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Australian Government

**Australian Customs and
Border Protection Service**

**INVESTIGATION INTO THE ALLEGED DUMPING OF
GALVANISED STEEL AND ALUMINIUM ZINC COATED
STEEL**

EXPORTED FROM

**THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF
KOREA AND TAIWAN**

EXPORTER VISIT REPORT

DONGBU STEEL CO., LTD

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 Customs and Border Protection

December 2012

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2 BACKGROUND

2.1 Background to the current investigation

On 3 August 2012, applications were lodged by BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of galvanised (zinc coated) steel and aluminium zinc coated steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan. Refer to the full description of the goods in section 4 of this report.

Additional information was received in respect of these applications and as a result, the Australian Customs and Border Protection Service (Customs and Border Protection) restarted the 20 day period for considering the applications. On 5 September 2012, following consideration of the applications, the Chief Executive Officer of Customs and Border Protection decided not to reject the applications and initiated investigations in the alleged dumping of galvanised and aluminium zinc coated steel from China, Korea and Taiwan. Customs and Border Protection is treating these as two separate investigations, but is examining them together because BlueScope advised that many of the importers and exporters deal in both products.

The applications identified Dongbu Steel Co., Ltd (Dongbu) as an exporter of galvanised and aluminium zinc coated steel from Korea. A search of Customs and Border Protection's import database also indicated that Dongbu exported galvanised and aluminium zinc coated steel from Korea to Australia during the investigation period (July 2011 to June 2012). Customs and Border Protection wrote to Dongbu advising it of the initiation of the investigation, requesting co-operation with the investigation and providing copies of exporter questionnaires for it to complete.

Dongbu completed the exporter questionnaires, providing details regarding the company, exports, domestic sales and cost to make and sell (CTMS) expenses for galvanised and aluminium zinc for coated steel.

2.2 Purpose of visit

The purpose of the visit was to verify information submitted by Dongbu in its exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaire. A non-confidential version of the exporter questionnaire response was placed on the public record. Customs and Border Protection will use the verified information to make preliminary assessments of:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

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2.3 Meeting dates and attendees

Verification meetings were held at Dongbu's Seoul head office from Wednesday 5 December 2012 to Friday 7 December 2012. The following representatives were present at various stages of the verification meetings:

COMPANY:	Dongbu
ADDRESS:	Dongbu Financial Centre 891-10 Daechi-dong Gangam-Gu, Seoul, Korea
DATES:	5, 6, 7 December 2012
ATTENDEES: Dongbu	
Mr Chang Soo Kim Mr Keun Chae Na Mr Sung Il Kwak Mr Seol Gyu Park Mr Ho Seok Jang	Senior Vice President, Corporate Planning Department Head of Legal Staff, Corporate Office of Management Support Manager, Export Team 3 Deputy Senior Manager, Asan Bay Works Senior manager, Accounting Team
ATTENDEES: Consultants	
Mr JY (Jae Yong) Lee Mr Woongho (Daniel) Byun Mr Daniel Moulis Mr Alistair Bridges	Senior Consultant, The International Trade Consulting Consultant, The International Trade Consulting Moulis Legal Moulis Legal
ATTENDEES: Customs and Border Protection	
Mr Chris Vincent Ms Nicole Platt	Manager, Operations 1 Manager, Operations 2

2.4 Preliminary issues

Prior to the meeting, we forwarded Dongbu an exporter visit agenda that included sales transactions and costs selected for detailed verification. Dongbu cooperated with the verification of the exporter questionnaire response and provided further information when requested.

At the commencement of the visit Dongbu advised that it had identified five minor discrepancies recorded in its exporter questionnaire response. Dongbu provided a corrections package which included supporting source documentation (**confidential attachment GEN 1** refers). Revised details of affiliated companies is at **confidential attachment GEN 2**.

2.4.1 Investigation timeframes

At the commencement of the meeting, we outlined the following key investigation timeframes.

- The investigation period is July 2011 to June 2012.

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- Customs and Border Protection will examine the Australian market from July 2007 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination can be made at any time. Provisional measures may be imposed at the time of the preliminary affirmative determination or at any time after the preliminary affirmative determination has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- A statement of essential facts is due to be placed on the public record by 24 December 2012 or such later date as the Minister allows. The statement of essential facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister.
- Interested parties will be provided with an opportunity to make submissions within 20 days in response to the preliminary findings and issues contained in the statement of essential facts.
- Submissions received in response to the statement of essential facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's final report to the Minister is due no later than 7 February 2013.
 - Dongbu sought an update regarding the possibility that an extension to the statement of essential facts publication date would be requested by Customs and Border Protection. We advised that at this stage the statement of essential facts due date had not been extended.
- The Minister's decision is due within 30 days from the date of receipt of the final report.

We informed Dongbu that anti-dumping measures may only be imposed where the Minister is satisfied that the goods were dumped and the dumped goods had caused or were threatening to cause material injury to the Australian industry.

We advised Dongbu that investigations into the subsidisation of galvanised and aluminium zinc coated steel exported from China was initiated on 26 November 2012. A statement of essential facts is due to be placed on the public record by 16 March 2013 or such later date as the Minister allows. Customs and Border Protection's final report to the Minister is due no later than 30 April 2013.

2.4.2 Visit report

We explained to Dongbu that following our visit we would prepare "*For Official Use Only*" and "*Public Record*" versions of our visit report. We advised that the classification "*For Official Use Only*" replaces the classification "*Commercial in Confidence*". We advised that following our visit and that we would provide the company with a draft of our report to review its factual accuracy and to identify those parts of the report it considered confidential. We further advised that, following consultation about confidentiality, we would prepare a non-confidential version of the report for the public record.

3 COMPANY INFORMATION

3.1 Company information

Dongbu was founded in 1969 as a small company. During the ensuing decade it grew into a leading construction firm in Korea. Since the 1980s the Group has steadily expanded and is now a global corporation which operates through seven business segments with 59 subsidiaries and 40,000 employees.

Dongbu is a publicly listed company in Korea. In its exporter questionnaire response, Dongbu provided a detailed shareholding structure for the Dongbu group of companies and affiliates. Dongbu is an integrated steel manufacturer that produces and sells a wide range of products on the Korean domestic markets and to various export markets, including Australia. Products include hot rolled coil (HRC), cold rolled coil, surface treated steel sheets, steel pipe, H-Beams, and cold heading quality wire. Dongbu produces galvanised and aluminium zinc coated steel at its Dangjin and Incheon works.

Dongbu provided a diagram representing their internal organisational structure in its exporter questionnaire response. It has **[CONFIDENTIAL TEXT DELETED – number]** divisions: **[CONFIDENTIAL TEXT DELETED – description of internal organisation]**. The sales department operates **[CONFIDENTIAL TEXT DELETED – internal organisation structure]**. The production division is responsible for **[CONFIDENTIAL TEXT DELETED – internal organisation structure]**. Galvanised and aluminium zinc coated steel is produced **[CONFIDENTIAL TEXT DELETED – production details]**.

During the investigation period Dongbu exported galvanised and aluminium zinc coated steel to independent Australian importers and through independent Korean trading companies.

Dongbu advised that during the investigation period it supplied a very small volume of galvanised and aluminium zinc coated steel to **[CONFIDENTIAL TEXT DELETED – customer details]**. In view of the small quantities we did not investigate further.

3.2 Accounting

Dongbu uses a SAP based process cost accounting system that is used to prepare the company's financial statement data. The accounting system uses standard costs, but Dongbu calculates actual costs at the end of each month. Dongbu provided a cost recording flowchart in its exporter questionnaire response.

Dongbu advised that its accounting practices are in accordance with the generally accepted accounting principles in Korea. Its financial year is January to December. Dongbu's financial statements are prepared and audited separately and consolidated into annual financial statements for Dongbu Corporation and its affiliates. As part of its exporter questionnaire response Dongbu provided its:

- translated audited separate financial statements for Dongbu for 2011;

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- translated audited consolidated financial statements for Dongbu Corporation and its affiliates for 2011;
- Dongbu's half year review for the period until 30 June 2012; and
- chart of accounts.

Dongbu advised that its financial statements are audited annually by an independent auditor. Dongbu provided an English translation of the auditor's report which stated:

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and its financial performance and its cash flows for the year then ended, in accordance with Korean International Financial Reporting Standards.

The audit opinion for Dongbu Corporation and its affiliates was similar.

3.3 Production facilities and process

Dongbu produces galvanised and aluminium zinc coated steel at its Dangjin and Incheon works. These mills use HRC produced at **[CONFIDENTIAL TEXT DELETED – details of production capacity]** and HRC purchased from other producers. All the purchased HRC was sourced from unrelated producers. During the investigation period almost **[CONFIDENTIAL TEXT DELETED]** % of HRC consumed by Dongbu was sourced from **[CONFIDENTIAL TEXT DELETED – source of HRC]**.

The HRC passes through a pickling line and cold rolled process to produce full hard coil. This is further processed to produce a range of products, including galvanised and aluminium zinc coated steel. Galvanised steel is produced by passing the coil through a bath of molten zinc, while aluminium zinc coated steel is produced by passing the coil through a bath of molten zinc and aluminium. The capacity of Dongbu's continuous galvanising lines during the investigation period was **[CONFIDENTIAL TEXT DELETED]** tonnes of galvanised and aluminium zinc coated steel. Details of Dongbu's production facilities, capacities and production processes are at **confidential attachment GOODS 1**.

3.4 On-site verification

During the verification visit an on-site inspection of Dongbu's galvanised and aluminium zinc coated steel production facilities was not considered necessary, as supported by the investigation case management team, reflecting the:

- logistics involved in undertaking a plant tour;
- limited timeframe to conduct the verification visit and need to allocate sufficient time to ensure adequate verification of substantial complex accounting system and records;
- minimal risk associated with not undertaking a plant tour as one of the verification team members had undertaken tours of BlueScope's galvanised and aluminium zinc coated steel production facilities; and
- Dongbu's detailed explanation (including video presentation) and supporting evidence provided to illustrate and verify production processes.

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4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 Galvanised steel

The imported goods the subject of this application are:

flat rolled products of iron and non-alloy steel, of a width less than 600mm and, equal to or greater than 600mm, plated or coated with zinc.

The amount of zinc coating on the steel is described as its coating mass and is nominated in grams per mere squared (g/m^2).

Tariff classification

Galvanised steel is classified too tariff subheadings 7210.49.00 (statistical codes 55, 56, 57 and 58), and 7212.30.00 (statistical codes 61) of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, the DCS duty rate is free and the DCT rate is 5%. Imports from Korea are subject to the DCT duty rate.

4.2 Aluminium zinc coated steel

The imported goods the subject of this application are:

flat rolled products of iron and non-alloy steel, of a width equal to or greater than 600mm, plated or coated with aluminium-zinc alloys, not painted, whether or not including resin coating.

The amount of aluminium zinc coating on the steel is described as its coating mass and is nominated in g/m^2 .

Tariff classification

Aluminium zinc coated steel is classified to tariff subheading 7210.61.00 (statistical codes 60, 61 and 62) of Schedule 3 to the *Customs Tariff Act 1995*. The general rate of duty is currently 5%, the DCS duty rate is free and the DCT rate is 5%. Imports from Korea are subject to the DCT duty rate.

4.3 Thickness

The thickness of both galvanised and aluminium zinc coated steel can be described in two ways – base metal thickness (BMT) or total coated thickness (TCT). BMT refers to the thickness of the base steel (substrate) only, whereas TCT refers to the steel base thickness plus the metallic coating thickness. Most international standards refer to the products in terms of BMT. References to thicknesses in this report are to the BMT.

4.4 Like goods

Dongbu sells galvanised and aluminium zinc coated steel on the domestic market in Korea. The universal product code (UPC) and material code identify the specifications and key physical characteristics of all products, including galvanised

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and aluminium zinc coated steel. These codes are an integral part of Dongbu's accounting system and are used to prepare its financial statements, including for inventory control, production costs and sales. For better comparison of different galvanised and aluminium zinc coated steel models, Dongbu created a product control number (PCN) that identifies nine key attributes:

- coating material;
- product;
- quality (grade);
- coating mass;
- thickness range;
- width range;
- form (coil or sheet);
- whether or not skinpassed; and
- spangle.

The generation of the PCN is discussed in the next section.

Dongbu exported [CONFIDENTIAL TEXT DELETED – details of export sales] of galvanised steel and [CONFIDENTIAL TEXT DELETED – details of export sales] of aluminium zinc coated steel to Australia during the investigation period. By comparison, it sold [CONFIDENTIAL TEXT DELETED – details of domestic sales] and [CONFIDENTIAL TEXT DELETED – details of domestic sales] models respectively on the domestic market. As part of the exporter questionnaire response Dongbu provided a comparison of the exported models and the identical or most comparable models sold domestically in Korea.

We consider that galvanised and aluminium zinc coated steel sold domestically by Dongbu during the investigation period has characteristics closely resembling those of the goods exported to Australia.

4.5 Product control number

Dongbu explained the PCN was created to assist with responses to dumping investigations because using the UPC and material code to identify different models was complicated. It provided a package describing how the PCN was generated (refer to confidential attachment GOODS 2). This package included the following items.

- A product brochure for galvanised and aluminium zinc coated steel identifying the different specifications available.
- PCN index table describing the codes for each of the nine key attributes.
- Material code index table describing the different specifications for the eleven digit code. Dongbu explained that the first six digits identified the product, form (such as sheet or coil), thickness ranges and width ranges. The remaining digits identify factors such as metal substrate, quality, annealing, surface (spangle), coating thickness and packing type. However, Dongbu stated that there was no simple method of interpreting these codes and that relevant information was easier to obtain from the UPC.

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- Document describing where information for each of the nine attributes in the PCN was obtained.
- Document describing the computer program used to generate the PCN.
- Documents explaining the material codes attributes.
- Screen prints showing the codes for coating weight, thickness, width and surface.
- Documents describing how the PCN for the first selected domestic transactions was generated.

The domestic sales spreadsheet identified the PCN and material code for each domestic transaction. We tested for inconsistencies between these codes. We identified a number of transactions where the width and thickness codes in the PCN did not match the material code. Dongbu explained that a product may be assigned to a different width or thickness range after the goods have been produced and that it generated the PCN on the final specifications of the galvanised and aluminium zinc coated steel. We noted that the volumes of reclassified product were small and accepted the explanation provided by Dongbu.

We also noted that some width and thickness codes in the material code were numeric. Dongbu explained that occasionally the actual width and thickness, rather than the code, were used in some material codes. We verified that this was the case.

Some PCN have a number of corresponding material codes. Dongbu explained that these were minor differences in addition to the nine key attributes that do not affect the comparison of models.

We are satisfied that the PCN identifies models produced by Dongbu that can be used to compare export and domestic sales.

5 SALES TO AUSTRALIA

5.1 Export sales process

5.1.1 Distribution channels

Dongbu sells to Australia through two distribution channels. Dongbu did not have any agency or distributor agreements during the investigation period and no commission was paid in relation to export sales to Australia.

The first distribution channel is via domestic trading companies. These sales are made on an **[CONFIDENTIAL TEXT DELETED – details of sales terms]** basis. The negotiation process starts when an unrelated Korean trading company contacts Dongbu to negotiate sale terms, including price, quantity, product specifications, delivery and payment terms. Once the parties have reached agreement on the terms, Dongbu generates an order sheet to initiate the production of the required goods. The goods are produced and are then shipped to the destination instructed by the customer. Dongbu issues the tax invoice to the Korean trading company in the days following shipment of the goods.¹

The second distribution channel is by direct sales to Australian customers. Dongbu made sales directly to Australian customers on an **[CONFIDENTIAL TEXT DELETED – details of sales terms]** basis. The process is similar to that of a negotiation with the **[CONFIDENTIAL TEXT DELETED – details of distribution channels]**. An unrelated Australian customer contacts Dongbu sales department directly seeking the supply of particular products. The parties negotiate terms as outlined above and once agreed upon Dongbu generates an order sheet to initiate the production of the goods at one of its manufacturing plants. Once the order is produced it is shipped to the destination specified by the customer and the tax invoice is issued.

Dongbu advised that the export selling price does not vary for different distribution channels. The selling price is based solely on individual negotiations influenced by current market factors such as the raw material costs and currency exchange rates. **[CONFIDENTIAL INFORMATION DELETED - pricing]**

Once negotiations are finalised Dongbu raises a production order. Production may take up to **[CONFIDENTIAL TEXT DELETED]** and when the goods are produced they are shipped to the destination indicated by the customer. Payment terms are **[CONFIDENTIAL TEXT DELETED]**.

We reconciled Dongbu's sales to Australian customers and sales through trading companies with Customs and Border Protection's import data base.

¹ Dongbu Exporter Questionnaire Response section B2 (g)

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5.1.2 Discounts, rebates and allowances

Dongbu stated that it does not offer any discounts or pay any rebates to its customers. We did not find any evidence that Dongbu offers discounts or rebates.

5.1.3 Date of sale

Dongbu reported that date of sales as the **[CONFIDENTIAL TEXT DELETED – information regarding terms and conditions of sale]**

5.2 Export sales - reconciliation to financial statements

Dongbu prepared documents reconciling export sales to the financial statements (refer to **confidential attachment EXP 1**).

- Dongbu provided a monthly summary of sales by account code for 2011 and the first six months of 2012. These account codes are for product sales (which includes galvanised and aluminium zinc coated steel), by-product sales, tolling sales, merchandise sales, construction sales, wharfage sales and other sales. Product sales accounted for **[CONFIDENTIAL TEXT DELETED]**% of sales revenue.
- We verified the total sales revenue to the audited accounts for 2011 and the interim accounts for the first half of 2012.
- Dongbu provided a summary of product sales by product group. Product groups include CR (cold rolled), unpainted GI (which includes galvanised and aluminium zinc coated steel), pre-painted GI, TP (tin plate), pipe, H-beams and others. The total from this summary matched total product sales. This summary identified domestic sales, local domestic sales and export sales (identified by account code). Dongbu advised that local domestic sales are for product that is used to produce goods that are subsequently exported.
- Dongbu provided a monthly summary of the quantity and value of export sales identifying exports to 3rd countries, exports to Australia of subject and non-subject goods and adjustments. We verified the quantity and value of export sales from this summary to the export sales spreadsheets for galvanised and zinc coated steel provided in the exporter questionnaire response.
- Dongbu provided details of all product sales (account code **[CONFIDENTIAL TEXT DELETED]**) to export markets (account code **[CONFIDENTIAL TEXT DELETED]**) for unpainted GI (account code **[CONFIDENTIAL TEXT DELETED]**) for November 2011. This reconciled to the monthly summary. The destination of the goods was included in the detail. We also verified the total quantity and value to the export sales spreadsheets for galvanised and zinc coated steel provided in the exporter questionnaire response.
- Dongbu demonstrated how they identified non-subject goods to exclude from the figure provided in the exporter questionnaire response. They included copies of commercial invoices showing non-subject merchandise and traced these amounts through to accounting vouchers and the general ledgers to the general ledger income statement. Non subject goods accounted for less than **[CONFIDENTIAL TEXT DELETED]**% of exports to Australia.

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- During the investigation period there was one small adjustment to the invoice value for one shipment due to a price adjustment. Dongbu provided documents demonstrating how the adjustment was calculated. This adjustment represented less than **[CONFIDENTIAL TEXT DELETED]**% of reported export sales revenue.

We traced export sales figures from the income statement broken down into product levels through to Dongbu's audited profit and loss statement for the year ended 31 December 2011. These figures also cross matched to the income statement produced by general ledger account from the SAP accounting system.

We are satisfied that the export sales data is complete and accurate.

5.3 Export sales – verification to source documents

Dongbu provided a list of all its export sales to Australia during the investigation period in its exporter questionnaire response. To facilitate downwards verification of Dongbu's export sales to source documentation, prior to the visit, we requested that Dongbu provide supporting documents for 16 selected invoice numbers, eight for galvanised steel sales and eight for aluminium zinc coated steel sales. Dongbu provided the following documents for each of these selected shipments:

- order sheet;
- product detail summary;
- line of credit;
- daily shipping list identifying the quantity by weight and individual coil;
- export shipping invoice identifying each individual coil;
- commercial invoice showing weights and USD values;
- inspection certificate;
- certificate of goods received from the customer;
- billing document showing SAP system generating invoice numbers;
- sales voucher showing record of sale in SAP;
- tax invoice if sale to trading company (this document not issued if sale directly to Australian customer);
- accounting voucher showing deposit of funds from line of credit;
- packing list;
- bill of lading;
- model specification;
- packing cost (the packing type is identified on the order sheet);
- inland freight details and tax invoice;
- details of handling, loading & ancillary expenses and tax invoice;
- details of calculation of credit expenses cost (payment terms are identified on the order sheet); and
- payment record.

Supporting documentation for the selected shipments are at **confidential attachments EXP 2 to 17**. We verified details for the selected shipments to the export sales spreadsheet.

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We noted that the order sheet identified the quantity and product details, however no prices were indicated at this stage. Most documentation from the accounting system identified quantity and product details only, the price of the goods did not appear until the billing document phase of the recording in the system. The billing system generates the invoice number and values are recorded in both Korean won and US dollars. Variances for foreign currency fluctuations are not recorded as they are generally so small. The price of a product consists of a base price plus extras. The extra prices are for differences such as usage code, specification, thickness, width, coating, edge and packing type. This is discussed in more detail in the domestic sales section. For the selected shipments we verified that the extra prices were similar to those applied to domestic sales.

We verified that the packing type in the export sales spreadsheet matched the information in the order sheet.

We noted that one shipment (serial no. 29 on selected transactions) included a charge for inland freight, however, Dongbu advised and the documentation provided confirmed that, the transport company had not charged Dongbu for that particular delivery and therefore no inland freight had actually been paid for that one shipment. The company had provided a cost for inland freight based on the unit price per tonne provided for inland freight on Dangjin Works price list, which was included in the bundle of documents provided for the shipment. Dongbu advised this was the only shipment they had been able to identify where this had occurred. All other inland freight amounts had been charged and paid.

We verified that the credit cost was calculated using the difference between the shipment date and the payment date on the line of credit.

We consider that the export sales data provided by Dongbu is accurate.

5.4 The exporter

For sales from Dongbu directly to Australian customers, we consider Dongbu was the exporter. Dongbu:

- manufactured the goods to the specific order of the Australian customer;
- was listed as the supplier on the bill of lading;
- invoiced the Australian customer for the goods;
- arranged and paid the inland freight;
- was the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

For sales from Dongbu to Korean trading companies, we consider Dongbu was the exporter. Dongbu:

- manufactured the goods to the specific order of the Australian customer;

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- unless there was a change in shipping instructions, arranged and paid the inland freight;
- was the 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 freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

5.5 The importer

For exports directly to Australian customers, we consider the customers are the importers. We noted that these customers:

- were named as the customer on supplier invoices;
- were named as the consignee on the bill of lading; and
- arranged customs clearance, logistics, and delivery of the goods after they were delivered to the Australian port.

For exports through Korean trading companies, we have relied on information provided by their Australian customers. We noted that these customers:

- were named as the customer on supplier invoices; and
- were named as the consignee on the bill of lading.
- arranged customs clearance, logistics, and delivery of the goods after they were delivered to the Australian port.

We consider these customers were the beneficial owner of the goods at the time of importation and are therefore the importers.

5.6 Arm's length

In respect Dongbu's sales of galvanised and aluminium zinc coated steel to its Australian customers during the investigation period, we found no evidence that:

- there was any consideration payable for or in respect of the goods other than their price;
- 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 received a benefit for, or in respect of, whole or any part of the price.

We therefore consider all of Dongbu's export sales to Australia during the investigation period were arm's length transactions.

5.7 Export price – preliminary assessment

In the case of direct export sales to Australia by Dongbu Steel, we consider:

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- that the goods have been exported to Australia otherwise than by the importer;
- that the goods have been purchased by the importer from the exporter; and
- the purchases of the goods were arm's length transactions.

Therefore, we consider that export price for direct export sales from Dongbu Steel can be established under section 269TAB(1)(a) using the invoiced price less any part of the price that represents a charge in respect of transport of the goods or in respect of any other matter arising after exportation.

In respect of sales to Korean trading companies, we consider:

- that the goods were exported to Australia otherwise than by the importer;
- that the goods were not purchased by the importer from the exporter; and
- the purchases of the goods were arm's length transactions.

Therefore, we are satisfied that export prices can be established under s. 269TAB(1)(c), having regard to all the circumstances of the exportation.

A summary of export prices is at **confidential appendix 1**.

6 COST TO MAKE & SELL

6.1 Introduction

Dongbu's exporter questionnaire response contained cost to make and sell (CTMS) spreadsheets for galvanised and aluminium zinc coated steel produced and sold domestically in Korea and exported to Australia during the investigation period. Dongbu reported the quarterly cost of production for each PCN sold on the domestic market. The following costs were reported:

- material costs;
- direct labour;
- manufacturing overheads;
- scrap recovery; and
- selling, general and administration (SG&A) expenses.

We noted that for some PCNs Dongbu reported a surrogate cost. Dongbu advised that it used surrogate costs if there was no production in the quarter of sale. The first preference was to use the cost for a previous quarter. If there was no production in a previous quarter the surrogate cost was the average for the investigation period. Finally, if there was no production in the investigation period the cost for a similar model was used. We noted that the majority of costs were actual costs.

We emphasised that we wanted to reconcile the cost data upwards to audited financial statements and management reports to ensure completeness of the data and also downwards to supporting source documentation to ensure accuracy and reliability of the data.

6.2 Dongbu's cost accounting system

Dongbu uses a SAP based process cost accounting system that is used to prepare the company's financial statement data. The accounting system uses standard costs, but Dongbu calculates actual costs at the end of each month. Dongbu provided a cost recording flowchart in its exporter questionnaire response.

Each inventory code has a standard cost, and variances (purchase price and cost variances) are calculated by production order (coil), accumulated and tracked through the production process by material code.

The actual cost of raw materials (HRC, aluminium and zinc) is the actual input quantity times the standard price during the month, adjusted for the purchase price variance at the end of the month. For subsequent processes, the output is valued as the sum of the input material (the total standard cost from the prior process including material and fabrication valued at a standard cost) and the additional costs in that process, valued at a standard cost. The actual fabrication costs, and therefore, the basis for the variance assigned to each production order, are calculated for each cost centre and each product by:

- allocating the common and indirect costs to the direct cost centres;
- summing the costs charged directly to the cost centres plus allocated costs;

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- calculating the unit activity cost by dividing the total actual fabrication costs for each activity by the actual processing time for each process (other than packing, slitting and shearing, which are allocated on production quantity); and
- allocating the actual fabrication costs to individual production orders by multiplying the actual processing time for the production order by the unit activity cost - the difference between the standard and actual cost by production order are summed, allocated to the material codes within the process on the basis of input quantities, and tracked through production.

The total cost reported for each model is the actual cost of production. However, in its exporter questionnaire response Dongbu used ratios to calculate the various cost elements reported above. We did not investigate further as we relied on total costs and not costs for the individual components. Details of the cost centres and the allocation basis are at **confidential attachment COSTS 1**.

6.3 Production volumes

Prior to the visit we advised Dongbu that we would like to verify production volumes for four selected PCNs for the June quarter 2012. As noted in section 4.5, some PCNs have a number of corresponding material codes due to minor differences, in addition to the nine key attributes, that do not affect the comparison of models. Dongbu provided a summary of production volumes for the material codes for each PCN. It also provided copies of inventory ledgers supporting the production figures in the CTMS spreadsheets. Supporting documents are at **confidential attachment COSTS 2**.

6.4 Cost to make

6.4.1 Upwards to financial statements – completeness

We verified the cost of manufacturing for all products for the investigation period to the cost of sales in the 2011 audited financial statements. Dongbu provided its income statement for 2011 and its interim income statement for the first half of 2011 and 2012. It also provided cost of sales statements for the same periods that reconcile to the income statements. The cost of sales statement identifies cost of manufacturing, transfers in and out, opening and closing inventory, the cost of by-product sales and the cost of merchandising sales (bought in products). Dongbu provided cost of manufacturing statements for these periods that reconcile to the cost of sales statements. The cost of manufacturing statements identify raw materials, other materials, labour and overhead.

Dongbu prepared a summary of the quantity and cost of production for these periods for the different products manufactured at the Dangjin, Incheon, Pohang and Umsung plants. Products produced at Dangjin include cold rolled, hot rolled, tin plate, galvanised and electronic galvanised. Dongbu advised that galvanised included both galvanised and aluminium zinc coated steel. Products produced at Incheon include pipe, cold rolled, hot rolled, tin plate, galvanised, electronic galvanised, pre-painted and H beams. The Pohang and Umsung plants [**CONFIDENTIAL TEXT DELETED – details of production capacity**]. We verified the total value of production to the

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respective manufacturing cost statements. Dongbu used this information to calculate the quantity and cost of production for the investigation period.

Dongbu provided finished goods inventory ledgers identifying the quantity and cost of production for each product group produced in each plant. We reconciled this information to the spreadsheet summarising the cost and value of production. Galvanised and aluminium zinc coated steel is included in the galvanised product group.

Dongbu provided a quarterly summary of the quantity and cost of production of galvanised and aluminium zinc coated steel. It provided inventory ledgers to support these values. We verified the total to the spreadsheet summarising the cost and value of production. Dongbu provided a listing of all galvanised and aluminium zinc coated steel PCNs that were either sold domestically or exported to Australia during the investigation period. This listing did not include non-subject goods or galvanised and aluminium zinc coated steel PCNs that were only exported to third countries, but Dongbu provided a summary of the quantity and cost of production of these goods. Dongbu also excluded PCNs with negative production. It explained that this was product produced in June 2011 and sold in the investigation period. We noted that this quantity was insignificant. We verified selected entries from the PCN listing to the CTMS spreadsheets provided in the exporter questionnaire response.

Supporting documents are at **confidential attachment COSTS 3**.

6.4.2 Verification of cost of production

Prior to the visit we advised Dongbu that we would like to verify production costs for four selected PCNs. It provided a summary of the quantity and cost of manufacture for each material code included with each PCN for each month of the investigation period. We verified the quarterly totals to the CTMS spreadsheets provided in the exporter questionnaire response.

For a selected usage code Dongbu provided the cost file from its system for the relevant month. This file identifies the quantity and cost of production for each coil processed. We verified the total quantity and cost of production to the summary. For the first selected PCN we traced the production cost of coil number **[CONFIDENTIAL TEXT DELETED]**.

- The inventory ledger for the tandem pickling cold mill line identifies the quantity and value of April production. The production summary identifies the output quantity for coil **[CONFIDENTIAL TEXT DELETED - number]** and the input quantity for two HRCs. It is possible to identify the coil numbers of the **[CONFIDENTIAL TEXT DELETED – number]** input coils. In this case **[CONFIDENTIAL TEXT DELETED – number]** tonne coils were welded together to produce **[CONFIDENTIAL TEXT DELETED - number]** tonne coil. **[CONFIDENTIAL TEXT DELETED – output quantity findings]**. The output quantity was less than the input quantity due to pickling and trimming losses.
- The inventory ledger for the coating line identifies the quantity and value of April production. The production summary identifies the output quantity for coil **[CONFIDENTIAL TEXT DELETED – number]** and the input quantity of coil **[CONFIDENTIAL TEXT DELETED - number]**. In this case the

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[CONFIDENTIAL TEXT DELETED - number] tonne input coil was cut **[CONFIDENTIAL TEXT DELETED – output details]**.

- The finished goods inventory ledger identifies the quantity and value of finished galvanised and aluminium zinc coated steel packed and ready for delivery. The total quantity and value matches the cost file. The packing summary identifies the input and output quantities (which do not change).
- The production costs in the inventory ledgers are the standard cost plus variances.
- A production trace summary identifies the plant, output and input coil numbers the material codes at each stage of production and the raw material codes for the input coils.

We requested and Dongbu provided the raw material inventory ledger for the relevant raw material code for April for Dangjin. We matched the coil numbers and quantities for the two HRCs. Supporting documents are at **confidential attachment COSTS 4**.

We repeated this process for the other three selected PCNs. Supporting documents are at **confidential attachment COSTS 5**.

In the exporter questionnaire response Dongbu provided a list of all HRC purchases from) independent suppliers by date and supplier. At the visit Dongbu provided a list by raw material code, inventory ledgers supporting purchases and differences between the amount reported in the exporter questionnaire response and the amounts in the inventory ledgers. There was an insignificant difference in reported quantities, but about a **[CONFIDENTIAL TEXT DELETED]** % difference in values. Dongbu advised that this was June 2011 price adjustments offset against July 2011 purchases. Supporting documents are at **confidential attachment COSTS 6**.

We sought supporting evidence of purchases from Hyundai in March 2012. Dongbu provided a list of purchases on 21 March 2012 and supporting accounting vouchers. We identified the coil numbers of the HRC used to produce the first selected PCN referred to above and noted that HRC represented over **[CONFIDENTIAL TEXT DELETED]**% of the cost to make the finished galvanised and aluminium zinc coated steel. We also verified these purchases to the list of HRC purchases provided in the exporter questionnaire response. We noted that differences in the price of HRC was up to **[CONFIDENTIAL TEXT DELETED]**% for different coil specifications, but prices for the more common specifications were within **[CONFIDENTIAL TEXT DELETED]**%. Supporting documents are at **confidential attachment COSTS 7**.

Dongbu advised that it also used HRC produced at **[CONFIDENTIAL TEXT DELETED – source details]**. We requested and Dongbu supplied inventory records for each plant for each month of the investigation period. We noted that during the investigation period almost **[CONFIDENTIAL TEXT DELETED]**% of HRC consumed by Dongbu was sourced from **[CONFIDENTIAL TEXT DELETED – source details]**. Dongbu advised that HRC from **[CONFIDENTIAL TEXT DELETED – source details and supply terms]**. We compared the cost of purchased HRC with the cost of HRC sourced from **[CONFIDENTIAL TEXT DELETED – source]** during the investigation period and found that prices were within **[CONFIDENTIAL TEXT DELETED]**%. Supporting documents are at **confidential attachment COSTS 8**. In view of the

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observed differences in prices for purchased HRC of different specifications we do not further investigate the cost of HRC [**CONFIDENTIAL TEXT DELETED – source details**].

We requested and Dongbu supplied bills of materials and details of standard costs for selected material codes. The bills of material identify the quantities of raw materials required and scrap recoveries. We verified the standard cost to the production cost records for one of the selected PCNs. Supporting documents are at **confidential attachment COSTS 9**.

6.4.3 SG&A expenses

Dongbu identified domestic and export selling expenses and domestic and export delivery expenses during the investigation period. It calculated domestic selling and delivery expenses as a percentage of domestic sales revenue. Dongbu calculated SG&A expenses less other operating income plus other operating expenses for the investigation period from its audited accounts. It deducted total selling and delivery expenses from this total and calculated administrative expenses as a percentage of total sales revenue. Supporting documents are at **confidential attachment COSTS 10**.

Dongbu's accounts don't capture financial expenses. It identified interest expenses and income and foreign exchange gains and losses from its consolidated financial statements. It calculated financial expenses as a percentage of total sales revenue.

Supporting documents are at **confidential attachment COSTS 11**.

6.5 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the CTMS for galvanised and aluminium zinc coated steel provided by Dongbu. We consider the CTMS are suitable for:

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The CTMS the various models is summarised at **confidential appendix 2**.

7 DOMESTIC SALES

7.1 Domestic sales process

Dongbu sells galvanised and aluminium zinc coated steel to end users and distributors on the domestic market. Domestic customers contact Dongbu by email, facsimile or phone. Dongbu's sales personnel then conduct price negotiation and sales terms with the customer. Once terms are agreed verbally the sales person checks Dongbu's inventory levels to determine stock availability. If sufficient stock is immediately available the order is processed and shipped to the customer. If sufficient stocks are not available a production order is produced and the goods are manufactured to order then shipped. This can take up to one month for turnaround time. When the ordered goods are shipped, Dongbu issues a shipping invoice. In addition, in order to settle payment, Dongbu normally issues both a tax invoice and commercial invoice to the customer at the end of every month. The customer pays **[CONFIDENTIAL TEXT DELETED – payment terms]**.

Sales prices do not vary depending on customer category. The sale price is determined by individual negotiation for each order. The parties negotiate **[CONFIDENTIAL INFORMATION DELETED – details of price negotiation]**.

Dongbu advised that their customer base consisted of approximately **[CONFIDENTIAL INFORMATION DELETED – details of domestic commercial relationships and payment terms]**.

Dongbu maintains a level of regularly ordered stock in a number of warehouses throughout South Korea. Dongbu pays rent to these warehouses for storage and personnel to process orders as required.

7.1.1 Discounts, rebates and allowances

Dongbu stated that it provides settlement and quantity discounts. **[CONFIDENTIAL INFORMATION DELETED – information regarding terms of sale]**

7.2 Domestic sales - reconciliation to financial statements

Dongbu prepared documents similar to those provided for export sales reconciling domestic sales to the financial statements (refer to **confidential attachment DOM 2**).

- Dongbu provided a monthly summary of sales by account code for 2011 and the first six months of 2012. These account codes are for product sales (which includes galvanised and aluminium zinc coated steel), by-product sales, tolling sales, merchandise sales, construction sales, wharfage sales and other sales. Product sales accounted for **[CONFIDENTIAL INFORMATION DELETED]**% of sales revenue.
- We verified the total sales revenue to the audited accounts for 2011 and the interim accounts for the first half of 2012.
- Dongbu provided a summary of product sales by product group. Product groups include CR (cold rolled), unpainted GI (which includes galvanised and

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aluminium zinc coated steel), pre-painted GI, TP (tin plate), pipe, H-beams and others. The total from this summary matched total product sales. This summary identified domestic sales, local domestic sales and export sales (identified by account code). Dongbu advised that local domestic sales are for product that is used to produce goods that are subsequently exported.

- Dongbu provided a monthly summary of the quantity and value of domestic sales (including local domestic sales) identifying sales of subject and non-subject goods and credit offsets. We verified the quantity and value of domestic sales from this summary to the domestic sales spreadsheets for galvanised and zinc coated steel provided in the exporter questionnaire response.
- Dongbu advised that non-subject goods included aluminium coated steel and aluminium zinc coated steel with a width less than **[CONFIDENTIAL INFORMATION DELETED – details of product]**. Domestic sales of non-subject goods represented **[CONFIDENTIAL INFORMATION DELETED]** % total domestic sales of unpainted GI.
- Dongbu provided details of all product sales (account code **[CONFIDENTIAL INFORMATION DELETED]**) on the domestic market (account codes **[CONFIDENTIAL INFORMATION DELETED]**) for unpainted GI (account code **[CONFIDENTIAL INFORMATION DELETED]**) for November 2011. This reconciled to the monthly summary. We also verified the total quantity and value to the domestic sales spreadsheet for galvanised and zinc coated steel provided in the exporter questionnaire response. Dongbu identified galvanised and aluminium zinc coated steel using the product code.
- During the investigation period there were minor credit adjustments typically correcting sales made in the previous month. Dongbu provided documents supporting these adjustments. As these adjustments represented **[CONFIDENTIAL INFORMATION DELETED]** % of both the quantity and value of domestic product sales during the investigation period we did not investigate further.

We are satisfied that the domestic sales data is complete and accurate.

7.3 Domestic sales – verification to source documents

Dongbu provided a list of all its domestic sales of like goods during the investigation period in its exporter questionnaire response. To facilitate downwards verification of Dongbu's domestic sales to source documentation, prior to the visit, we requested that Dongbu provide supporting documents for 12 selected invoice numbers. Dongbu provided the following documents for each of these selected transactions:

- order sheet;
- inspection certificate;
- shipping invoice (identifying coil number and quantity)
- monthly shipping list (identifying the US dollar invoice value and the total quantity);
- billing invoice by truck shipment;
- accounts receivable sales record from SAP and accounting voucher;
- monthly invoice by customer;
- tax invoice;

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- model specification;
- packing cost (the packing type is identified on the order sheet);
- inland freight details and tax invoice (this may include freight from the factory to the warehouse, warehousing costs and freight from the warehouse to the customer);
- details of handling, loading & ancillary expenses and tax invoice;
- details of calculation of credit expenses cost;
- details of calculation of payment discount; and
- payment record.

Dongbu provided a translation of each field in the order sheet, daily shipping list and tax invoice details. Supporting documentation for the selected transactions is at **confidential attachments DOM 3 to 14**. We verified details for the selected transactions to the domestic sales spreadsheet.

We consider that the domestic sales data provided by Dongbu is accurate.

7.4 Arm's length transactions

In respect of Dongbu's domestic sales of galvanised and aluminium zinc coated steel, we found no evidence that:

- there was any consideration payable for or in respect of the goods other than their 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.

We therefore consider Dongbu's domestic sales during the investigation period were arm's length transactions.

7.5 Ordinary course of trade and volume of sales

We compared the unit invoice price paid for each domestic sale with the fully absorbed CTMS for those models for the corresponding quarter. We then compared the selling prices of the loss making sales with the weighted average CTMS for the investigation period to test whether some of those sales may be taken to be recoverable within a reasonable period of time.

Domestic sales cannot be used to establish normal values if the volume of domestic sales that are in the ordinary course of trade is less than 5% of the volume of comparable goods exported to Australia.

There were **[CONFIDENTIAL INFORMATION DELETED - number]** models of galvanised steel exported to Australia during the investigation period, of which **[CONFIDENTIAL INFORMATION DELETED - number]** were sold on the domestic market. **[CONFIDENTIAL INFORMATION DELETED - number]** of these had an insufficient volume of sales that were in the ordinary course of trade. The remaining **[CONFIDENTIAL INFORMATION DELETED - number]** models where there were

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domestic sales accounted for [CONFIDENTIAL INFORMATION DELETED]% of exports to Australia.

There were [CONFIDENTIAL INFORMATION DELETED - number] models of aluminium zinc coated steel exported to Australia during the investigation period, of which [CONFIDENTIAL INFORMATION DELETED - number] were sold on the domestic market. [CONFIDENTIAL INFORMATION DELETED - number] of these had an insufficient volume of sales that were in the ordinary course of trade. The remaining [CONFIDENTIAL INFORMATION DELETED - number] models where there were domestic sales accounted for almost [CONFIDENTIAL INFORMATION DELETED]% of exports to Australia.

For models where there were no domestic sales or an insufficient volume of domestic sales in the ordinary course of trade, for the purpose of comparing export prices and normal values we used similar models where there was a sufficient volume of domestic sales that were in the ordinary course of trade.

7.6 Sales by other sellers

There are other sellers of galvanised and aluminium zinc coated steel in Korea. Customs and Border Protection is visiting one other Korean producer of galvanised and aluminium zinc coated steel.

7.7 Domestic sales – summary

We found a sufficient volume of sales of comparable models in the domestic market for galvanised and aluminium zinc coated steel that were arm's length transactions and sold at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily.

Based on the information provided by Dongbu, and the verification processes conducted on site, we consider that prices paid in respect of domestic sales are suitable for assessing normal value under s. 269TAC(1).

A summary of domestic sales suitable for establishing normal values is at **confidential appendix 3**.

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8 THIRD COUNTRY SALES

As part of its exporter questionnaire response Dongbu provided a summary of galvanised and aluminium zinc coated steel it exported to countries other than Australia during the investigation period. We are satisfied that there is sufficient verified domestic sales and CTMS information for the purposes of calculating normal values. While we verified the total volume and value of galvanised and aluminium zinc coated steel sales to third countries as part of the sales reconciliation process, we did not undertake any further verification.

9 ADJUSTMENTS

Dongbu claimed that several adjustments should be made to domestic prices for galvanised and aluminium zinc coated steel to ensure normal values can be compared with export prices. We made negative adjustments to domestic selling prices under s. 269TAC(8) for:

- domestic packing;
- domestic inland freight;
- domestic warranty costs;
- domestic warehousing; and
- domestic credit terms.

We made positive adjustments to domestic selling prices under s. 269TAC(8) for:

- export packing;
- export inland freight;
- export handling, loading and ancillary costs; and
- bank charges.

The adjustment for domestic warehousing is zero because none of domestic sales used to establish normal values incurred warehousing costs. However, we have left this adjustment in in case the case management team uses domestic sales that did incur warehousing costs.

9.1 Adjustments in respect of domestic sales

9.1.1 Packing

Dongbu reported packing costs including packing materials, labour and overhead costs for each domestic transaction. Packing costs were verified for each selected domestic transaction.

9.1.2 Domestic inland freight

Dongbu advised that for domestic sales of galvanised and aluminium zinc coated steel, the goods were either delivered directly from the factory to the customer or indirectly through a warehouse and subsequently to the customer. Inland freight costs were verified for each selected domestic transaction.

9.1.3 Warranty

Dongbu stated that it occasionally received claims for defective merchandise during the investigation period. Dongbu will investigate the validity of each claim and if deemed valid, Dongbu **[CONFIDENTIAL TEXT DELETED – information regarding warranty]**. The claimed warranty adjustments were very small and in view of this we accepted the claims and did not investigate further.

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9.1.4 Domestic warehousing

Dongbu maintains a level of regularly ordered stock in a number of warehouses throughout South Korea. Dongbu pays rent to these warehouses for storage and personnel to process orders as required. Documents supporting the calculation of warehousing costs are at **confidential attachment ADJ 1**. None of the domestic sales used to establish normal values incurred warehousing costs.

9.1.5 Credit terms

Dongbu provided credit terms in respect of domestic sales of galvanised and aluminium zinc coated steel during the investigation period. It calculated the credit cost for each domestic sale using the difference between the invoice date and actual date of payment, using the following formula:

[CONFIDENTIAL INFORMATION DELETED]

The short term interest rate **[CONFIDENTIAL INFORMATION DELETED]**% was calculated using the total interest expense for the investigation period divided by the average monthly balance of short term borrowings. To support the short term interest rate calculation Dongbu provided a monthly summary of the ending balance of short term borrowings and interest expenses for the investigation period.

9.2 Adjustments in respect of export sales

9.2.1 Packing

Dongbu reported packing costs including packing materials, labour and overhead costs for each export transaction. Packing costs were verified for each selected export transaction. Export packing costs were higher than domestic packing costs.

9.2.2 Export inland freight

Dongbu reported transaction specific freight expenses incurred to transport the goods from the factory to the port of export for each export transaction. Inland freight costs were verified for each selected export transaction.

9.2.3 Handling, loading and ancillary expenses

Dongbu reported transaction specific loading fees incurred at the port of export for each export transaction. Loading fees were verified for each selected export transaction.

9.2.4 Bank charges

Dongbu reported bank charges incurred in respect of letters of credit. Bank charges were verified for each selected export transaction.

9.3 Other adjustments

Dongbu did not claim and we did not identify any other adjustments.

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10 NORMAL VALUE

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values.

Where there were domestic sales of the exported model in the quarter of export we established normal values under s. 269TAC(1) using sales in the domestic market that were arm's length transactions and sold at prices that were in the ordinary course of trade.

If there were no domestic sales of the exported model we used domestic sales of a similar model and adjusted the price using the domestic price extras table. We established normal values under s. 269TAC(1).

If there were no domestic sales in the quarter of export we used a domestic price from the previous quarter, adjusted using movements in the weighted average CTMS for all domestic sales used to establish normal values. If there were no domestic sales in the September quarter 2011, we used an adjusted from the December quarter 2011. We established normal values under s. 269TAC(1).

We made negative adjustments to domestic selling prices under s. 269TAC(8) for:

- domestic packing;
- domestic inland freight;
- domestic warranty costs;
- domestic warehousing; and
- domestic credit terms.

We made positive adjustments to domestic selling prices under s. 269TAC(8) for:

- export packing;
- export inland freight;
- export handling, loading and ancillary costs; and
- bank charges.

A summary of normal value calculations is at **confidential appendix 4**.

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11 DUMPING MARGIN – PRELIMINARY ASSESSMENT

In calculating the dumping margin we compared each export transaction with the corresponding quarterly normal value for the corresponding model of galvanised and aluminium zinc coated steel. The weighted average product dumping margin for galvanised steel is 3.2% and for aluminium zinc coated steel is 5.8%. A summary of dumping margin calculations is at **confidential appendix 4**.

12 OTHER SUBMISSIONS

Dongbu's comments on the effect of the BlueScope restructure are at **confidential attachment CAUS 1**. In summary:

- Customs and Border Protection should not attribute injury caused by the restructure to dumping;
- productivity is not matched to capacity and the underlying cost structure;
- BlueScope has publicly commented on the effect of the closure on its fixed costs; and
- the costs of the restructure should not be excluded in analysing injury to the Australian industry.

Dongbu also queried why galvanised and aluminium zinc coated steel were being treated as two product groups. It considered that they should be treated as one product group and that a single dumping margin for galvanised and aluminium zinc coated steel be determined.

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13 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price summary
Confidential appendix 2	CTMS summary
Confidential appendix 3	Domestic sales summary
Confidential appendix 4	Normal values and dumping margin summary
Confidential attachment GEN 1	Exporter questionnaire corrections package
Confidential attachment GEN 2	Revised details of affiliated companies
Confidential attachment GOODS 1	Dongbu's production facilities, capacities and production processes
Confidential attachment GOODS 2	Description of how PCN is generated
Confidential attachment EXP 1	Export sales reconciliation package
Confidential attachment EXP 2 to 17	Source documentation for selected export sales
Confidential attachment COSTS 1	Cost centres and the allocation basis
Confidential attachment COSTS 2	Production volume reconciliation package
Confidential attachment COSTS 3	Cost reconciliation package
Confidential attachment COSTS 4	Inventory ledger for April for selected raw material code
Confidential attachment COSTS 5	Package supporting production cost of selected PCNs
Confidential attachment COSTS 6	Summary of HRC purchases
Confidential attachment COSTS 7	Documents supporting selected HRC purchases
Confidential attachment COSTS 8	Documents supporting HRC transferred from Dangjin hot strip mill
Confidential attachment COSTS 9	Bills of materials and standard costs
Confidential attachment COSTS 10	SG&A verification package
Confidential attachment COSTS 11	Finance cost verification package
Confidential attachment DOM 1	Extra price charges in respect of domestic sales
Confidential attachment DOM 2	Domestic sales reconciliation package
Confidential attachment DOM 3 to 14	Source documentation for selected domestic sales
Confidential attachment ADJ 1	Warehousing expense adjustment package
Confidential attachment CAUS 1	Dongbu's submission regarding BlueScope's restructure