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**INVESTIGATION INTO THE ALLEGED DUMPING OF  
ZINC COATED (GALVANISED) STEEL  
EXPORTED FROM  
THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC  
OF KOREA AND TAIWAN**

**EXPORTER DESK AUDIT REPORT**

**POSCO**

THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED  
WITHIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND  
MAY NOT REFLECT CUSTOMS AND BORDER PROTECTION'S FINAL  
POSITION.

**MARCH 2013**

# PUBLIC RECORD

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## 1. Background

### 1.1. Purpose of report

The purpose of the desk audit was to:

- verify information contained in POSCO's exporter questionnaire;
- determine the normal value and export price of galvanised steel; and
- determine the dumping margin, if any.

### 1.2. Introduction

On 3 August 2012, applications<sup>1</sup> were lodged on behalf of BlueScope Steel Limited (BlueScope) requesting that the Minister for Home Affairs (the Minister) publish dumping duty notices in respect of:

- zinc coated (galvanised) steel exported to Australia from the People's Republic of China (China), the Republic of Korea (Korea) and Taiwan; and
- aluminium zinc coated steel exported to Australia from China, Korea and Taiwan.

BlueScope alleged that the Australian industry has suffered material injury caused by galvanised steel and aluminium zinc coated steel (the goods) being exported to Australia from China, Korea and Taiwan at dumped prices.

On 17 August 2012<sup>2</sup> and 27 August 2012 additional information and data were received in respect of the applications. 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 into the alleged dumping of galvanised steel and aluminium zinc coated steel exported from China, Korea and Taiwan. Public notifications of initiation of the investigations were published in *The Australian* on 5 September 2012. Australian Customs Dumping Notice No. 2012/40 provides further details of the investigations and is available at [www.customs.gov.au](http://www.customs.gov.au).

Following initiation of the investigations, a search of Customs and Border Protection's import database indicated that POSCO exported galvanised steel from China to Australia in the period 1 July 2011 to 30 June 2012 (the investigation period).

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<sup>1</sup> *Application for Dumping Duties for Galvanised Steel exported from China, Korea and Taiwan* (Galvanised Steel Application) received on 3 August 2012; and *Application for Dumping Duties for Aluminium Zinc Coated Steel exported from China, Korea and Taiwan* (Aluminium Zinc Coated Steel Dumping Duty Application) received on 3 August 2012.

<sup>2</sup> Additional information relating to minor issues was also provided on 20 and 21 August 2012.

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Customs and Border Protection notified POSCO of the initiation of the investigations and sought its cooperation with the investigations and provided an exporter questionnaire in respect of galvanised steel for the company to complete. The company completed the exporter questionnaire, and a non-confidential version of the questionnaire response is available on the public record.

POSCO was visited by Customs and Border Protection as part of the recently concluded investigation into dumping of hot rolled coil from Korea, Taiwan, Malaysia and Japan. The verification team found that POSCO's questionnaire response was complete and accurate. For this reason, and due to the volume of galvanised steel exported by POSCO relative to other exporters, Customs and Border Protection determined that a verification visit to POSCO was not required for this investigation. Notwithstanding this, a verification team in Korea to visit another exporter visited POSCO for one day to discuss certain aspects of the questionnaire response. A record of this meeting forms **non-confidential attachment 1** to this report.

## 1.3. Company information

POSCO is a publicly listed company, limited by shares, incorporated on 1 April 1968 under the Commercial Code of Korea. POSCO has been listed on the Korean stock exchange since 1988.

POSCO is an integrated manufacturer that supplies a full range of steel products in the domestic market in Korea and to foreign export markets, including hot-rolled and cold-rolled sheet, galvanised coil and sheet, plate and wire rod. POSCO maintains international offices and production and sales offices in Asia, Europe, Africa and America.

In its exporter questionnaire response, POSCO provided a detailed shareholding structure for the POSCO group of companies and affiliates. POSCO has two principal shareholders with respective shareholding percentages above 5%, including the [redacted] [company name] and [redacted] [company name]. POSCO provided a full list of its domestic and foreign subsidiaries and affiliate companies and ownership / shareholding percentages.

POSCO provided a diagram representing its internal organisational structure in its exporter questionnaire response.

## 1.4. Accounting

POSCO's financial year is from 1 January to 31 December.

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## 2. The Goods and Like Goods

### 2.1. The Goods

#### 2.1.1. Description

The imported goods the subject of the 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”<sup>3</sup>.*

The goods the subject of this application (the goods) are generically called galvanised steel (referring to zinc coated steel). The application covers galvanised steel of any width. The application stated that trade and other names often used to describe galvanised steel include:

- “GALVABOND®” steel;
- “ZINCFORM®” steel;
- “GALVASPAN®” steel;
- “ZINCHITEN®” steel;
- “ZINCANNEAL” steel;
- “ZINCSEAL” steel;
- Galv;
- GI;
- Hot Dip Zinc coated steel;
- Hot Dip Zinc/iron alloy coated steel; and
- Galvanneal.

The application noted that the amount of zinc coating on the steel is described as its coating mass and is nominated in grams per meter squared (g/m<sup>2</sup>) with the prefix being Z (*Zinc*) or ZF (*Zinc converted to a Zinc/Iron alloy coating*). The applicant claims that the common coating masses used for zinc coating are: Z350, Z275, Z200, Z100, and for zinc/iron alloy coating are: ZF100, ZF80 and ZF30 or equivalents based on international standards and naming conventions.

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<sup>3</sup> Galvanised Steel Application, page 10.

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## 2.1.2. Product standards

The application states that:

*“Typically each Australian and International Standard has a range of steel grades nominated as Commercial, Formable or Structural grades. The commercial/formable grades are those with mechanical properties suitable for general pressing and forming whereas the structural grades are those with guaranteed minimum properties that structural engineers utilize in the design of their final product designs”<sup>4</sup>.*

### (i) Australia

The application states that the Australian and New Zealand Standard Industrial Classification Code applicable to galvanised steel and aluminium zinc coated steel is category 2711.

### (ii) International

The application states that there are a number of relevant International Standards for galvanised steel products (figure 1 refers) that cover a range of products through specific grade designations, including the recommended or guaranteed properties of each of these product grades.

International Standards	Product Grade Names
<b>General and Commercial Grades</b>	
AS/NZS 1397	G1, G2
ASTM A 653/A 653M	CS type A, B and C
EN10346	DX51D, DX52D
JIS 3302	SGCC, SGHC
<b>Forming, Pressing &amp; Drawing Grades</b>	
AS/NZS 1397	G3
ASTM A 653/A 653M	FS, DS type A and B
EN10346	DX53D, DX54D
JIS 3302	SGCD, SGCD,
<b>Structural Grades</b>	
AS/NZS 1397	G250, G300, G350, G450, G500, G550
ASTM A 653/A 653M	33 (230), 37 (255), 40 (275), 50 (340), 55 (380), 80 (550)
EN10346	S220GD, S250GD, S280GD, S320GD, S350GD, S550GD
JIS 3302	SGC340, SGC400, SGC440, SGC490, SGC570 SGH340, SGH400, SGH440, SGH490, SGH570

**Figure 1: International Standards for galvanised steel<sup>5</sup>**

## 2.1.3. Tariff classifications

The application states that galvanised steel is classified to tariff subheadings 7210.49.00 (and statistical codes 55, 56, 57 and 58) and 7212.30.00 (and statistical code 61) of Schedule 3 to the *Customs Tariff Act 1995* (Tariff Act). Based on the information provided in the application, Customs and Border Protection's Trade Policy Branch confirmed that galvanised steel is correctly classified to these tariff subheadings.

<sup>4</sup> Galvanised Steel Application, page 12.

<sup>5</sup> Galvanised Steel Application, page 11.

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The general rate of duty is currently 5% for goods imported under these tariff subheadings. Imports from China are subject to the DCS duty rate which is free. Imports from Korea and Taiwan are subject to the DCT duty rate which is 5%.

There are several Tariff Concession Orders (TCOs) applicable to the relevant tariff classification subheading 7210.49.00, which covers galvanised steel (figure 2 refers).

TC No.	Description
TC 0939596	STEEL, COIL, hot dip zinc coated, complying with Japanese Industrial Standard JIS G 3302:2007, having ALL of the following: (a) yield strength NOT less than 275 N/mm <sup>2</sup> and NOT greater than 380 N/mm <sup>2</sup> ; (b) tensile strength NOT less than 440 N/mm <sup>2</sup> ; (c) elongation NOT less than 29% and NOT greater than 41%; (d) coating mass NOT less than 45 g/m <sup>2</sup> and NOT greater than 65 g/m <sup>2</sup> ; (e) thickness NOT less than 1.14 mm and NOT greater than 1.26 mm; (f) width NOT less than 1590 mm and NOT greater than 1605 mm
TC 9612218	STEEL, flat rolled non alloy, hot dipped galvanized, having ANY of the following: (a) differential coating mass on each side; (b) additional iron base alloy electroplated outer coatings; (c) width exceeding 1525 mm; (d) a minimum ultimate tensile strength of 340 MPa

**Figure 2: TCOs applicable to tariff subheading 7210.49.00**

Customs and Border Protection notes that the applications did not specify that TCOs in respect of the goods were applicable. Customs and Border Protection considers that the relevance of the TCOs to the goods the subject of the application for galvanised steel requires further investigation.

### 2.2. Like Goods

Subsection 269T(1) defines like goods to mean:

*Goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.*

POSCO provided in its exporter questionnaire response a list of all models exported to Australia and a list of domestic models that are considered like. POSCO advised that it specifies each model with a code based on the characteristics of product type, specification, thickness, width and coating mass.

### 2.3. Like Goods – preliminary assessment

We are satisfied that the galvanised steel manufactured by POSCO for the domestic market are like goods to those exported to Australia under s.269T(1) of the *Customs Act 1901* (the Act).

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## 3. Export sales to Australia

### 3.1. General

Non-confidential attachment 1 sets out the export sales process, the goods exported to Australia and the verification of export sales documents. Based on the information provided we are satisfied that the export sales volume and values in the Australian Sales spreadsheet are accurate.

POSCO sells to Australia through two distribution channels.

The first channel is to a related Australian importer, POSCO Australia. Sales are made on Free On Board (FOB) terms, while sales by POSCO Australia are made to unrelated customers on Cost Insurance and Freight (CIF) terms.

During the investigation period POSCO Australia had two Australian customers, [REDACTED]. POSCO provided details of POSCO Australia's sales during the investigation period. We were able to reconcile the sales between POSCO Australia and its customers to sales between POSCO and POSCO Australia. We compared US dollar FOB export prices and the margin achieved by POSCO Australia during the investigation period was [REDACTED] %.

The second channel is through one related and one unrelated Korean trading company. These trading companies sell to unrelated customers in Australia. POSCO provided details of all its sales to the related Korean trading company (which represent around 10% of total Australian sales, by volume) during the investigation period. We were able to reconcile the sales between the related trading company and its customers to sales between POSCO Australia and the related trading company.

### 3.2. Who is the exporter and importer – preliminary assessment

Based on our understanding of the arrangements we consider that:

- for sales from POSCO to POSCO Australia, POSCO was the exporter and POSCO Australia was the importer; and
- for sales from POSCO to Korean trading companies, POSCO was the exporter. There is insufficient detail of all the circumstances of the exportation to determine who was the importer.

### 3.3. Arms' length

POSCO provided proof of payment documentation for the selected Australian sales. Through verification of these documents we confirmed during our desk audit that the price invoiced by POSCO was the price paid. There was no evidence to indicate that sales between POSCO and its Australian customers were not at arms' length.



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As noted above POSCO and POSCO Australia are related. However, the average margin achieved by POSCO Australia during the investigation period was [REDACTED]%. We therefore consider all of POSCO's export sales to Australia during the investigation period were arm's length transactions.

### 3.4. Export price

Export prices for galvanised steel and aluminium zinc coated steel exported by POSCO to Australia during the investigation period have been calculated based on the data in POSCO's Australian export sales spreadsheets provided in POSCO's exporter questionnaire response. Export price calculations are at **confidential attachment 1**.

Export prices for galvanised steel exported by POSCO and supplied to [REDACTED], [customer names] can be determined under s.269TAB(1) of the *Customs Act 1901* (the Act) being the price paid by the importer, other than any part of the price that represents any charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

Export prices for galvanised steel exported by POSCO and supplied to [REDACTED] and [REDACTED]—[customer names] can be determined under s.269TAB(3) of the Act having regard to all relevant information. In this case we consider the export price be established using the price paid by the Korean trading companies.

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## 4. Cost to make and sell

POSCO uses accounting principles that are in accordance with the generally accepted accounting principles of Korea.

In its exporter questionnaire response, POSCO provided separate spreadsheets showing:

- its cost to make and sell galvanised steel domestically; and
- its cost to make and sell galvanised steel exported to Australia.

The spreadsheets provide quarterly costs for materials, direct labour and manufacturing overheads to arrive at the cost of manufacturing the product. The spreadsheets also show amounts for selling, administrative and finance costs. The spreadsheets provide a unit cost per metric tonne (MT) for each quarter of the investigation period for each model.

POSCO's cost to manufacture HRC, the major cost item in the production of galvanised steel, was verified as part of the HRC investigation. There is significant overlap between the investigation periods for the HRC investigation (1 April 2011 to 31 March 2012) and this investigation. We are satisfied that the HRC costs provided in POSCO's questionnaire response for this investigation can be relied on.

The attached record of meeting sets out the discussion and conclusion in relation to verification of selling, general and administrative expenses.

# PUBLIC RECORD

## 5. Domestic sales

### 5.1. General

Non-confidential attachment 1 sets out the domestic sales process, the goods exported to Australia and the verification of domestic sales documents. Based on the information provided we are satisfied that the domestic sales volume and values in the domestic sales spreadsheet are accurate.

Normal values for galvanised steel sold on the domestic market in Korea by POSCO have been calculated based on the data provided in POSCO's domestic sales spreadsheets and cost to make and sell (CTMS) spreadsheets provided in POSCO's exporter questionnaire response.

### 5.2. Arms' length transactions

Section 269TAC(1) of the Act provides that the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter, or if like goods are not so sold by the exporter, by other sellers of like goods.

A purchase or sale of goods shall not be treated as an arms length transaction if:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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
- in the opinion of the Minister the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

For the purposes of (a), above, we found no evidence that there is any consideration payable for or in respect of the goods other than their price.

For the purposes of (b), above, we do not consider that the price was influenced by a commercial or other relationship between the buyer and the seller.

For the purposes of (c), above, we found not evidence that the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We recommend that domestic sales of like goods by POSCO be treated as arms' length transactions.

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## 6. Adjustments

To ensure comparability of export prices to normal values for galvanised steel Customs and Border Protection has made several adjustments to the normal values under s.269TAC(8) of the Act. These adjustments (as detailed below) were based on the information and data provided in POSCO's exporter questionnaire response.

- less domestic credit terms;
- less domestic inland freight and warehousing;
- less domestic handling, loading and ancillary costs;
- less domestic packing;
- less domestic warranty costs;
- less duty drawback;
- plus export packing;
- plus export inland freight;
- plus export handling, loading and ancillary costs; and
- plus export credit terms.

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## 7. Normal Value

*Normal values for domestic models that were identical to the models exported to Australia*

For four models of galvanised steel (detailed below), where the specific model was sold domestically in the ordinary course of trade (OCOT), in sufficient volumes, the domestic selling price for that model at FOB terms was used as a basis for normal values under s.269TAC(1) of the Act.

- o [REDACTED];
- o [REDACTED];
- o [REDACTED]; and
- o [REDACTED].

For six models of galvanised steel (detailed below) where the model was not sold domestically in specific quarters, or in the OCOT in sufficient volumes, the normal value was constructed using the Australian and domestic CTMS data plus the profit from sales of like goods on the domestic market in the ordinary course of trade under s.269TAC(2)(c) of the Act.

- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED]; and
- o [REDACTED].

*Normal values for domestic models that were not identical to the models exported to Australia*

For eight models of galvanised steel (detailed below) that POSCO did not supply on the domestic market in Korea that were identical to the models exported to Australia (during the investigation period), the normal value was constructed using the Australian and domestic CTMS data plus the profit from sales of like goods on the domestic market in the ordinary course of trade under s.269TAC(2)(c) of the Act.

- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED];
- o [REDACTED]; and
- o [REDACTED].

Normal value calculations are at **Confidential Attachment 2**.

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### *Profit*

The record of meeting at non-confidential attachment 1 states that in POSCO's view, in the calculations supplied to POSCO the recoverability part of the ordinary course of trade (OCOT) test had not been carried out. It has been clarified that the OCOT test was undertaken in the correct manner, assessing both profitability and recoverability.

The record of meeting also contains POSCO's view at the time of the visit that the profit to be added to constructed costs should be based on all sales, rather than sales in the ordinary course of trade. Regulation 181A(2) states that the first preference when determining a profit is using data relating to the production and sale of like goods in the ordinary course of trade. This has been applied here.

The difference between the dumping margin determined for the purpose of the PAD and the dumping margin disclosed in this report is due to an amendment to the rate of profit following further review of the calculation.

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## 8. Dumping margin

We have assessed a preliminary dumping margin, by comparing the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period in accordance with subsection 269TACB(2)(a).

The product dumping margin for the investigation period is 9.1%.

The calculation of the dumping margin is at **Confidential Attachment 3**.

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## Attachments

Non-confidential Attachment 1	Record of meeting
Confidential Attachment 1	Export price
Confidential Attachment 2	Normal value
Confidential Attachment 3	Dumping margin





**Australian Government**  
**Australian Customs and  
 Border Protection Service**

**INVESTIGATIONS INTO THE ALLEGED DUMPING OF  
 ZINC COATED (GALVANISED) STEEL AND  
 ALUMINIUM ZINC COATED STEEL  
 EXPORTED FROM  
 THE PEOPLE'S REPUBLIC OF CHINA, THE REPUBLIC OF KOREA AND  
 TAIWAN**

## RECORD OF MEETING

### *CUSTOMS AND BORDER PROTECTION AND POSCO*

#### Meeting details

<b>Date</b>	Saturday 19 January 2011
<b>Location</b>	POSCO Centre 892 Daechi 4-dong Gangnam-gu Seoul, Korea 135 777
<b>ATTENDEES: POSCO</b>	
Mr Harry Kim Ms. Esther Kim Kyle Sohn	Team Leader, Overseas Marketing Department Manager, Overseas Marketing Department Associate, Overseas Marketing Department
<b>ATTENDEES: Consultants</b>	
Mr. Daniel Moulis Mr Jeff Kim Mr Harry Shin	Moulis Legal The ITC Inc The ITC Inc
<b>ATTENDEES: Customs and Border Protection</b>	
Ms. Andrea Stone Ms. Pamela Garabed	Manager, Operations 3 Supervisor, Operations 1

#### Background and purpose

Following the initiation of the above investigations, a search of Customs and Border Protection's import database indicated that POSCO exported galvanised steel from Korea to Australia during the period 1 July 2011 to 30 June 2012 (the investigation period).

Customs and Border Protection notified POSCO of the initiation of the investigations and sought its cooperation with the investigation into galvanized steel,<sup>1</sup> providing the company with an exporter questionnaire to complete.

POSCO completed the exporter questionnaire, and the non-confidential version of this questionnaire response is available on the Public Record.

After receipt of POSCO's questionnaire response, Customs and Border Protection conducted an assessment of the response, and determined that, while the response was substantially complete, it would not seek to undertake a full in-country verification of POSCO's response, rather relying on remote verification and assessment of the data in calculating POSCO's dumping margin.

Considerations in this decision included POSCO's export volume of galvanised steel during the investigation period, and the fact that POSCO had recently been subject to successful verification of its response to the exporter questionnaire in the recent investigation into hot rolled coil (HRC) (the verification was undertaken in September 2012 and the exporter verification report for this visit is on the Public Record for that investigation).

However, noting that other in-country verification of Korean exporters would be occurring during the above investigations, POSCO requested a short, in-country meeting at its premises in Seoul, South Korea, to which Customs and Border Protection agreed.

The purpose of this meeting was to:

- discuss the investigation into galvanised steel generally;
- provide POSCO an opportunity to respond to preliminary dumping calculations (see below); and
- collect relevant documents to assist in remote assessment of POSCO's response to the exporter questionnaire.

## Documents provided prior to meeting

Prior to the meeting with POSCO, Customs and Border Protection:

- prepared and provided preliminary dumping calculations for POSCO using the data submitted in its response to the exporter questionnaire;
- provided an explanatory accompanying minute for the abovementioned calculations (**Confidential Attachment A**);
- provided POSCO with an additional email listing multiple queries/requests for data to be discussed or collected at the meeting (**Confidential Attachment B**); and
- selected four domestic and four export sales for further verification, requesting POSCO provide relevant source documents for each.

Customs and Border Protection provided POSCO with an agenda for the meeting (a non-confidential version of which forms **non-Confidential Attachment C**). This agenda listed details of the selected export and domestic sales for further verification.

## Matters discussed

### 1. POSCO submission at meeting

At the commencement of the meeting, POSCO provided a brief submission document outlining the background to the meeting, the meeting's context, listing documents to be provided at the meeting, and POSCO's position in relation to the preliminary calculations. This forms **Confidential Attachment D**.

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<sup>1</sup> Limited to the galvanised steel investigation as POSCO was not identified as an exporter of aluminium zinc coated steel during the investigation period.

The matters in the submission were discussed during the meeting and are outlined in more detailed below (in a non-confidential manner).

## 2. Preliminary dumping calculations – general approach

POSCO highlighted that it generally found the preliminary dumping calculations provided and approach undertaken therein reasonable and acceptable. This involved a 'blended' approach to normal value of:

using domestic sales for exact model matches pursuant to s.269TAC(1)<sup>2</sup>; and constructing normal values under s.269TAC(2)(c) where insufficient sales of an exact model match have been made domestically in the ordinary course of trade, or sufficient domestic sales of exact model matches have not occurred in corresponding quarters of the investigation period to export sales.

POSCO submitted it considers that this approach to constructing certain normal values to be more suitable than using substitute domestic models to arrive at s.269TAC(1) normal values and adjust these normal values by selling price differences (likely to be based on its domestic pricing extras sheet). The company explained that this was the approach taken by Customs and Border Protection in relation to POSCO's exports of HRC to Australia in that investigation.

**[CONFIDENTIAL TEXT DELETED – pricing information, and accuracy and relevance of pricing extras sheet]** (see further discussion below in relation to pricing).

During the meeting, it was observed that, as part of Confidential Attachment B, Customs and Border Protection had requested POSCO to identify suitable substitute models for certain models where there were insufficient sales in OCOT of an exact model match, or no sales of the exact model match in the specific quarter in which export sales were made (to facilitate s.269TAC(1) normal value calculations where appropriate). However, it was noted that, given POSCO's position on normal value and its explanation on how domestic price is set, this no longer remained relevant. Customs and Border Protection did not pursue this with POSCO at the meeting.

## 3. Preliminary dumping calculations – issues

Despite its general approval of the approach to calculating normal value taken by Customs and Border Protection in its preliminary calculations, POSCO noted the below issues.

### Recoverability in OCOT

POSCO explained that it appeared as though, in performing the OCOT test, Customs and Border Protection had not undergone the 'recoverability' step (i.e. to determine sales that were not profitable at the time of making the sale were recoverable in a reasonable period of time and hence in OCOT). POSCO requested this be corrected.

### Profit

POSCO noted that, in determining profit for constructed normal values, Customs and Border Protection had calculated the rate of profit based solely on domestic sales made in OCOT (noting the above OCOT issue). POSCO submitted that it considered that this profit should be determined using all domestic sales, regardless of whether they were in OCOT or not.

POSCO highlighted its understanding that its suggested approach was consistent with that taken by Customs and Border Protection in calculating dumping by POSCO in the recent investigation into HRC.

## 4. Pricing

POSCO explained that its considerations in setting export and domestic prices are similar.

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<sup>2</sup> *Customs Act 1901* (the Act)

POSCO explained its selling prices of galvanised steel are negotiated based on customer requirements, product characteristics, market conditions, terms of trade, and customer relationship.

POSCO advised that it does not keep galvanised steel price lists or provide any such price listing to its customers.

However, POSCO does keep separate export and domestic price extras lists, which record the pricing extras applicable for non-standard product characteristics, e.g. grade, width, thickness, coating mass, etc.

**[CONFIDENTIAL TEXT DELETED – pricing information and accuracy and relevance of pricing extras sheet]**

POSCO's current domestic extras price list was provided at the meeting, and forms **Confidential Attachment E. [CONFIDENTIAL TEXT DELETED – pricing information and accuracy and relevance of pricing extras sheet]**

## 5. Export sales

### Sales process

POSCO explained that its export sales process in relation to galvanised steel was the same as that for HRC as described in the Exporter Verification Report for that investigation (see above).

### Goods exported to Australia

POSCO explained that its exports of galvanised steel to Australia in the investigation period were of **[CONFIDENTIAL TEXT DELETED – product types]**

POSCO explained that **[CONFIDENTIAL TEXT DELETED – product information]** galvanised steel is generally of a lower quality than **[CONFIDENTIAL TEXT DELETED – product information]** galvanised steel, but that the two have different end uses.

POSCO explained that the majority of its sales of galvanised steel to Australia during the investigation period were of steel destined for automotive parts manufacture (**[CONFIDENTIAL TEXT DELETED – product information]** product).

POSCO's response to the exporter questionnaire contains further details of the goods exported during the investigation period.

### Export sales source documents

POSCO provided packages of source documents for the four selected export sales of galvanised steel (as outlined in the meeting agenda). These were provided to verify the accuracy of the data in POSCO's Australian sales listing, which forms part of the company's response to the exporter questionnaire.

These document packages contained the following:

- order sheet;
- daily shipment list;
- commercial invoice;
- packing list;
- bill of lading;
- POSCO's accounting journal entry showing payment; and
- calculation and supporting documentation for loading fee.

These documents form **Confidential Attachment F.**

POSCO demonstrated how these source documents reconciled to the data in its Australian sales listing

## 6. Domestic sales

### Sales process

POSCO explained that its domestic sales process in relation to galvanised steel was the same as that for HRC as described in the POSCO Exporter Verification Report for that investigation.

### Galvanised steel sold domestically

Details of the types of galvanised steel sold domestically by POSCO during the investigation period are contained in the company's response to the exporter questionnaire.

### Domestic sales source documents

POSCO provided packages of source documents for the four selected domestic sales of galvanised steel (as outlined in the meeting agenda). These were provided to verify the accuracy of the data in POSCO's domestic sales listing, which forms part of the company's response to the exporter questionnaire.

These document packages contained the following:

- order sheet;
- daily shipment list;
- tax invoice; and
- POSCO's accounting journal entry showing payment.

These documents form **Confidential Attachment G**.

POSCO demonstrated how these source documents reconciled to the data in its domestic sales listing

## 7. Selling, general and administrative expenses (SG&A)

Prior to the meeting, Customs and Border Protection requested that POSCO provide an explanation of the calculation of its SG&A expenses in its cost to make and sell calculations.

POSCO provided an explanatory document, which forms **Confidential Attachment H**.

POSCO used this sheet to demonstrate its SG&A calculations to Customs and Border Protection's satisfaction.

## 8. Material injury and market segmentation

POSCO made several points in relation to the claims of material injury raised by BlueScope, and in relation to the specific market segments of galvanised steel that POSCO supplies.

POSCO advised it would lodge a formal submission on these matters.

In brief, these relate to:

- the exclusion of BlueScope's production of galvanised steel that goes on to become painted steel should be included in the Australian industry's injury analysis;
- BlueScope's practices in relation to its manufacture and sale of painted steel products and the impact BlueScope's practices have on the price of galvanised steel (likely to be causing injury to itself);

- the effect of and reasons behind the BlueScope restructure as a potential cause of injury must also be considered; and
- POSCO supplies the automotive sector with product that BlueScope cannot manufacture, and BlueScope does not produce a viable substitute for certain POSCO products (hence POSCO should therefore be excluded from any anti-dumping measures).

To demonstrate its points relating to automotive sector products, POSCO provided a copy of its specifications summary table for automotive galvanised steel. This forms **Confidential Attachment I**.

Customs and Border Protection advised that it is accepting applications of possible exemptions from duty under Section 8 of the *Customs Tariff (Anti-Dumping) Act 1975* during the course of the investigation.

POSCO indicated that it did not consider that the exemption of POSCO's products from measures necessarily required the making of an exemption under Section 8, and that the Minister may exercise his discretion in imposing measures to exclude certain sub-sets of the goods. POSCO indicated that this would be included in the above-mentioned submission.

#### **9. Issue of low selling price of model in one quarter**

Prior to the meeting, Customs and Border Protection had identified that there was an instance where the selling price of one model of galvanised steel was significantly below the cost to make and sell that model in the relevant month.

POSCO explained that this can occur from time to time, and attributed this to making a 'cyber sales' of that product in the month in question.

POSCO explained that it at times offers product for sale through the internet in an online auction process, whereby POSCO has limited control over the final price at which the goods are sold (in some cases below cost).

POSCO noted there were only 6 transactions of that product in the month in question, and all were cyber sales.

#### **10. Adjustment for interest revenue**

Prior to the verification meeting, Customs and Border Protection had identified a possible adjustment in relation to interest revenue (in relation to domestic sales).

POSCO explained that it did not consider this to be an applicable adjustment.

POSCO explained that this revenue is generated where domestic customers do not pay on time and this generates interest. POSCO explained this is an unexpected revenue item (as customers are expected to pay on time) and is not factored into domestic selling prices when they are set.

#### **List of attachments**

Confidential attachment A	Preliminary calculations minute.
Confidential attachment B	Questions posed of POSCO prior to meeting (via email)
Non-Confidential Attachment C	Agenda (non-confidential version)
Confidential Attachment D	POSCO written submission from meeting
Confidential Attachment E	Domestic pricing extras list
Confidential Attachment F	Selected export sales source documents
Confidential Attachment G	Selected domestic sales source documents
Confidential Attachment H	SG&A explanatory document.
Confidential Attachment I	Automotive specifications summary table.

NON-CONFIDENTIAL ATTACHMENT C – POSCO MEETING AGENDA (CONFIDENTIAL  
TEXT REDACTED)



**Australian Government**  
**Australian Customs and  
Border Protection Service**

## Exporter Meeting Agenda

### POSCO

**Date:** Saturday 19 January 2013

**Location:** Seoul, the People's Republic of Korea

**Customs and Border Protection representatives:**

Ms Andrea Stone, Manager Operations 3  
Ms Pamela Garabed, Supervisor Operations 1

**Purpose:**

*The purpose of this meeting is to provide an opportunity for POSCO to:*

- *discuss Customs and Border Protection's proposed approach for calculating a preliminary dumping margin in respect of galvanised steel exported by POSCO to Australia;*
- *provide source documentation to facilitate verification of POSCO's exporter questionnaire response; and*
- *discuss any other issues it would like to raise in relation to the investigation.*

*Please note that the scheduled meeting with POSCO is not intended to be a full verification of the information and data POSCO provided in response to the exporter questionnaire.*

*Customs and Border Protection will provide POSCO with preliminary dumping calculations prior to the meeting. Please note that the dumping margin calculations are a starting point provided to facilitate discussion with POSCO and is not intended to be the final approach adopted. A report of the meeting will be prepared which will detail the proposed final methodology to be adopted for POSCO's preliminary dumping margin calculations.*

**Introduction**

- Meet company representatives
- Background to the investigation
  - *Investigation period: 1 July 2011 – 30 June 2012*
  - *Injury assessment: 1 July 2007 onwards*
- Key dates, access, reporting process
  - *Initiation: 5 September 2012*
  - *Earliest PAD: 5 November 2012*
  - *Statements of essential facts (SEF) due: 16 March 2013 (extension to SEF provided)*
  - *Final reports due: 30 April 2013*
- Initiation of countervailing investigations.
- Discuss export price, normal value, grounds for termination

- Discuss confidentiality and meeting report (for official use only and public record)
- Outline agenda

**General discussion**

- Company background
- Goods exported to Australia and like goods sold domestically
- Products most comparable that are sold domestically
- Product information including technical specifications of the goods exported to Australia and goods sold on the domestic market – differences
- POSCO’s views regarding:
  - BlueScope’s ability to supply specific products
  - Market segments in the Australian and domestic markets
- Production process (high level)
  - Related entities
- Sales process (high level)
  - Related entities
  - Discuss how prices are set
  - Differences between export and domestic sales
  - Price lists for the investigation period if available

**Discussion of minute and preliminary dumping calculations**

- Export price
- Normal value
  - Customs and Border Protection’s proposed approach to calculate normal values (seek POSCO’s views)
- POSCO to provide price extras list to enable model adjustments where required.
- Adjustments.

**Verification of selected sales**

For the selected domestic sales invoices listed below, please provide the following source documents:

- Purchase order
- Order confirmation
- Sales contract
- Commercial invoice
- Packing list
- Discount and rebate documents
- Proof of payment of invoice
- Inland freight invoices

SN	Invoice number	Invoice date

For the selected export sales invoices listed below, please provide the following source documents (where applicable):

- Purchase order
- Order confirmation
- Sales contract
- Commercial invoice
- Packing list
- Proof of payment of invoice



- Discount and rebate documents
- Inland freight invoices
- Bill of lading
- Associated port, handling, FOB and clearance charges invoice(s)

SN	Invoice number	Invoice date

***POSCO's submission to the investigation***

- As POSCO requested the meeting, an opportunity for POSCO to address any issues relevant to the investigation (if not covered by the agenda items above).

***Any other matters***