FOLIO NO. 302

PUBLIC RECORD VERSION

Australian Government
Anti-Dumping Commission

INVESTIGATION

ALLEGED DUMPING OF HOT ROLLED PLATE STEEL

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA, JAPAN, THE REPUBLIC OF KOREA, TAIWAN AND THE REPUBLIC OF INDONESIA

AND

ALLEGED SUBSIDISATION OF HOT ROLLED PLATE STEEL

EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA

VISIT REPORT - EXPORTER

DONGKUK STEEL MILL 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 ANTI-DUMPING COMMISSION

JULY 2013

PUBLIC RECORD VERSION

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PUBLIC RECORD VERSION

ABBREVIATIONS

$	Australian dollars
The Act	*Customs Act 1901*
ADN	Anti-Dumping Notice
The applicant	BlueScope Steel Limited
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
FOB	Free On Board
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
USP	Unsuppressed Selling Price

PUBLIC RECORD VERSION

1 BACKGROUND AND PURPOSE

Background

On 21 December 2012, BlueScope Steel Limited (the applicant) on behalf of the Australian industry manufacturing Hot Rolled Plate Steel (plate steel), lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of plate steel exported to Australia from the People's Republic of China (China), the Republic of Indonesia (Indonesia), Japan, the Republic of Korea (Korea) and Taiwan, and a countervailing duty notice in respect of plate steel exported to Australia from China.

The application alleges that plate steel has been exported to Australia from China, Indonesia, Japan, Korea and Taiwan at prices lower than its normal value, that plate steel exported to Australia from China has received countervailable subsidies, and that this dumping and subsidisation has caused material injury to the Australian industry producing plate steel.

Following consideration of the application, the Anti-Dumping Commission (the Commission) decided not to reject the application. Public notification of initiation of the investigation was made in The Australian newspaper on 12 February 2013.

Australian Customs Dumping Notice (ACDN) No. 2013/18 and ACDN No. 2013/20 provides further details of this investigation and is available at www.adcommission.gov.au .

The investigation period is 1 January 2012 to 31 December 2012. The Commission will examine exports to Australia of the goods during that period to determine whether dumping has occurred.

The Commission will examine details of the Australian market from 1 January 2008 for injury analysis.

Purpose of visit

Prior to initiation of the investigation, GS Global Corporation (GSG) was identified in the Australian Customs and Border Protection's (ACBPSs) import database as a potential supplier of plate steel from Korea during the investigation period. Consequently, GSG was invited to participate in the investigation. GSG informed the Commission that it did not operate as a manufacturer and it purchased the goods from Dongkuk Steel Mill Co., Ltd (DSM). Subsequently, GSG and DSM were invited to participate in the investigation and each company was supplied with a copy of an exporter questionnaire to complete.

GSG and DSM provided separate responses to the exporter questionnaire which was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data.

A non-confidential version of the exporter questionnaire response from GSG and DSM was placed on the public record.

Following initial analysis of GSG and DSM's response to the exporter questionnaires, the Commission determined that the response was reasonably complete and warranted verification. This report concerns the visit which was undertaken to verify the information provided by DSM. A separate report has been written to address the verification visit to GSG's premises.

This verification was undertaken at DSM's head office in Seoul, South Korea.

The Commission will use the information and data verified at the verification visit to make preliminary assessments of:

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

Meeting details

Verification meetings were held at Dongkuk Steel Mill's head office in Seoul, South Korea.

Company	Dongkuk Steel Mill 11th Floor Ferrum Town 66, Suha-dong Jung-ku Seoul, South Korea
Dates of visit	Tuesday 21 May to Thursday 23 May 2013.

The following were present at various stages of the meetings.

Dongkuk Steel Mill	Sungho (Stan) Lee, Managing Director, Strategic Management Group Han Ki Kim, Deputy General Manager, Strategic Management Group, International Trade Affairs Team Matthew Joung, Manager, Strategic Management Group, International Trade Affairs Team Joey Yoo, Manager, Plate Export Team, China, Japan and Oceania Sang-Hyun Chun, Manager, Sales Team 2, Plate Mill Aaron SP Hong, Manager, Raw Materials Team Hwan Ok Kim, Strategic Management Group, International Trade Affairs Team Ryu Myung Suk, Strategic Management Group, International Trade Affairs Team Doo Young Park (Bosco Park), Team Leader, Strategic Management Group, International Trade Affairs Team
Consultants – Kim & Chang	Jang-Wan Lee, Tax Attorney Ryu-Yun Tso, Consultant

Consultants – Moulis Legal	Charles Zhan, Solicitor
Anti-Dumping Commission	Lydia Cooke, Manager, Operations 3 Rachel Lohan, Supervisor, Operations 3

Investigation process and timeframes

Prior to the verification visit, an exporter verification visit agenda was forwarded to DSM. This included listings of domestic and sales transactions for goods sold by GSG to Australia selected for detailed verification with DSM.

A copy of the visit agenda is at **Confidential Attachment GEN1.**

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2012- 31 December 2012.
- The injury analysis period is from 1 January 2008 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (15 April 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

  The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice and/or a countervailing duty notice.

  This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.
- In May 2013 the Minister granted an extension to the publication date for the statement of essential facts (SEF). The revised due date for the SEF is 1 August 2013.

  The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

  This final report is now due no later than 16 September 2013. The Minister's decision is due within 30 days from the date of receipt of the final report.

Visit report

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 COMPANY INFORMATION

General

The Dongkuk Steel Group was established in 1954 and is a Korean based public company. The group operates in steel, logistics, IT and machinery. The Dongkuk Steel Group operates in the steel industry through DSM and Union Steel Co.Ltd (which operates in China, Mexico, United States, Japan, Thailand and India). The Dongkuk Steel Group operates in several countries including Korea, China and Brazil. A list of major shareholders is detailed at **confidential attachment GEN 2**.

DSM's operations are divided across seven divisions including, strategic management, research and development, overseas, planning administration, raw material purchases, sales and production.

DSM explained it operates four production facilities across Korea, in Pohang, Pusan, Incheon and Dangjin. The major products produced by DSM include Plate steel, Sections (ie. H-Beam) and Reinforcing bars. Plate steel is used for the construction of buildings, bridges and ships.

The products produced at these facilities are for both the domestic and international markets. DSM explained the goods under consideration are only produced at its Pohang and Dangjin works.

Domestic and export sales functions

DSM argues that it is the not the exporter of the goods under consideration but rather this function is carried out by a Korean trading company, GSG. This is discussed in detail in chapter 4. DSM considers that it sells plate steel on the domestic market and therefore its information can be used for normal values purposes for GSG.

Accounting structure and details of accounting system

DSM maintains its accounting and financial records at its head office in Seoul. DSM operates the SAP accounting system in its ordinary course of business. This system is an integrated global ERP system. DSM explained that the SAP system is comprised of five main modules: financial accounting, controlling (cost accounting), production planning, material and management and sales and distribution.

DSM uses Korean Won (KRW) as its accounting currency and the company's financial year is from 1 January to 31 December. Its accounts are externally audited. As part of its response to the exporter questionnaire DSM provided its:

- chart of accounts (confidential attachment 9 of the response)
- Korean and English language consolidated and unconsolidated financial statements for 2011 (confidential attachment 10 and 11 of the response)
- Korean language consolidated and unconsolidated financial statements for 2012 (confidential attachment 13 and 14 of the response)

At the verification visit DSM provided the English language consolidated and unconsolidated financial statements for 2012. These statements are at **confidential attachment GEN 3 and 4**.

DSM's 2011 and 2012 accounts state they were externally audited by Samil Price Waterhouse Coopers in accordance with International Financial Reporting Standards as adopted by Korea.

Product Range

DSM advised that it sells products in the following categories:

- Plate steel – plate steel with a thickness range of 6mm to 120 mm
- Reinforcing bars
- Sections
- Billet
- Scrap
- Sub material
- By product

During the investigation period, plate steel accounted for **[CONFIDENTIAL TEXT DELETED – number]**% of total company turnover.

Related Parties

At the verification visit DSM explained that it formed part of the Dongkuk Steel Group which encompassed operations in steel, logistics, IT and machinery. DSM explained that the Dongkuk Steel Group also included Union Steel.

DSM provided details of the company structure. A corporate structure diagram is at **confidential attachment GEN 5**.

2.1.1 Relationship with major shareholders – [CONFIDENTIAL TEXT DELETED – name of unaffiliated party]

DSM advised that although **[CONFIDENTIAL TEXT DELETED – name of unaffiliated party]** is a major shareholder of the company, it is not considered to be significant enough to be an affiliated company under the Korean accounting system. DSM explained that all purchases from suppliers, including those from **[CONFIDENTIAL TEXT DELETED – name of unaffiliated party]** were made at arm's length during the investigation period. This is discussed in further detail in section 5.5.1.

2.1.2 Relationship with logistics services

DSM stated that it uses the services of a related company **[CONFIDENTIAL TEXT DELETED – name of freight company]**, in which it holds a **[CONFIDENTIAL TEXT DELETED – number]**% interest. DSM explained that it pays for the services rendered by **[CONFIDENTIAL TEXT DELETED – name of freight company]** and provided proof of payment details. Further details concerning DSM's relationship with **[CONFIDENTIAL TEXT DELETED – name of freight company]** is detailed at chapter 4.5.2 and 6.4.2.

2.1.3 Relationship with customers in the domestic market

DSM explained that it has **[CONFIDENTIAL TEXT DELETED – number]** affiliated customers in the domestic market, **[CONFIDENTIAL TEXT DELETED –name of companies]**. Further details are in chapter 6.5. DSM stated that all sales made in the domestic market are at arm's length and operate pursuant to a normal commercial relationship.

Non-related parties

DSM explained that the company has a long standing relationship with a large Korean trading company, GSG. DSM considers that GSG exports plate steel manufactured by DSM to Australia. Further details of their relationship will be explained in section 4.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

The goods

3.1.1 Description

The goods the subject of the application (the goods) are:

Flat rolled products of:

- *iron;*
- *non-alloy steel; or*
- *non-heat treated alloy steel of a kind commonly referred to as Quench and Tempered (Q&T) Green Feed;*

of *a width greater than 600 millimetres (mm), with a thickness equal to or greater than 4.75mm, not further worked than hot rolled, not in coils, with or without patterns in relief.*

Goods excluded from the investigation are:

- 250 mega Pascal (MPa) yield strength grades of plate steel with a thickness greater than 150mm;
- 350 MPa yield strength grades of plate steel with a thickness greater
- than 100mm;
- Q & T Green Feed grades of plate steel with a thickness greater than
- 105mm; and
- heat treated Q & T grades of plate steel.

3.1.2 Tariff classification

The goods are classified to the following tariff subheadings in Schedule 3 to the Customs Tariff Act 1995:

- 7208.40.00 statistical code 39;
- 7208.51.00 statistical code 40;
- 7208.52.00 statistical code 41;
- 7225.40.00 statistical codes 22 and 24.

For tariff subheadings 7208.40.00, 7208.51.00 and 7208.52.00 the general rate of duty is 5 per cent for goods imported from Japan and free for imports from China, Indonesia, Korea and Taiwan.

For goods imported under the tariff subheading 7225.40.00 the general rate of duty for goods imported from Japan, Korea and Taiwan is 5 per cent and 4 per cent for imports from China and Indonesia.

Product range and manufacturing facilities

3.1.3 Product range

DSM produces and sells plate products in a wide range of thicknesses, widths, grades and other specifications.

It explained that in the ordinary course of business, it records production and sales of plate steel using a **[CONFIDENTIAL TEXT DELETED – number]** digit code and it had also classified goods using this code in the spreadsheets in the exporter questionnaire response.

The **[CONFIDENTIAL TEXT DELETED – number]**digit code indicated the following features:

> **[CONFIDENTIAL TEXT DELETED – detailed information of sales and production system]**

A list of all the product codes and their meanings are at **confidential attachment GOODS1**.

Using DSM's coding we found that there were **[CONFIDENTIAL TEXT DELETED – number]** types of plate steel exported to Australia and **[CONFIDENTIAL TEXT DELETED – number]** types sold on the domestic market. We identified that the goods exported to Australia were for **[CONFIDENTIAL TEXT DELETED – details of products sold]** purposes. All Australian sales were of prime product.

DSM explained that the order of the digits indicating the different characteristics and the order of importance of those characteristics. We examined the pricing around the characteristics and found that all characteristics but the **[CONFIDENTIAL TEXT DELETED – characteristics of product]**had an effect on pricing. We therefore consider that product sold to Australia and sold on the domestic market with the same model code are identical goods, and that the product sold on the domestic market with the same product code, with the exception of the **[CONFIDENTIAL TEXT DELETED – characteristics of product]**, can also be considered like goods.

Production process

DSM explained that it produces plate steel at two of its four manufacturing plants in Korea. Dangjin steel plant operates one plate mill. Pohang steel plant operates two plate mills. DSM explained that its oldest plate mill, plate mill number one at the Pohang plant was shut down during the investigation period which resulted in decreased production volumes. A chart detailing which plants produced the goods under consideration is at **confidential attachment GEN6**.

DSM stated that it operates its plants 22 hours a day, 7 days a week.

As the verification team had been recently involved with a number of steel cases and the verification visit was conducted at DSM's head office in Seoul, the Commission deemed a site visit to the production facility unnecessary. Rather, DSM provided a graphic display of the production process of plate steel at the verification visit. We understand the production process of plate steel by DSM to be as follows:

- DSM purchases raw material in the form of steel slab plates
- **[CONFIDENTIAL TEXT DELETED – number]** different grades of slab are kept in inventory and selection of the steel slab is made depending on the order. Thick slabs are used to produce thicker plates and thin slabs are used to produce thin plates. Selection is also based on the quality of the slab and requirements of the end product.
- The steel slab is run through the reheating furnace to heat the slab to approximately 1200 degrees centigrade to prepare it for rolling.
- During this process oxidation of the steel can occur. The slab is run though the descaler to remove the scale and reduce imperfections.
- The steel slab is then run through the finishing mill which rolls the slab consecutively to the required size. The Dangjin steel mill is equipped to produce ultra-thin plates and double width plates.

- The Dangjin steel mill also runs a mulpic which is used to produce high grade rolled steel through accelerated cooling or direct quenching.
- As the steel product at this stage is sometimes not completely flat, it is rolled through the hot leveller at between 550-800 degrees Celsius to improve the quality of the product.
- The product thickness, width and length are subsequently tested through the y-ray gauge.
- The steel is then placed on the cooling bed to cool.
- The steel is then cropped to size at the head of the plate in the crop shear and then each side is cropped simultaneously as it passes through the double side shear.
- The end shear crops the plate into the desired lengths.
- High grade heat treatment rolled steel is placed through the heat treatment furnace at Dangjin mill.
- Steel is then run through the cold leveller to maximise the flatness, shape and quality of the product.
- The plate steel is then marked and stamped with serial numbers and product information.
- An ultrasonic test of the steel is then conducted to locate any internal defects such as cracks or hidden flaws.
- The plate steel is then ready to be shipped to the customer.

DSM's production process is also described on its website (**attachment GEN 7).**

Like goods – preliminary assessment

We are satisfied that the goods produced by DSM for domestic sales have characteristics closely resembling those of the goods under consideration and are therefore "like goods" in terms of subsection 269T(1).

4 SALES TO AUSTRALIA

General

The sales listing for goods sold to GSG and sold by GSG to Australia was provided in the exporter questionnaire response included the following: customer name, detailed description of the goods shipped including grade, length, width and thickness, invoice price, date of sale and associated costs.

In its response to the exporter questionnaire, DSM explained that it did not export to the Australian market. DSM advised that it sells plate steel to GSG which subsequently sells to customers in the Australian market. In regards to other export markets, DSM explained that in some instance it exported goods directly, sold goods through GSG or another trader, or a combination of both. However, DSM believes that it operates purely as **[CONFIDENTIAL TEXT DELETED – characterisation of DSM as instrument of GSG so far as GSG's exports to Australia concerned]**. DSM advised that its sales to GSG were made on **[CONFIDENTIAL TEXT DELETED – details of freight arrangement]** like modified FCA terms (see 4.1.5 below) and **[CONFIDENTIAL TEXT DELETED – sales arrangement]**. DSM explained that the two companies have a strong, long standing relationship and operate in a number of markets around the world.

The sales data showed sales of plate steel to Australia by GSG were of the following standard and grade combinations:

Standard/grade	Volume (MT)
[CONFIDENTIAL TEXT DELETED – sales details]	

These sales were of various widths, lengths and thicknesses, and were all of prime quality product.

4.1.1 Sales process for goods sold by GSG to Australia

The following is an explanation of DSM's sales to GSG for plate steel sold by GSG to the Australian market.

- **[CONFIDENTIAL TEXT DELETED – details of sales process]**

Pricing

4.1.2 Pricing approach

DSM explained that **[CONFIDENTIAL TEXT DELETED – how price is determined in ordering by GSG]** According to DSM. **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to Australian market]**DSM did however explain that **[CONFIDENTIAL TEXT DELETED – how price is determined for other markets]**

DSM stated that due to GSG's strong presence in the steel market it is well aware of the general market conditions for plate steel. DSM explained that **[CONFIDENTIAL TEXT DELETED – how price is determined in ordering by GSG]**.

DSM explained that it sells **[CONFIDENTIAL TEXT DELETED – number]** different types of plate steel to GSG for sale to the Australian market. The most expensive plate steel is for **[CONFIDENTIAL TEXT DELETED – details of products sold]**.

DSM advised that the **[CONFIDENTIAL TEXT DELETED – pricing policy]**. Of the options AS Rolled is the most economic, followed by controlled rolling, direct quenched and tempered (DQ&T) and quenched, lamellarized and tempered (Q&L&T) .

DSM stated that **[CONFIDENTIAL TEXT DELETED – details of DSM and GSG ordering convention]** . DSM explained that **[CONFIDENTIAL TEXT DELETED – how price is determined in ordering by GSG]**.

4.1.3 Discounts, rebates and allowances

[CONFIDENTIAL TEXT DELETED – details of discount policy]

Level of trade

DSM states that **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to Australian market]**. The visit team considers that DSM's sales to GSG are at the trader level, although DSM disagrees with this conclusion.

Date of sale

DSM listed the tax invoice date as the date of sale for plate steel sold to GSG. This is in line with the Commission's practice and subsequently we viewed this method to be appropriate.

Sales verification for DSM's goods sold by GSG to Australia

4.1.4 Export (and domestic) sales verification – reconciliation to financial statements (completeness and relevance)

To check the completeness and relevance of sales sold by GSG to Australia, we sought to verify the information contained in the exporter spreadsheets 'upwards' through management reports to audited financial statements.

This upwards reconciliation is discussed in the domestic sales chapter of this report (Chapter 6).

Following this reconciliation, we are satisfied of the completeness and relevance of the sales data for DSM's goods sold by GSG to Australia.

4.1.5 Verification to source documents (accuracy)

Prior to the visit (in the agenda), we requested that DSM provide supporting documents for 8 selected sales of plate steel exported to Australia.

The details of these are outlined in the table below.

Selected sale number	Invoice number
1	1202500000407
2	1203500000287

3	1209200000056
4	1205500000109
5	1206200000536
6	1207200000384
7	1212200000308
8	1212200000309

DSM was also asked to provide bank, freight and handling costs and proof of payment for these for sales numbers 2,4,6 and 7.

DSM provided the following documents for the selected consignments during the verification visit:

- Commercial invoice
- Tax invoice
- Payment evidence from the bank
- Export sales summary
- Purchase order
- Local line of credit payment
- Certificate of receipt
- Inland freight invoice
- Handling invoice

DSM provided the following further documents for consignments 2,4,6 and 7:

- Payment voucher details from its SAP system
- Payment evidence to freight company from SAP system
- Payment evidence for handling from SAP system
- Bank charge payment voucher

This documentation is at **confidential attachment EXP 1**.

Using the documentation provided, we were able to verify the following general information using the commercial invoices, packing lists and supporting documents:

- sales volume;
- invoice value (**[CONFIDENTIAL TEXT DELETED – currency]**);
- SAP payment vouchers showing payment in **[CONFIDENTIAL TEXT DELETED – currency]**
- customer details;
- invoice date;
- standard;
- thickness and grade; and
- date of order confirmation.

This information was verified against the information contained in the Australian export sales spreadsheet.

There were no discrepancies identified in the sample documentation.

Inland transportation

DSM advised that invoices between DSM and GSG refer to a **[CONFIDENTIAL TEXT DELETED – details of export inland freight arrangements]**.

In practice, GSG arranges pickup of the goods from DSM's factory using a delivery company called **[CONFIDENTIAL TEXT DELETED – name of freight company]**then deliver the goods to the port specified by GSG. **[CONFIDENTIAL TEXT DELETED – details of export inland freight arrangements]**.

[CONFIDENTIAL TEXT DELETED – details of export inland freight arrangements]This rate was supported by invoices from **[CONFIDENTIAL TEXT DELETED – name of freight company]** for the goods. DSM also supplied proof of payment to **[CONFIDENTIAL TEXT DELETED – name of freight company]** through displaying its payment voucher and payment evidence entries in its SAP system. **[CONFIDENTIAL TEXT DELETED – details of export inland freight arrangements]**. The documents supported the data in the DSM sales to GS Global Corp spreadsheet and we are satisfied that the information has been accurately recorded.

DSM stated that **[CONFIDENTIAL TEXT DELETED – details of export inland freight arrangements]**. We benchmarked **[CONFIDENTIAL TEXT DELETED – name of freight company]** freight charges against freight charges charged to other Korean manufacturers and found them to be reasonable.

Handling and other fees

DSM explained that the handling and other fees which included loading and lashing were **[CONFIDENTIAL TEXT DELETED – details of export inland freight]**. These rates were supported by invoices from **[CONFIDENTIAL TEXT DELETED – name of freight company]** for the handling and other fees for the goods. DSM also provided proof of payment to **[CONFIDENTIAL TEXT DELETED – name of freight company]** through displaying its payment entries in its SAP system. These documents supported the data in the sales spreadsheet and we are satisfied that the information has been accurately recorded. DSM stated that GSG **[CONFIDENTIAL TEXT DELETED – details of export inland freight]**.

Again DSM stated that **[CONFIDENTIAL TEXT DELETED – name of freight company]** charges it a market rate. Due to different ways of reporting costs we were unable to benchmark these particular costs against those of other manufacturers. We note however, that these costs were relatively small (**[CONFIDENTIAL TEXT DELETED – number]**% of the invoice value).

Bank charges

DSM explained that in order to calculate the bank charges for plate steel sales sold by GSG to the Australian market during the investigation period it added the total payment made for the goods and the total bank charges incurred. The bank charges incurred during the period were allocated to the sales on a line by line basis using the value of the sales transactions. DSM provided bank charge payment vouchers as proof of payment for the selected transactions. We consider that the allocation method used was appropriate. The documents provided support the data in the DSM sales to GS Global Corp spreadsheet and we are satisfied that the information has been accurately recorded. DSM's explanation of bank charge calculations is at **confidential attachment EXP2**.

Packing

DSM explained that this product requires no packing and as such did not provide any packing costs.

Payment to DSM

DSM provided proof of payment by GSG to DSM for each invoice. Payment was made through local line of credit, paid in **[CONFIDENTIAL TEXT DELETED – currency]**. DSM provided payment vouchers. At times these payment vouchers accounted for payments greater than that listed on the invoice. DSM explained that GSG sometimes makes lump sum payments to DSM for a number of invoices. When this occurred DSM provided supporting documentation for the other purchase orders included in the lump sum payment to prove that the payment made was correct. DSM also provided certificates of receipt from GSG for the goods received for each selected invoice. The documents provided supported the data in the sales spreadsheet and we are satisfied that the information has been accurately recorded.

4.1.6 Conclusion – export sales data

After our examination and verification of DSM's sales to GS Global Corp data we consider that the data provided by DSM is reasonably complete, relevant and accurate.

Who is the exporter?

4.1.7 DSM's view

At the visit DSM provided a joint submission with GSG regarding who it considered to be the exporter in the sales to Australia and why (**confidential attachment EXP3**). DSM argues that it manufactures the goods and sells plate steel domestically and to other countries. However, in regards to plate steel sold to Australia it considers that it is not the exporter but rather it considers that GSG performs this function.

DSM argues that it is not involved in the pricing of plate steel to Australia but that this export function is carried out entirely by GSG. It also argues that it **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to Australian market]**.

DSM stated that **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to Australian market]**. On the other hand, for sales to other countries it had **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to other markets]**.

DSM stated that its **[CONFIDENTIAL TEXT DELETED – position of DSM in relation to Australian market]**.

In addition to pricing, DSM argues that GSG is the exporter because GSG organises the logistics of export and DSM plays no part in arranging transport to port, customs clearance, port handling charges and shipping. This is all carried out by GSG.

4.1.8 The visit team's assessment

The Act does not contain any guidance on who in a transaction is the exporter. However, the dumping and subsidy manual states that:

> *Customs and Border Protection will identify the exporter as:*

- *a principal in the transaction located in the country of export from where the goods were shipped and who knowingly placed the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or*
- *a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.*

Where there is no principal in the country of export Customs and Border Protection will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

The manual goes onto state that:

Depending on the facts, Customs and Border Protection considers that only in rare circumstances would an intermediary be found to be the exporter. Typically this will only occur where the intermediary has purchased the goods from the manufacturer; the manufacturer has no knowledge at all that the goods are destined for export to any country; and the essential role of the intermediary is that of a distributor rather than a trader and because it is acting more like a distributor intermediary may usually have its own inventory for all export sales.

We note that in this instance, DSM meets the requirements of the manual in that it placed the goods knowingly in the hands of a freight company for delivery to Australia and that it owned the goods, although it was not the owner at the time the goods were shipped to Australia. It was also aware of the destination of the goods.

Although GSG argues that it sets the price to Australia, at the time DSM accepts the price offer by GSG it does so knowing that the goods are ultimately destined for export to Australia and knowing the price those same goods would attract if sold by it domestically.

We therefore consider DSM to be the exporter of the goods that are sold to the Australian market.

Arm's length sales

In respect of DSM's sales to GSG for shipment to Australia we found no evidence that:

- 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
- 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 consider that Australian export sales of plate steel from DSM to GSG were arm's length transactions.

Export Price – Preliminary Assessment

We consider that for the purpose of calculating a dumping margin, the export price for DSM's goods to Australia should be determined using the EXW export price from DSM to GSG under s.269TAC(1)(c) of the Act.

DSM's export prices are at **confidential appendix 1**.

5 COST TO MAKE & SELL

General

In the exporter questionnaire response DSM provided us with a cost to make and sell (CTMS) spreadsheet (**confidential attachment CTMS1**) which listed costs by product code and month for all plate steel it produced. It explained that these costs were based on the cost calculations it used in the ordinary course of business. It also explained that it used standard costs with variances accounted for at the month's end. Therefore, these costs reflected the actual cost of production.

For certain models, there were sales in some months but no production. When this was the case, DSM identified a surrogate cost in the CTMS spreadsheet. This was generally production of the same model in another month (as was the case in the 9 instances when surrogate costs were used for models exported to Australia) but in some instances the production costs of a similar model was used.

In the cost verification we sought to reconcile the CTMS spreadsheet to audited financial statements to check for completeness and relevance and to source documents to check for accuracy.

Upward verification to audited financial accounts

DSM provided us with a summary table that listed the production volume, cost of manufacture (COM) and cost to make plate steel by month for the three plants individually and in total. DSM explained that the COM and the cost to make were totals of the manufacturing cost but the cost to make was the sum of each cost element separately therefore it was slightly different due to rounding differences. It explained that it used COM in its daily accounting but utilised cost to make for the purpose of preparing the exporter questionnaire response as this required that the separate cost elements be reported separately.

We were able to reconcile the totals in the summary table to the CTMS spreadsheet. DSM then provided us with COM reports from SAP for each plant separately and in total which also reconciled to the summary table.

DSM then provided us with the inventory movement report for finished products for 2012 which included production from the steel plate plants. This report listed the volume and value of finished plate steel entering the inventory, which we could reconcile to the production from the different plants in the summary table. The inventory movement report also listed the volume and value of the beginning and ending inventory and the cost of goods sold. The cost of goods sold was costed using the weighted average method on the basis of actual products sold. We noted that the difference between the cost of plate steel produced and sold was **[CONFIDENTIAL TEXT DELETED – number]**% by value and **[CONFIDENTIAL TEXT DELETED – number]**% by volume.

We then sought to reconcile the cost of goods sold in the inventory movement report to the audited financial statements. DSM explained that the cost of goods sold in the audited financial statements was the sum of cost of sales for finished goods and cost of sales – other. The cost of sales for finished goods accounted for **[CONFIDENTIAL TEXT DELETED – number]**% of the cost of sales in the audited financial statements. We also noted that the cost of sales for finished goods in the audited financial statements varied slightly (**[CONFIDENTIAL TEXT DELETED – number]**%) from the costs of sales in the inventory movement report. DSM provided us with a table which listed the adjustments made to the cost of finished goods sold between the inventory movement report and that the audited financial statements and the relevant ledgers to support

these adjustments. We were therefore able to reconcile costs to the audited financial statements and were satisfied that the costs were relevant and complete.

Document relating to the upwards verification of costs are at **confidential attachment CTMS2**.

Cost Methodology

DSM explained that in assembling the different cost elements (material, direct labour, fixed and variable overhead costs) in the CTMS, it combined several cost elements within its own cost system. For example, the variable costs comprised of electricity, fuel and repairs. DSM provided us with a cost report for 2012 which listed all production costs for plate steel and also noted which costs were incorporated into each cost element in the CTMS spreadsheet (**confidential attachment CTMS3**). We were able to reconcile the combined totals in the cost report with the totals for the cost elements in the CTMS spreadsheet.

DSM explained that its SAP system recorded costs for all its plants and automatically calculated costs by model taking into account the production processes each product underwent. DSM explained that its cost system incorporated a number of direct and indirect cost centres. Each stage of production, such as cutting, reheating, rolling etc, was a direct cost centre and indirect cost centres were items such as maintenance and product quality management. In the ordinary course of business costs accrued at indirect cost centres were allocated to direct cost centres using set allocation methodologies. As semifinished goods travelled through the different process, costs incurred thus far would be transferred from one cost centre to the next. A list of DSM's direct and indirect cost centres and the allocation method for indirect cost centres were included in DSM's exporter questionnaire response at confidential attachments 38 and 39.

DSM gave us an example of the cost allocation for a particular model **[CONFIDENTIAL TEXT DELETED – product code]** (model 1) in December 2012 at Pohang Plate Mill. It explained that production was tracked via a production order number. It also explained that while actual costs were recorded, its cost accounting system used standard costing. As a result, while actual costs were recorded at each cost centre, the cost that was transferred to the following cost centre was a standard cost and the variance was added when the product was finished. DSM extracted a SAP report for model 1 in December 2012 which showed the standard and variable costs for the model.

DSM's SAP report also showed the allocation of variable and fixed overhead costs accrued at different cost centres to the model. DSM explained that these costs were allocated to individual models on the basis of processing time in each cost centre. DSM provided us with SAP reports which showed the total 'other fixed costs' incurred in the Pohang Plate Mill 2 Gas Cutting direct cost centre, the total production time process in December and the allocation of costs to model 1 on the basis of its production time through this process.

We then sought to reconcile the cost of model 1 in December 2012 shown in SAP to the CTMS spreadsheet. We identified that in addition to the production at Pohang, this model was also produced in Danjin. DSM therefore extracted from SAP the material ledger for the production of this model in Danjin. We were able to reconcile the total value and volume of this model as produced at both Pohang and Danjin with the value and volume of this model in the CTMS spreadsheet in December 2012.

The documents relating to the allocation of costs to model 1 are at **confidential attachment CTMS4**.

5.1.1 Models with an unusual CTMS

In examining the CTMS spreadsheet, we identified that there were some models with an unusual CTMS. We selected two for further verification in December 2012. The first of these, model **[CONFIDENTIAL TEXT DELETED – product code]** (model 2), had very high fixed and variable manufacturing costs. DSM interrogated its SAP system and found that this model was reworked (ie, in its original production run it was found to be defective and further work was required to ensure the quality required was achieved). This meant that it spent more time than usual in certain production processes increasing the proportion of fixed and variable costs allocated to it. The documents relating to model 2's costs allocation are at **confidential attachment CTMS5**.

Model **[CONFIDENTIAL TEXT DELETED – product code]** (model 3) had costs allocated to it but no production volume. It also had a very high scrap offset amount. DSM again interrogated its system and found that all production for this product was defective and scrapped, resulting in the high scrap offset and no production volume. However, while the product was scrapped, some costs were still incurred and recorded against the production order number. The document relating to model 3's cost allocation are at **confidential attachment CTMS6**.

Production volumes

As noted above in relation to models 1,2 and 3, DSM's SAP system recorded the volume of each model of plate steel produced as production occurred. In addition, as noted in the upwards verification of costs to the audited financial statements, we were able to reconcile the volume of plate steel produced as listed in the CTMS spreadsheet to the inventory movement report (confidential attachment CTMS3).

We asked DSM to run a search in SAP to demonstrate that plate steel was only produced at the Pohang and Dangjin plants and it accordingly provided us with a report showing production of different goods by plant (**confidential attachment CTMS7**). This demonstrated that there was no production of plate steel in any other location. We were therefore satisfied that all steel plate production was captured in the CTMS spreadsheet and that the production volumes listed were accurate.

Downward reconciliation to source documents

5.1.2 Slab costs

DSM explained that it was the largest purchaser of slab in the world. It maintained a stock of slab in its inventory so it could produce plate steel and other steel products to order with a short lead time. It generally aimed to maintain a stock of **[CONFIDENTIAL TEXT DELETED – number]**MT of slab but this amount would vary depending on its current operations. It purchased 42 **[CONFIDENTIAL TEXT DELETED – number]** different grades of slab and would purchase from a number of sources depending on price and availability of slab.

In the exporter questionnaire response DSM provided a listing of all its slab purchases. Prior to the visit, DSM provided a revised version to make clear that while many of its purchases were on FOB terms, the prices listed in the slab purchase spreadsheet included the cost of delivery to its factory (**confidential attachment CTMS8**). DSM explained that as it sourced slab from different countries and often purchased the product at the FOB level, there could be significant price differences as a result of ocean freight costs. In the revised spreadsheet we noticed that some transactions listed had negative quantities, or costs recorded but no quantity. DSM explained that this occurred when product was defective and returned, or when it was billed for handling and shipping charges after the product had been delivered, resulting in a separate transaction line for the charges.

[CONFIDENTIAL TEXT DELETED – details of raw material purchase] and we were satisfied that purchases from **[CONFIDENTIAL TEXT DELETED – name of supplier]**were arm's length.

We then sought to verify purchases of slab to invoices and source documents. DSM explained that the purchases listed in the purchase listing spreadsheet were generally shipped in several shipments due to their size. Each of these shipments would be invoiced separately. DSM selected two sales from **[CONFIDENTIAL TEXT DELETED – name of supplier]**and provided us with a table showing the shipments (and payments) associated with these purchases. We also asked for an SAP extract for the purchase to verify the table provided. From the table, DSM selected two shipments and provided us with the relevant invoice, bill of lading, packing list, ocean freight invoice and proof of payment. At our request, DSM provided us with two additional invoices and proof of payment for purchases from **[CONFIDENTIAL TEXT DELETED – name of supplier purchase]**.

DSM also provided us with source documents for purchases from **[CONFIDENTIAL TEXT DELETED – name of supplier]**. As with **[CONFIDENTIAL TEXT DELETED – name of supplier]**, it provided a breakdown of shipments, invoice, bill of lading, packing list, ocean freight invoice and proof of payment. We also requested two additional invoices and proof of payment for purchases from **[CONFIDENTIAL TEXT DELETED – name of supplier]**.

Document relating to slab contact prices and invoices are at **confidential attachment CTMS9**.

We sought to reconcile the slab purchase listing to DSM's SAP system. DSM extracted an SAP inventory movement report for raw materials for 2012. Slab was held in inventory at the Pohang and Dangjin plants. The value and volume of slab purchased at these plants during 2012 reported in the inventory movement report reconciled to the slab purchase listing. The documents relating to the reconciliation of the slab purchase listing to SAP are at **confidential attachment CTMS10**.

We then sought to reconcile the slab costs in the CTMS spreadsheet to the slab costs in SAP and thereby to the source documents. DSM explained that as slab went through each stage of the production process, costs were recorded against the relevant direct cost centre and then carried over to the next cost centre as the slab moved through production. Therefore, in order to identify the original slab cost of a model of plate steel produced in a certain month, it was necessary to trace the cost of the finished model through each stage of the production process, via the relevant direct cost centres until the first direct cost centre in the production process was reached and the slab input cost was recorded.

To demonstrate this, DSM conducted an SAP search on model 2 for December 2012. This resulted in a high level cost report for the model which showed the total volume produced and the production cost which as noted above reconciled to the CTMS spreadsheet. DSM then drilled down through approximately 15 different cost centres to reach the first cost centre in the production process. Each of the cost centres in the production process recorded the quantity of steel that went through the process, the cost of the goods at that stage and the amount of scrap generated. At the first cost centre in the process, the volume, value per MT and type of slab input into production was recorded.

DSM then conducted a SAP search for December 2012 for the slab type that was input into the production of model 2. In this report we could reconcile the unit cost for this type of slab to the slab cost recorded in the SAP report for model 2. DSM also extracted from SAP an inventory movement report for the slab type and we could again identify the unit price and the total volume input into production. Documents relating to the reconciliation of the CTMS spreadsheet to slab costs in SAP are at **confidential attachment CTMS11**.

Having traced slab costs in the CTMS spreadsheet to the SAP inventory report for slab, the SAP inventory report for slab to the slab purchase listing and the slab purchase listing to invoices, we were satisfied that the slab costs were capture accurately.

5.1.3 Scrap

In the CTMS, DSM had included a cost offset for scrap and we sought to verify this cost offset. As noted above, DSM recorded scrap generated at each stage of the production process and applied this as a cost offset to the total cost of production for the model. Scrap generated at each stage of the production process was valued based on **[CONFIDENTIAL TEXT DELETED – scrap costing policy]**. DSM explained when its accounts are audited, its internal pricing method for scrap is also checked by the accountants to ensure a market price is used.

DSM explained that it generated two types of scrap, steel powder and steel scrap. Some scrap is used in production while the remainder is sold.

In our examination of the costs accrued by cost centre for model 2 (as described above), we were able to identify the volume of steel powder and scrap generated in production and the value the scrap that was assigned to offset production costs. To verify that the values assigned to steel scrap were reflective of market prices, we requested DSM's list of scrap sales for December 2012. From this listing we asked DSM to provide us with an invoice for a steel powder sale and a steel scrap sale. Based on these sales prices, we were satisfied that the scrap offset value applied to the production of plate steel in the SAP system and in the CTMS spreadsheet was reasonable.

Documents relating to scrap are at **confidential attachment CTMS12**.

5.1.4 Variable costs

We sought to verify variable costs. When we were tracing the costs of model 2 through the SAP system, we were able to identify the cost of fuel allocated to its production from a particular cost centre (Dangjin Plate Heat Treatment). DSM extracted a report on variable costs for the cost centre which showed the total value of each cost element, including fuel, used in that cost centre. DSM then provided a more detailed SAP report for variable costs for that cost centre which showed that the fuel cost was made up of the cost of LNG and nitrogen. We asked to see invoices to support these costs, which DSM provided. We were therefore satisfied that these costs had been accurately recorded in the CTMS spreadsheet.

Documents relating to fuel costs are at **confidential attachment CTMS5** and **confidential attachment CTMS13**.

Selling, general and administration (SG&A) expenses

In the response to the exporter questionnaire, DSM provided a spreadsheet which contained its selling, general and administrative (SG&A) expenses and its allocation calculations (**confidential attachment CTMS14**). We were able to reconcile the selling, general and finance expenses to the audited financial statements but found a difference with the administrative expense.

DSM explained that this was due to **[CONFIDENTIAL TEXT DELETED – details of SG&A information]**. Documents supporting the freight costs are at **confidential attachment CTMS15**.

We then examined the allocation of costs to domestic sales, export sales and Australian sales. We found that delivery expenses were directly allocated to where they were incurred. For the other expenses, costs were initially allocated to products based on revenue. **[CONFIDENTIAL**

TEXT DELETED – details of cost allocation method]. Based on our understanding of DSM's sales on the domestic market, to Australia and to other countries, we consider this to be reasonable.

DSM then calculated the proportion of revenue for domestic and Australian export sales the allocated costs represented and applied these costs as a proportion of revenue to the CTMS spreadsheet.

We consider that DSM's allocation of SG&A costs to domestic and export sales to be reasonable. However, for the purpose of our calculations, we have deducted delivery expenses from the SG&A calculations. These expenses have been examined separately in the domestic and export sales listings.

Costs to make and sell – preliminary assessment

We verified DSM's cost to make and sell hot rolled plate steel to source documents and audited financial statements. As a result, we are satisfied that the information provided is accurate, relevant and complete.

We consider these costs to make and sell are suitable for:

determining a constructed normal value under section 269TAC(2)(c) of the Act; and

assessing ordinary course of trade under section 269TAAD of the Act.

The calculation of the unit cost to make and sell for DSM is at **confidential appendix 2**.

6 DOMESTIC SALES

General

DSM advised that the Korean plate steel market experienced a gradual slowdown in sales over 2012, which has continued into 2013. DSM observed that sales have remained slow across the Asia Pacific region.

DSM explained that the domestic market is dominated by three domestic players, POSCO, Hyundai and DSM. It was explained that the domestic market was dominated by POSCO and DSM until 2011, when Hyundai entered the market.

Competition within the domestic market from imports has remained at steady levels over the period, with the main source of imported product originating from China.

DSM explained that it sells plate steel to three different markets within the domestic market. This includes **[CONFIDENTIAL TEXT DELETED – details of domestic market]**. DSM also explained that it sells plate steel to different types of markets – domestic home market sales and local export home market sales. The domestic home market sales are made to end users of the plate steel for domestic consumption. The 'local export' market sales are made to customers who consume the plate steel to further manufacture the product to be exported.

Due to the large number of domestic sales made, in the exporter questionnaire response DSM provided a domestic sales listing that only contained domestic sales of like models of plate steel to those exported to Australia, as well as a complete sales listing for two months. At the visit, DSM provided a complete line by line domestic sales listing of all plate steel made sold during the investigation period. The domestic sales listing included customer details, product information, price, invoice date and delivery terms. In addition, information was provided as to whether the plate steel was prime or non-prime, and a detailed listing of tests conducted. Due to the size of this listing, we identified the most like models, taking into account similar models with **[CONFIDENTIAL TEXT DELETED – characteristics of product]** differences, and based our calculations on this listing.

Domestic sales process

As noted above, DSM explained that its domestic sales for steel plate were made to **[CONFIDENTIAL TEXT DELETED – details of different types of domestic plate steel market]**.

DSM explained that its customers have good access to market knowledge and are aware of the price for plate steel. **[CONFIDENTIAL TEXT DELETED – domestic market pricing policy]**. This forms attachment **DOM 1**.

DSM explained its domestic sales process as follows:

- **[CONFIDENTIAL TEXT DELETED – domestic sales process]**.

The tax invoice usually includes delivery to the customer. Delivery can be made anywhere in Korea. Occasionally sales are made on an ex works (EXW) basis.

Verification of sales to source documents

DSM explained that its domestic sales are made EXW and free into store (FIS), with deliver to anywhere in Korea.

Discounts, rebates and allowances

[CONFIDENTIAL TEXT DELETED – discount policy]The visit team questioned DSM over some negative invoice values which were listed in the domestic sales spreadsheet. DSM explained that at times billing adjustments are made for a range of different reasons. For example, if the goods are defective and a customer is not satisfied, the claims department will investigate the situation. Should the goods be found to be defective, a credit will be issued against their account. If an incorrect item is sent to a customer and returned to DSM then a credit may be issued against their account.

In these instances the customer may receive a negative value on their next taxation invoice. Alternatively, if there are errors on the invoice and a customer pays too much for the goods, a credit may be placed against their account. DSM explained that they do not give any other discounts.

Level of trade

DSM advised that it sells to **[CONFIDENTIAL TEXT DELETED – level of trade]**.

Details regarding level of trade were recorded in the domestic sales listing. DSM made sales to **[CONFIDENTIAL TEXT DELETED – number]**affiliated companies, **[CONFIDENTIAL TEXT DELETED – name of companies]**, accounting for **[CONFIDENTIAL TEXT DELETED – number]**% of overall sales domestic sales volume for plate steel over the investigation period.

A small volume (**[CONFIDENTIAL TEXT DELETED – number]**MT) accounting for **[CONFIDENTIAL TEXT DELETED – number]**% of domestic market sales volume was sold to **[CONFIDENTIAL TEXT DELETED – details of sales**

We did not encounter any evidence during the verification to suggest that level of trade affects price.

Verification of sales data

6.1.1 All sales (domestic and export) to audited financial statements ('upwards' verification)

We sought to verify that DSM provided all export and domestic sales data by undertaking an upwards verification to DSM's 2012 management accounts and audited financial statements.

DSM provided line by line detailed sales listing for the period 1 January 2012 – 31 December 2012 for:

- sales of plate steel to GSG exported to Australia; and
- Domestic sales of all plate steel.

We verified that the line by line sales listing reconciled to DSM's 'turnover spreadsheet' which formed part of its exporter questionnaire response.

We then sought to reconcile the turnover spreadsheet to the audited financial statements. DSM provided audited financial statements for 2012 (**Confidential attachment GEN4**). DSM explained the value provided in the 'turnover' spreadsheet included certain freight costs that were not included in the total revenue in the financial statement. These freight costs were relevant to local sales made for eventual export and was excluded due to certain tax requirements.

In order to reconcile these figures, DSM provided the trial balance in SAP for freight revenue and the trial balance for all five sales categories, domestic sales, local export sales, direct export sales, rental sales and all other sales. DSM also provided sales lists from their SAP system. These documents form **Confidential attachment DOM2.**

DSM explained the sales categories to include the following:

Domestic sales

Sales of products for use in the domestic market. This sales category includes plate and other goods.

Local export sales
This sales category includes sales to traders and manufacturers operating in the domestic market which sell to the export market. Manufacturers further work the product and sell the finished item to the export market. Traders sell the product to the export market in its current form, without further work. Products sold in this sales category include semi and finished plate and other goods. Sales to GSG are included in this sales category.

Export sales
Sales of products, including plate and other goods sold directly to the export market by DSM.

Rental sales
Rental sales include rental fees, maintenance fees and parking fees paid by other companies to DSM to rent office space.

Other sales
Other sales include the sale of by products, raw materials and supplies.
The five sales categories were totalled and reconciled to the audited financial statements. When freight sales and the five sales categories were summed together, these sales reconciled to the 'turnover' spreadsheet.

In this table, DSM also identified which of the local sales were domestic and export, and which of the export sales were sales to GSG exported to Australia. The totals of these categories reconciled with the totals listed in the turnover spreadsheet.

In order to verify that sales of plate steel made in the direct export sales category did not include sales to the Australian market, DSM provided a sales listing of all plate sold to Australia. The SAP system did not record any plate sales to Australia. We were satisfied that no sales of plate steel were made through the 'export sales' category to Australia.

DSM provided the general ledger summary from its SAP system which listed the "domestic and local export" sales of finished goods which reconciled to the sales summary. DSM provided sales lists for the months of January and October 2012 from its SAP system which we were able to reconcile to the balance sheet. These sales lists reconciled to the figures provided for the overall "domestic" and "local export" sales and applicable price adjustments, and sales of hot rolled plate steel for the "domestic" and "local export" sales and applicable price adjustments. During the verification DSM was asked to provide sales lists and applicable price adjustments from July and December 2012 live from its SAP system. DSM was able to provide this information from the SAP system and the figures reconciled to the sales summary.

DSM was also asked to provide live SAP sales lists for overall "domestic" sales and "domestic sales of hot rolled plate steel" and applicable price adjustments for July and December 2012. The

sales list was verified against the sales summary and we were able to reconcile the figures. **[CONFIDENTIAL TEXT DELETED – details of account information]**. Once the verified difference in value was taken into account, we were able to reconcile the sales summary to the general ledger.

DSM was asked to provide live SAP sales lists for overall "direct export sales" and "direct export sales of hot rolled plate steel" for the months of July and December. DSM provided SAP sales listings for both quantity and value. These figures reconciled to the general ledger.

In order to ensure that all plate sales to GSG and exported to Australia were captured DSM provided SAP sales listings for the entire investigation period from January to December 2012. The listing included details of destination country, sales channel and product code. From this information we were able to verify that the goods detailed were plate steel, and sold to GSG for the Australian market. We were able to reconcile the total figure to the sales summary. DSM reported that **[CONFIDENTIAL TEXT DELETED – number]** MT of plate steel sold under the local export category destined for Australia was not reported in the turnover spreadsheet. DSM explained that the **[CONFIDENTIAL TEXT DELETED – number]**MT which was not reported was plate steel sold as raw material to **[CONFIDENTIAL TEXT DELETED – name of customer]**for further processing and then to be sold to the Australian market. DSM explained that the product was **[CONFIDENTIAL TEXT DELETED – details of sales to the customer]**and not the goods under consideration. DSM provided the firm bid and local line of credit with details of the plate steel sold to **[CONFIDENTIAL TEXT DELETED – name of customer]**. We are satisfied that this sale was not the goods. Once the values not reported in the turnover spreadsheet were taken into account the figure in the sales summary reconciled.

We were therefore satisfied that the domestic and export sales listing were complete and relevant.

6.1.2 Verification of domestic sales data to source documents

Prior to the verification visit we selected domestic invoices from the sales listing provided in DSM's response to the exporter questionnaire. DSM was advised that we required source documents in relation to each of those transactions.

The details of the selected sales are listed below:

Selected sale number	Invoice number
1	8008197165_20
2	8008331482_10
3	8008421727_70
4	8008479680_120
5	8008584057_10
6	8008884461_150
7	8009034691_20
8	8009152274_30
9	8009518548_90
10	8009563903_350
11	8009565656_10

PUBLIC RECORD VERSION

12	8008250212_10

At the visit DSM provided the following copies for each selected sale:

- Sales order from DSM's SAP system
- Sales order details from DSM's SAP system outlining product details
- Shipping invoice/ Commercial invoice
- Tax invoice
- Accounting vouchers from DSM's SAP system detailing sales
- Accounts receivable payment voucher from SAP system
- Payment evidence from SAP system listing bank details
- Inland freight invoice
- SAP Inland freight payment details
- SAP Inland freight voucher
- SAP credit expense calculations

These documents form **confidential attachment DOM3.**

General data

We verified the listed information to the documents provided:

- Customer name
- Volume
- Thickness
- Width
- Length
- Delivery terms
- Value
- Inland transportation costs
- Credit expenses

Credit terms

DSM listed the cost of credit for its domestic customers in the domestic sales listing. As discussed in section 6.1.2 DSM offers payments terms to its customers based on **[CONFIDENTIAL TEXT DELETED – sales policy]**. DSM explained that invoices are issued every 2 weeks, either in the middle of the month or at the end of the month.

Payment terms were listed in the domestic sales listings. Over the investigation period payment terms for plate steel ranged from cash before shipment to 90 days credit from the last day of the month. Sales invoices are issued when the goods are sent to the customer.

DSM calculated the cost of credit by using its short term borrowings and corresponding interest expense accounts and calculating it using the following calculation:

$$\text{Average Accounts Receivable collection period} = \frac{\text{(Total accounts receivable / 12 months)}}{\text{(Total sales revenue/ 365 days)}}$$

DSM explained that credit expenses were calculated using the equation below:

Credit expense = Net invoice value * Short term interest rate X Average accounts receivable collection period
365 days

The denominated short term interest rate was calculated to be **[CONFIDENTIAL TEXT DELETED – number]**%. DSM explained this was calculated by dividing interest expenses over the investigation period by the average monthly short term loan balance.

Average loan balance= **[CONFIDENTIAL TEXT DELETED – number]**
Interest expense for investigation period= **[CONFIDENTIAL TEXT DELETED – number]**

Short term interest rate = **[CONFIDENTIAL TEXT DELETED – number]**

Credit expenses for each line were calculated using the average credit period, multiplied by the short term interest rate (**[CONFIDENTIAL TEXT DELETED – number]**%) and multiplied by the gross invoice value. This value was then divided by 365.

Credit expenses for each line reconciled to the sample documentation. We were satisfied that credit expenses have been calculated on a reasonable basis.

Documents relating to credit expenses are at **confidential attachment DOM4**.

Evidence of payment

We asked DSM to provide evidence of payment for each of the selected transactions that demonstrated that the customer paid DSM for the goods purchased. DSM provided payment vouchers from the accounts receivable section of its SAP system. At times customers paid for the goods in lump sum payments, where a number of invoices were paid at once. In those instances DSM provided invoices for all the related payment transactions. We were able to reconcile all payments to the domestic sales spreadsheet. The documents supported the data in the domestic sales spreadsheet and we are therefore satisfied that the data is accurate.

Inland transportation

DSM explained that it operated on both delivered and EXW sales terms for its domestic sales. DSM included details of all inland transportation costs in the domestic sales listing for sales which were made on delivered terms.

DSM explained that they use the services of an affiliated company, **[CONFIDENTIAL TEXT DELETED – name of freight company]** or an unaffiliated subcontractor, to deliver the goods from its steel works in Pohang or Dangjin to the customer. DSM advised that **[CONFIDENTIAL TEXT DELETED – name of freight company]** charged DSM a market price for this service. **[CONFIDENTIAL TEXT DELETED – freight arrangement between freight company and its subcontractor]**. We found that freight charges accounted for approximately **[CONFIDENTIAL TEXT DELETED – number]**% of the invoice price.

DSM included tax invoices and details of payment for the freight transportation for each selected shipment. It was noted that some of these shipments were in part made by sea. When queried, DSM explained that it is sometimes more economical to ship the goods by sea rather than to use land transport when the customer is based on the cost. We were able to reconcile all inland transportation costs from the source documents to the domestic sales spreadsheet. The documents supported the data in the domestic sales spreadsheet and we are therefore satisfied that the data is accurate.

6.1.3 Conclusion – domestic sales data

After verifying the data provided in the domestic sales spreadsheet to the source documents for the selected shipments, we consider the domestic sales spreadsheet is complete, relevant and accurate.

Arm's length

DSM explained that it sells plate steel to **[CONFIDENTIAL TEXT DELETED – level of trade]**. DSM listed **[CONFIDENTIAL TEXT DELETED – number]** affiliated end users **[CONFIDENTIAL TEXT DELETED – name of companies]**. DSM explained that **[CONFIDENTIAL TEXT DELETED – number]**MT of plate steel was sold to **[CONFIDENTIAL TEXT DELETED – name of company]** during the investigation period. **[CONFIDENTIAL TEXT DELETED – details of sales to related companies]**

Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade (OCOT).

In order to test whether the domestic sales are in the OCOT, we first tested the profitability of each transaction individually by comparing the unit selling price (less inland transport where applicable) to the corresponding monthly average EXW CTMS for each model based on the **[CONFIDENTIAL TEXT DELETED – number]** digit code. For those sales found to be sold at a loss, we then tested its recoverability by comparing the unit selling price to the weighted average CTMS of the model over the whole of the investigation period.

We undertook this test for each **[CONFIDENTIAL TEXT DELETED –number]** digit model code individually and where the volume of unrecoverable sales exceeds 20%, the unrecoverable sales for those **[CONFIDENTIAL TEXT DELETED – number]**digit model codes were deemed not to be made in the ordinary course of trade (OCOT). Of the **[CONFIDENTIAL TEXT DELETED – number]** models types exported to Australia, we found that **[CONFIDENTIAL TEXT DELETED – number]**had either no domestic sales or no domestic sales in OCOT. **[CONFIDENTIAL TEXT DELETED – number]** models had sales in OCOT.

We then conducted the OCOT test on domestic models without having regard to different **[CONFIDENTIAL TEXT DELETED – characteristics of product]**. As noted in chapter 3, we found that **[CONFIDENTIAL TEXT DELETED – characteristics of product]**had no effect on the price and therefore consider goods with all the same characteristics but different **[CONFIDENTIAL TEXT DELETED – characteristics of product]**to be like goods. We found that **[CONFIDENTIAL TEXT DELETED – number]** models now had sales in OCOT.

Suitability of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of a factor in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in section 269TAC(14) as less than **[CONFIDENTIAL TEXT DELETED – number]**% of the total volume of the goods that are exported to Australia by the exporter.

We assessed the sales found in OCOT (without taking into account **[CONFIDENTIAL TEXT DELETED – characteristics of product]**) and found that of the **[CONFIDENTIAL TEXT**

DELETED – number] models with OCOT sales, **[CONFIDENTIAL TEXT DELETED – number]** models had sales of **[CONFIDENTIAL TEXT DELETED – number]**% or more of the volume of goods exported to Australia. We consider these sales to be suitable of use in determining normal value under s.269TAC(1).

Domestic sales- preliminary assessment

We found a sufficient volume of plate steel sales in the domestic market that were arm's length transactions and sold at prices that were in the ordinary course of trade for **[CONFIDENTIAL TEXT DELETED – number]** models. The price paid for the goods in those domestic sales was established satisfactorily.

Based on the information provided and the verification processes conducted on site, we are satisfied that prices paid in respect of DSM's domestic sales of plate steel for these models may be suitable for assessing normal value under section 269TAC(1).

The domestic sales spreadsheets, including OCOT and sufficiency tests, are at **confidential appendix 3.**

7 THIRD COUNTRY SALES

We consider we have sufficient information to determine a normal value on the basis of domestic sales or costs so we did not seek to examine third country sales. We note that the volumes of sales to third countries were significantly different to the volume of goods sold to GSG and exported to Australia and therefore in any case would not provide a good comparison.

8 ADJUSTMENTS

To ensure that the normal value was comparable to the export price, the following adjustments were made.

8.1.1 Domestic inland freight

We consider a downwards adjustment to DSM's domestic selling price for the domestic inland freight calculation is required. This will result in a normal value at the EXW level. Where costs are used as the basis of normal values for certain models, these costs do not include delivery costs and therefore these is no need to deduct domestic inland freight.

We consider that inland freight costs incurred by DSM should also be deducted from the export price to result in a comparable EXW price.

8.1.2 Export inland freight

We consider that the best point of comparison is at the EXW level so we consider that the inland freight costs incurred by DSM should be deducted from DSM's export price.

8.1.3 SG&A

We note that DSM has **[CONFIDENTIAL TEXT DELETED – details of SG&A based adjustment]**.

8.1.4 Credit terms

We consider that the costs associated with **[CONFIDENTIAL TEXT DELETED – details of credit terms provided to domestic sales and the sales to GSG]**.

8.1.5 Bank charges

We consider that an upwards adjustment needs to be made to the normal value for the bank costs incurred by DSM in selling the goods to GSG. This adjustment has been made on the basis of the actual bank charges incurred for each sale.

8.1.6 Handling charges

We consider that an upwards adjustment to the normal value needs to be made for the handling charges incurred by DSM for export sales. This adjustment has been made on the basis of the actual handling charges incurred for each sale.

The adjustment calculations are in **confidential appendix 3**.

9 NORMAL VALUE

We found sufficient volumes of domestic sales of plate steel for **[CONFIDENTIAL TEXT DELETED – number]** models exported to Australia that were arm's length transactions and at prices that were in OCOT. Therefore, we are satisfied that prices paid in respect of domestic sales of these models of plate steel are suitable for assessing normal values under s. 269TAC(1) of the Act using DSM's selling price of like goods.

In using domestic sales as the basis for normal values for these models, we consider that certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 8.

In relation to the remaining models of plate steel exported to Australia, we found that there were no domestic sales at prices that were in OCOT. Therefore, we ascertained normal value under section 269TAC(2)(c) by using the cost of production of the goods and the SG&A expenses these goods would incur if they were exported. In addition we added a profit in accordance with Customs Regulation 181A(2) being the weighted average profit of only sales of like goods over the investigation period, except where all domestic sales of a particular model was unprofitable, in which case no profit was added. We found the applicable profit (for profitable sales) to be **[CONFIDENTIAL TEXT DELETED – number]**% of the CTMS.

Detailed normal value calculations with adjustments are at **confidential appendix 3**.

10 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)(b).

The product dumping margin for the investigation period is 18.4%.

The calculation of the dumping margin is at **confidential appendix 4**.

11 APPENDICES AND ATTACHMENTS

Confidential Attachments

General

GEN 1	Agenda
GEN 2	Shareholders listing
GEN 3	Consolidated financial statements December 31, 2012 and 2011
GEN 4	Separate financial statements December 31, 2012 and 2011
GEN 5	Corporate structure
GEN 6	Plant production
GEN 7	Manufacturing process

Goods

GOODS 1	Product coding system and list

DSM's product sold by GSG to Australia

EXP 1	Export sales source documents
EXP 2	Export sales bank charges
EXP 3	Joint submission regarding who is the exporter

Costs

CTMS 1	CTMS Spreadsheet
CTMS 2	Documents relating to upwards costs verification
CTMS 3	Documents relating to reconciliation of costs to accounting system
CTMS 4	Allocation of costs to model 1
CTMS 5	Allocation of costs to model 2
CTMS 6	Allocation of costs to model 3
CTMS 7	Production report
CTMS 8	Revised slab purchase listing
CTMS 9	Documents for slab prices and invoices

CTMS 10 Documents for slab purchase reconciliation

CTMS 11 Documents for reconciliation of slab costs to CTMS spreadsheet

CTMS 12 Documents relating to scrap

CTMS 13 Documents relating to fuel and variable costs

CTMS 14 SG&A Allocation

CTMS 15 Documents relating to SG&A

Domestic sales

DOM 1 Plate Steel Price extras list

DOM 2 SAP upward sales reconciliation

DOM 3 Domestic sales source documents

DOM 4 Credit expense calculations and source documents

Confidential Appendices

Confidential Appendix 1 – Australian sales

Confidential Appendix 2 – Cost to make and sell

Confidential Appendix 3 – Domestic sales and normal values

Confidential Appendix 4 – Dumping margin