



Exporter Verification Report

Verification & Case Details

Initiation Date	30/06/2020	ADN:	2020/067
Case Number	558		
The goods under consideration	Aluminium Zinc Coated Steel (\geq 600 mm)		
Case type	Dumping and Subsidy Investigation		
Exporter	Dongkuk Steel Mill Co Ltd		
Location	Virtual verification		
Verification from	16/03/2021	to	24/03/2021
Investigation Period	1/04/2019	to	31/03/2020

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

CONTENTS

CONTENTS	2
PREFACE	3
1 COMPANY BACKGROUND.....	4
1.1 CORPORATE STRUCTURE AND OWNERSHIP.....	4
1.2 RELATED PARTIES	4
1.3 ACCOUNTING RECORDS	4
2 THE GOODS AND LIKE GOODS.....	5
2.1 PRODUCTION PROCESS	5
2.2 MODEL CONTROL CODES (MCCs).....	5
2.3 VERIFICATION OF MCCS	5
2.4 THE GOODS EXPORTED TO AUSTRALIA	6
2.5 LIKE GOODS SOLD ON THE DOMESTIC MARKET	6
2.6 LIKE GOODS – ASSESSMENT	7
3 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE.....	8
3.1 EXCEPTIONS DURING VERIFICATION OF SALES COMPLETENESS AND RELEVANCE	8
3.2 SALES COMPLETENESS AND RELEVANCE FINDING	8
4 VERIFICATION OF SALES ACCURACY.....	9
4.1 EXCEPTIONS DURING VERIFICATION OF SALES ACCURACY	9
4.2 DATE OF SALE	9
4.3 SALES ACCURACY FINDING.....	10
5 VERIFICATION OF COST TO MAKE AND SELL (CTMS) COMPLETENESS AND RELEVANCE	11
5.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA	11
5.2 COMPLETENESS AND RELEVANCE FINDING OF CTMS DATA.....	12
6 VERIFICATION OF COST TO MAKE AND SELL (CTMS) ACCURACY	13
6.1 COST ALLOCATION METHOD	13
6.2 VERIFICATION OF ACCURACY OF CTMS DATA	13
6.3 RELATED PARTY SUPPLIERS	14
6.4 ACCURACY FINDING	14
7 EXPORT PRICE.....	15
7.1 THE IMPORTERS	15
7.2 THE EXPORTER	15
7.3 ARMS LENGTH	15
7.4 EXPORT PRICE – ASSESSMENT.....	16
8 DOMESTIC SALES	17
8.1 ARMS LENGTH	17
8.2 ORDINARY COURSE OF TRADE	17
8.3 VOLUME OF RELEVANT SALES.....	18
9 ADJUSTMENTS.....	19
9.1 RATIONALE AND METHOD	19
9.2 ADJUSTMENTS	20
10 NORMAL VALUE	22
11 DUMPING MARGIN.....	23
12 APPENDICES AND ATTACHMENTS.....	24

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 section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ 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

Dongkuk Steel Mill Co., Ltd (Dongkuk) was incorporated on 7 July 1954 under the Commercial Code of the Republic of Korea (Korea). Dongkuk is a publicly-traded company, whose shares have been listed on the Korean Stock Exchange since April 1988.

On 1 January 2015, Dongkuk merged with its affiliated company Union Steel Co., Ltd (Union Steel). Union Steel was a producer of flat steel products including aluminium zinc coated steel and following the merger, the operations of former Union Steel were absorbed into Dongkuk's operations.

Dongkuk is not a subsidiary of any other company and thus does not have any parent company. Rather, Dongkuk is a member company of the Dongkuk Steel Group of companies, which is not an actual legal entity, but a collection of manufacturing and transportation companies that share some common ownership interests.

Dongkuk produces and sell various steel products including aluminium zinc coated steel, such as carbon steel bars, sections, flats, and non-subject cold-rolled steel products, both in the Korean domestic market and export markets including Australia.

1.2 Related Parties

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

The verification team found that Dongkuk did not have any related party customers of the goods during the investigation period.

1.2.1 Related suppliers

Dongkuk purchased a small portion of raw materials from a related trading company. In addition, Dongkuk uses a related freight forwarder that arranges inland transportation for Dongkuk.

1.3 Accounting records

Dongkuk's audited financial statement was audited by PWC Samil Accounting Firm and includes a statement that the financial accounts comply with International Finance Reporting Standards as adopted by Korea.

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

Dongkuk normally purchases hot rolled coil (HRC), however, Dongkuk may also purchase cold rolled coil (CRC) from its suppliers. HRC then goes through the pickling line to remove scale and is then cold rolled to the desired thickness. The CRC is then galvanised through a continuous galvanizing line in which it passes through a pot of melted aluminium and zinc to produce aluminium zinc coated steel.

2.2 Model Control Codes (MCCs)

Dongkuk provided sales and cost data in its response to the exporter questionnaire (REQ) in accordance with the model control code (MCC) structure detailed in Anti-Dumping Notice (ADN) No. 2020/67.

Dongkuk did not propose any changes to the MCC structure.

2.2.1 Amendments to MCC structure

Based on analysis of the price comparability of the goods under consideration, the verification team considers it is not necessary to make amendments to the MCC structure.

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	The company was able to identify whether the sales were prime or non-prime from its accounting system.
Coating mass	Based on the coating mass on the commercial invoices and its order management system.
Steel grade	Based on the steel grade on the commercial invoices and its order management system.
Base metal thickness (BMT)	Based on the actual base metal thickness recorded in its order management system
Width	Based on the width shown on the commercial invoices and its order management system.
Form	Based on the form on the commercial invoices and its order management system.

Table 1 MCC sub-category determination

2.4 The goods exported to Australia

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

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

2.5 Like goods sold on the domestic market

The verification team was satisfied that Dongkuk 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;
- 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.

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

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

2.6 Like goods – assessment

The verification team considers that the goods produced by Dongkuk 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 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:

- Reconciled the total company revenue in the 2019 audited income statement to the total company revenue for the investigation period through the trial balance.
- Reconciled the total company revenue in the investigation period to the total sales revenue reported in its sales system.
- Using a sales report of all sales during the investigation period from the sales system, categorised the transactions into the goods and not the goods. In addition, the sales report shows the destination country of the sales transaction.
- Reconciled the Australian sales of the goods and domestic sales of like goods from the all sales report to B-2 Australian sales spreadsheet and D-2 domestic sales spreadsheet respectively.

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**.

3.1 Exceptions during verification of sales completeness and relevance

No.	Exception	Resolution
1	Dongkuk provided sales data which included coating types that fell outside the goods description.	The verification team excluded sales data that was not applicable to the goods under consideration.

Table 2 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 exporter, 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 the 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 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**.

4.1 Exceptions during verification of sales accuracy

No.	Exception	Resolution
2	The payment days in the export sales spreadsheet did not reflect the payment terms shown on the commercial invoices.	The payment days were revised to match the payment terms provided by Dongkuk.
3	Where domestic sales were pre-paid, the domestic sales spreadsheet reported negative payment days.	For the domestic sales that were pre-paid, the verification team revised the payment days to zero.
4	For certain domestic transactions, Dongkuk included amounts for warranty expenses. However, these expenses were in relation to reimbursements for damaged goods.	The verification treated these transactions as sales of non-prime products and deducted the reimbursement from the invoice value.

Table 3 Exceptions during verification of accuracy of sales data

4.2 Date of sale

In the export sales spreadsheets, Dongkuk reported a date of sale which is different to the invoice date. The REQ stated that the billing date was used as the date of sale in Dongkuk's enterprise resource planning (ERP) system and therefore, it reported that date as the date of sale. The billing date reflects the date that the transaction was recorded in its ERP system and recognised as a sale for accounting purposes. It also reflects the date on which the goods were picked-up by the customer or exported, and when the billing documents (including the commercial invoice) were issued to the customer. On the other hand, the invoice date is the date on which the sales staff prepared the commercial invoice, which could be several days before the shipment. Therefore, there may be a small difference between the invoice date and billing date.

In the domestic sales spreadsheet, while the invoice date and date of sale reported for each transaction were the same, the date was also based on the billing date. However, as is the general practice in Korea, the tax invoice can be issued to the customer after the goods have been picked-up or delivered to the customer.

Accordingly, the verification team agrees with Dongkuk that the billing date better reflects the date of sale rather than the commercial or tax invoice.

4.3 Sales accuracy finding

The verification team is satisfied that the sales data provided by exporter, including any required amendments as outlined in the exception table above, 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. Selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were 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:

- Assessing Dongkuk's audited financial report for the period 1 January 2019 to 31 December 2019 (2019 financial year);
- Comparing the costs recorded in the audited financial statements with the income statement for the financial year extracted from Dongkuk's accounting system; and
- Making appropriate adjustments to trial balance amounts extracted from the accounting system to reconcile with the costs reported for the investigation period (subtract January to March 2019 and add January to March 2020 costs).

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

- Assessing Dongkuk's audited financial report for 2019 financial year;
- Comparing the SG&A recorded in the audited financial statements with the income statement for the financial year extracted from Dongkuk's accounting system; and
- Making appropriate adjustments to trial balance amounts extracted from the accounting system to reconcile with the SG&A reported for the investigation period (subtract January to March 2019 and add January to March 2020 costs).

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
5	Dongkuk included in its cost spreadsheets products that that fell outside the goods description.	Dongkuk revised the cost spreadsheets to only include production of products applicable to the goods under consideration.
6	Financial income and expenses have been excluded from the SG&A calculation	The verification team has included the financial income and expenses to the SG&A calculation.
7	Certain gains and revenue that do not relate to the goods have been included in the SG&A calculation.	The verification team has excluded certain gains and revenue that do not relate to the goods from the 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 Dongkuk, including any required amendments as outlined as an exception 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 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**.

Table 5 below outlines the allocation method applied to each cost item.

Cost item	Method applied
Raw Materials	Raw material costs are allocated based on the actual production quantity and a standard hot rolled coil cost. A variance is applied at months end for the actual cost. These costs are allocated to each production order number and have been verified to the accounting system and a purchase invoice.
Scrap Allocation	Scrap is allocated as an offset to the raw material. The verification team has verified this in the accounting system for a particular production order number.
Manufacturing Overheads	Manufacturing overheads are allocated to a particular production order number using an allocation rate according to the time and cost per minute in production. The verification team has verified this in the accounting system and invoices for utilities for a particular production order number.
Labour	Labour is allocated to a particular production order number using an allocation rate according to the time and cost per minute in production. The verification team has verified this in the accounting system for a particular production order number.
Depreciation	Depreciation is allocated to a particular production order number using an allocation rate according to the time and cost per minute in production. The verification team has verified this in the accounting system for a particular production order number.
Variance	Each production order has costs allocated based on actual production quantity and standard costing. At the end of the month, a variance is applied depending on actual cost. This variance is applied at each stage of the production process. The verification team has verified this in the accounting system for a particular production order number.

Table 5 Cost allocation method

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.

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**.

6.3 Related party suppliers

Dongkuk purchased raw materials from a related party as well as a number of unrelated parties during the investigation period.

The verification team has compared the prices paid to the related party with those paid to unrelated parties during the same periods and has found no differences in the purchase price.

6.4 Accuracy finding

The verification team is satisfied that the CTMS data provided in the REQ by Dongkuk is accurate and reasonably reflect the costs associated with the production and sale of the goods under consideration.

7 EXPORT PRICE

7.1 The importers

In relation to sales by Dongkuk directly to customers located in Australia, the verification team considers the Australian customers to be the beneficial owner of the goods at the time of importation and therefore the importers as they:

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

Dongkuk also has sales to Australia through intermediaries that are not located in Australia. The verification team considers the Australian customer of the intermediaries to be the beneficial owner of the goods at the time of importation and therefore the importers as they:

- are named as the notify party on certain the commercial invoices;
- are named as the consignee or notify party on the bill of lading,
- are declared as the importer on the importation declaration to ABF;
- pay for all the importation charges; and
- arrange delivery from the port.

7.2 The exporter

The verification team considers Dongkuk to be the exporter of the goods², as Dongkuk:

- is the manufacturer of the goods;
- is named on the commercial invoice as the supplier; and
- knows that goods are destined for Australia, including the identity of the end customer in Australia.

In addition, other than sales made on ex-works terms, Dongkuk

- is named as consignor on the bill of lading;
- arranges and pays for the inland transport to the port of export;
- arranges and pays for the port handling charges at the port of export;
- arranges and pays for the ocean freight for sales made on cost and freight terms.

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

7.3 Arms length

In respect of Dongkuk's Australian sales of the goods to its customers during the period, the verification team found no evidence that:

² 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

- 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.³

The verification team therefore considers that all export sales made by Dongkuk to its Australian customers during the period were arms length transactions.

7.4 Export Price – assessment

In respect of Australian sales of the goods by Dongkuk sold directly to the importer, the verification team recommends that the 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.

In respect of Australian sales of the goods by Dongkuk sold through intermediaries, 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 on the commercial invoice from Dongkuk to its customers (those being the intermediaries to the sale of the goods to Australia), less transport and other costs arising after exportation. For those sales that are sold as ex-works, the verification team adjusted the price to the free-on-board level, based on Dongkuk's weighted average inland transport cost.

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

³ 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

In respect of Dongkuk’s domestic sales of like goods to its 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.

The verification team therefore considers that all domestic sales made by Dongkuk to its 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.⁴

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 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 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
Cost	Quarterly cost to make and sell, including direct selling expenses for each transaction
Weighted average cost	Weighted average cost to make and sell over the period, including direct selling expenses for each transaction.

Table 6 OCOT details

⁴ In general, the Commission will consider ‘extended period’ and ‘reasonable period’ to be the investigation, review or inquiry period.

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).

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.

Export MCC	Is volume of domestic sales of same MCC 5% or greater as a proportion of export volume?	Treatment of normal value
P-1-F-1-2-C	N	No domestic sales of P-1-F-1-2-C. Surrogate model P-1-A-1-2-C with specification adjustment under TAC(8).
P-1-F-3-2-C	N	No domestic sales of P-1-F-3-2-C. Surrogate model P-1-B-3-2-C with specification adjustment under TAC(8).
P-2-D-1-2-C	N	No domestic sales of P-2-D-1-2-C. Surrogate model P-2-D-3-2-C with specification adjustment under TAC(8).
P-2-D-3-2-C	Y	
P-2-D-4-2-C	N	No domestic sales of P-2-D-4-2-C. Surrogate model P-2-D-5-2-C with specification adjustment under TAC(8).
P-2-D-5-2-C	Y	
P-2-F-1-2-C	N	No domestic sales of P-2-F-1-2-C. Surrogate model P-2-A-1-2-C with specification adjustment under TAC(8).
P-2-F-2-2-C	N	No domestic sales of P-2-F-2-2-C. Surrogate model P-2-A-2-2-C with specification adjustment under TAC(8).
P-2-F-3-2-C	N	No domestic sales of P-2-F-3-2-C. Surrogate model P-2-A-3-2-C with specification adjustment under TAC(8).
P-2-F-4-2-C	N	No domestic sales of P-2-F-4-2-C. Surrogate model P-2-A-4-2-C with specification adjustment under TAC(8).
P-2-F-5-2-C	N	No domestic sales of P-2-F-5-2-C. Surrogate model P-2-A-5-2-C with specification adjustment under TAC(8).

Table 7 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?	Adjustment required?
Domestic credit terms	Dongkuk provides credit terms for certain domestic sales.	Calculation based on the number of days between the date of sale & payment date, and Dongkuk's Korean Won denominated short term borrowing costs.	Y	Y
Domestic packaging	Dongkuk incurs expenses in relation to packaging for sales sold on the domestic market.	Calculated for each transaction based on the specific packaging type.	Y	Y
Domestic inland transport	Dongkuk incurs inland transport expenses in relation to certain domestic sales.	Calculated based on the actual domestic inland transport expense for each transaction.	Y	Y
Export packaging	Dongkuk incurs expenses in relation to packaging for sales exported to Australia.	Weighted average export packaging expense over the investigation period.	Y	Y
Export inland transport	Dongkuk incurs expenses in relation to inland transport for certain sales exported to Australia.	Weighted average export packaging expense over the investigation period.	Y	Y
Export port charges	Dongkuk incurs expenses in relation to port charges for certain sales exported to Australia.	Weighted average port charges over the investigation period.	Y	Y
Export bank charges	Dongkuk incurs expenses in relation to bank charges for sales exported to Australia.	Weighted average bank charges over the investigation period.	Y	Y
Export credit terms	Export credit term adjustment is not required.	N/A	Y	N
Domestic Warranty	Domestic warranty expense related to reimbursement of damaged goods and treated as a sale of non-prime product.	N/A	Y	N
Export indirect selling expenses	The verification team considers that the adjustment is not warranted.	N/A	Y	N
Domestic indirect selling expenses	The verification team considers that the adjustment is not warranted.	N/A	Y	N
Domestic other direct selling expenses	The verification team considers that the adjustment is not warranted.	N/A	Y	N

PUBLIC RECORD

Adjustment type	Assessment for adjustment	Calculation method and evidence	Claimed in REQ?	Adjustment required?
Quantity discount	There is insufficient evidence that order quantity affect prices	N/A	Y	N
Specification	A specification adjustment for the differences in physical characteristics is required where a domestic sales of a domestic surrogate model was used to compare to the export price of an Australian export model.	The specification adjustment was calculated based on the difference between the cost to make of the two different models plus a gross margin.	N/A	Y
Timing differences	In certain quarters for certain export MCCs, there were no domestic sales of the identical or surrogate MCC to enable a comparison to the export price. Therefore, the normal values for those quarters were calculated based on the normal values in another quarter for the identical or surrogate MCC, with an adjustment to take into account the sales occurring at different times.	The timing adjustment was based on the percentage change in the normal value for the most alike MCC which was sold in both relevant quarters.	N/A	Y

Table 8 Assessment of adjustments

Further information on the verification team's assessment of Dongkuk's adjustment claims for export indirect selling expenses, domestic indirect selling expenses, domestic other direct selling expenses and quantity discount are contained in **Confidential Attachment 2**.

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
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 port charges
Export bank charges	Add an amount for export bank charges
Specification	Add or deduct an amount for specification differences
Timing differences	Add or deduct an amount in relation to sales occurring at different times

Table 9 Summary of adjustments

PUBLIC RECORD

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 0 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 under section 269TACB(2)(a).

The dumping margin for the goods exported to Australia by Dongkuk for the period is **6.9 per cent**.

The preliminary 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
Confidential Attachment 2	Confidential assessment on certain adjustments