TAC(1) provides the general rule for calculating normal value. For sales to be relevant for the purpose of section 269TAC(1), they must be sales of like goods sold in the exporter's domestic market for home consumption that are at arms length and in the ordinary course of trade (OCOT).

### 8.1 Arms length

#### 8.1.1 Related party customers

In respect of KG 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 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; 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>4</sup>

As mentioned at chapter 1.1.2, the verification team analysed the prices of the MCCs sold to KG Dongbu's single related customer and observed no price difference to this customer and unrelated customers purchasing the same MCCs. In addition, there was no evidence that the price was affected by KG Dongbu's relationship with its related customer.

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

#### 8.1.2 Unrelated customers

In respect of KG 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 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; 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.

---

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

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

## **8.2 Ordinary course of trade**

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

- unprofitable in substantial quantities over an extended period; and
- unlikely to be recoverable within a reasonable period.<sup>5</sup>

The verification team tested profitability by comparing the price at ex-works (EXW) 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 per cent) 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 EXW against the relevant weighted average cost over the period for each domestic sales transaction.

The following table sets out further detail:

<b>OCOT particulars</b>	<b>Details</b>
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 period.

**Table 5: OCOT details**

## **8.3 Volume of relevant sales**

Section 269TAC(2) provides alternative methods for calculating the normal value of goods exported to Australia 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 under section 269TAC(14) where the total volume of sales of like goods for home consumption in the country of export by the exporter is less than five per cent of the total volume of the goods under consideration that are 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).

---

<sup>5</sup> In general, the Commission will consider 'extended period' and 'reasonable period' to be the investigation, review or inquiry period.



**PUBLIC RECORD**

The verification team assessed the total volume of relevant sales of like goods as a percentage of the goods exported to Australia and found that the volume of domestic sales was five per cent or greater and therefore was not a low volume.

When calculating a normal value under section 269TAC(1), in order to ensure a proper comparison between the goods exported to Australia and the goods sold on the domestic market, the Commission considers the volume of sales of each exported MCC on the domestic market. Where the volume of domestic sales of an exported model is less than five per cent of the volume exported, the Commission will consider whether a proper comparison can be made at the MCC level. In these situations, the Commission may consider whether a surrogate domestic model should be used to calculate normal value for the exported model.

This analysis is detailed in the table below.

<b>Export MCC</b>	<b>Surrogate domestic model</b>	<b>Treatment of normal value for domestic MCCs where the domestic volume of the same MCC is less than 5% as a proportion of export volume</b>
P-1-F-3-2-C	P-1-F-1-2-C	There were no domestic sales in the OCOT for comparison with the MCCs exported to Australia. Therefore the verification team selected surrogate domestic models and performed a CTM specification adjustment according to section 269TAC(8). Gross profit was applied.
P-2-F-1-2-C	P-1-F-1-2-C	
P-2-F-2-2-C	P-2-B-3-2-C	
P-3-F-4-2-C	P-2-B-4-2-C	
P-2-D-2-2-C	P-2-D-5-2-C	
P-2-D-3-2-C	P-2-D-5-2-C	
P-2-D-4-2-C	P-2-D-5-2-C	
P-2-F-4-2-C	P-2-A-4-2-C	
P-2-F-5-2-C	P-2-D-5-2-C	
<b>Export MCC</b>	<b>Surrogate domestic model</b>	<b>Treatment of normal value for domestic MCCs where the volume of domestic sales of same MCC is 5% or greater as a proportion of export volume</b>
P-2-D-5-2-C	nil	No adjustments to the normal value were made

**Table 6: Domestic volumes**

The verification team’s volume analysis 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

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Required?
Domestic credit terms	Domestic sales are paid for on an open account/rolling basis. This payment method is different for export sales. As payment is not made at the time of the sale, KG Dongbu incurred a domestic credit expense.	Credit days were calculated using the annual account receivable turnover ratio of each customer in the period. The domestic interest rate was calculated using the interest paid on KG Dongbu's short-term borrowings.	Yes	Yes
Domestic inland transport	KG Dongbu incurred export inland transport expenses.	KG Dongbu apportioned the relevant inland transport invoice according to the weight of the goods.	Yes	Yes
Domestic packaging	No claim made for differences in packaging, however different types of packaging can be applied for domestic and export.	KG Dongbu provided actual domestic packaging costs in its domestic sales list.	No	Yes
Export packaging	No claim made for differences in packaging, however different types of packaging can be applied domestic and export.	KG Dongbu provided actual export packaging costs in its export sales list.	No	Yes
Export inland transport	KG Dongbu incurred export inland transport expenses.	KG Dongbu apportioned the relevant inland transport invoice according to the weight of the goods.	Yes	Yes
Export port charges	KG Dongbu incurred port, handling and other charges that were not incurred on domestic sales.	KG Dongbu apportioned the relevant invoice according to the weight of the goods.	Yes	Yes
Export brokerage expenses	KG Dongbu incurred brokerage expenses for exports only.	KG Dongbu provide the actual brokerage expense per invoice, which was allocated to the portion of revenue of the goods. Given the individual transaction value and value for the period was immaterial, the verification team did not seek to reallocate.	Yes	Yes
Export credit terms	No export credit claimed because payment terms are L/C.	Verified in downwards exports sales.	No	No

**PUBLIC RECORD**

<b>Adjustment type</b>	<b>Assessment for adjustment</b>	<b>Calculation method and evidence</b>	<b>Claimed in REQ?</b>	<b>Required?</b>
Export bank charges	Export bank charges are incurred for export sales transactions only.	Actual bank charges per payment were verified via the bank payment vouchers. As KG Dongbu's customers paid multiple invoices per payment, these bank charges were allocated across relevant invoices as a portion of total revenue.	Yes	Yes
Non-refundable VAT	Not applicable	Not applicable	No	No
Domestic warranty expenses	KG Dongbu claimed that it occasionally made warranty payments to customers who had received defective goods. The warranty was paid as either an expense or as a credit to the domestic customer (revenue offset). KG Dongbu provided the warranty amounts in its domestic sales list.	KG Dongbu provided evidence of its warranty expense account and the allocation of warranty expenses per domestic customer.	Yes	Yes
Domestic early discounts	KG Dongbu did not claim this as an adjustment in Section E of the REQ narrative, however listed this item as a direct selling expense in its SG&A list.	This discount is not attributed to the sale of the goods. It is an incentive payment for customers to make a payment on an existing balance within a certain timeframe. The existing balance is made up of sales of all types of products sold - not just the goods under consideration. The verification team has accepted the allocation method as a revenue offset in the domestic sales list but has not accepted this as an adjustment to the normal value.	Yes	No

**PUBLIC RECORD**

<b>Adjustment type</b>	<b>Assessment for adjustment</b>	<b>Calculation method and evidence</b>	<b>Claimed in REQ?</b>	<b>Required?</b>
Domestic quantity discounts	KG Dongbu did not claim this as an adjustment in Section E of the REQ narrative, however listed this item as a direct selling expense in its SG&A list.	<p>Applies to one customer.</p> <p>The quantity discount applies when KG Dongbu's customer holds a particular level of inventory which is available to one particular end user. i.e. it is an incentive which ensures exclusivity of KG Dongbu's supply into the Korean market.</p> <p>The discount is paid annually and is applied as a credit on KG Dongbu's customer's account.</p> <p>Therefore the quantity discount has no influence on the individual transactions and prices to KG Dongbu's customers at the time these occurred.</p> <p>In addition, the quantity purchased by this customer was approximately 1% of KG Dongbu's total domestic sales.</p> <p>The verification team has accepted the allocation method as a revenue offset – where it is accounted for in KG Dongbu's income statement - but has not accepted this as an adjustment to the normal value.</p>	Yes	No
Specification	For the domestic MCCs that have insufficient sales made in the OCOT, surrogate MCCs were used to make a specification adjustment.	Surrogate MCCs that had otherwise identical characteristics differing by only one or MCC sub-categories, were used. The specification adjustment was made based on CTM and SG&A.	No	Yes

**Table 7: 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.

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic credit terms	Deduct an amount for domestic credit
Domestic packaging	Deduct an amount for domestic packaging
Domestic warranty expenses	Deduct an amount for domestic warranty expenses
Export packaging	Add an amount for export packaging
Export inland transport	Add an amount for export inland transport
Export port charges	Add an amount for export port charges
Export brokerage expenses	Add an amount for export brokerage expenses
Export packaging	Add an amount for export packaging
Export bank charges	Add an amount for export bank charges
Specification	Add or deduct an amount for specification

**Table 8: Summary of adjustments**

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

## 10 NORMAL VALUE

The verification 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 verification 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 verification team has determined a preliminary 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 that differences between the normal value of goods exported to Australia and the export price of the exported goods would not affect comparison of domestic prices with export prices, as outlined in chapter 9 above.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

## **11 DUMPING MARGIN**

The dumping margin was assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period.

The dumping margin for the goods exported to Australia by KG Dongbu for the period is **2.5 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

**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>	Normal Value
<b>Confidential Appendix 4</b>	Dumping Margin
<b>Confidential Attachment 1</b>	Verification work program