



Consideration report number: 441

Application for a dumping duty notice

Submitted by: Dematic Pty Ltd

**In relation to steel pallet racking exported to
Australia from the People's Republic of China and
Malaysia**

13 November 2017

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ABBREVIATIONS

Abbreviation / short form	Full reference
ABF	Australian Border Force
ABS	Australian Bureau of Statistics
the Act	<i>Customs Act 1901</i>
the applicant, or Dematic	Dematic Pty Ltd
China	the People's Republic of China
the Commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
GOC	Government of China
the goods	the goods the subject of the application is steel pallet racking
HRC	hot rolled coil
the investigation period	1 October 2016 to 30 September 2017
the injury analysis period	from 1 October 2013
the Manual	<i>the Dumping and Subsidy Manual</i>
the Parliamentary Secretary	Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science
SG&A	selling, general and administrative

1 FINDINGS AND RECOMMENDATIONS

This report provides the result of the consideration by the Anti-Dumping Commission (the Commission) of an application under subsection 269TB(1) of the *Customs Act 1901* (the Act)¹ by Dematic Pty Ltd (the applicant, or Dematic) for the publication of a dumping duty notice in respect of steel pallet racking that has been exported to Australia from the People's Republic of China (China) and Malaysia. Dematic alleges that the Australian industry for steel pallet racking has experienced material injury caused by steel pallet racking exported to Australia from China and Malaysia at dumped prices.

The legislative framework that underpins the making of an application and the Commission's consideration of an application is contained in Divisions 1 and 2 of Part XVB of the Act.

1.1 Findings

In accordance with subsection 269TC(1), the Commission has examined the application and is satisfied that:

- the application complies with the requirements of subsection 269TB(4) (as set out in section 2.2 of this report);
- there is an Australian industry in respect of like goods (as set out in section 2.3 of this report); and
- there appear to be reasonable grounds for the publication of a dumping duty notice in respect of the goods the subject of the application (as set out in sections 3, 4, 5 and 6 of this report).

1.2 Recommendations

Based on the above findings, the Commission recommends that the Commissioner of the Anti-Dumping Commission (Commissioner) decide not to reject the application and initiate an investigation to determine whether a dumping duty notice should be published.

The Commission further recommends that:

- exports to Australia during the period 1 October 2016 to 30 September 2017² (the investigation period) be examined for dumping, and
- details of the Australian market from 1 October 2013 be examined for injury analysis purposes.

If the Commissioner agrees with these recommendations, the Commissioner must give public notice of the decision (**Attachment 1**) in accordance with the requirements set out in subsection 269TC(4).

¹ All legislative references in this report are to the *Customs Act 1901* unless otherwise specified.

² Whilst the applicant has provided its sales and costs data from 1 July 2016 to June 2017 in its application, the Commission has set the investigation period from 1 October 2016 to 30 September 2017 and will seek additional data for another quarter (i.e. 1 July 2017 to 30 September 2017) from the applicant after initiation of this case.

2 THE APPLICATION AND THE AUSTRALIAN INDUSTRY

2.1 Lodgement of the application

2.1.1 Legislative framework

The procedures for lodging an application are set out in section 269TB.

The procedures and timeframes for the Commissioner's consideration of the application are set out in section 269TC.

2.1.2 The Commissioner's timeframe

Event	Date	Details
Application lodged and receipted by the Commissioner under subsections 269TB(1) and (5)	25 August 2017	The Commission received an application from Dematic alleging that the Australian industry experienced material injury caused by dumped steel pallet racking that has been imported into Australia from China and Malaysia.
	14 September 2017	The Commission notified Dematic that the application contained critical and important deficiencies which, if left unaddressed, create doubt on the reasonableness of the grounds for the publication of a dumping duty notice.
Applicant provided further information in support of the application under subsection 269TC(2A)	29 August 2017 15 September 2017 22 September 2017 28 September 2017 17 October 2017 6 November 2017	Dematic provided further information and data in support of its application without having been requested to do so (as provided in subsection 269TC(2A)). Provision of this further information and data restarted the 20 day period for consideration of the application.
Consideration decision due under section 269TC(1)	23 November 2017	The Commissioner shall decide whether to reject or not reject the application within 20 days after the applicant provided further information.

Table 1 – Timeframes

2.2 Compliance with subsection 269TB(4)

2.2.1 Finding

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

2.2.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that the application complies with subsection 269TB(4).

2.2.3 The Commission's assessment

The table below summarises the Commission's assessment of compliance with subsection 269TB(4).

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Requirement for the application	Details
Lodged in writing under subsection 269TB(4)(a)	The applicant lodged in writing confidential and non-confidential versions of the application. The non-confidential version of the application can be found on the electronic public record on the Commission's website at www.adcommission.gov.au .
Lodged in an approved form under subsection 269TB(4)(b)	The application is in the approved form (B108) for the purpose of making an application under subsection 269TB(1).
Contains such information as the form requires under subsection 269TB(4)(c)	The applicant provided: <ul style="list-style-type: none"> • a completed declaration; • answers to all questions that were required to be answered by the applicant; • all appendices, completed; and • sufficient detail in the non-confidential version of the application to enable a reasonable understanding of the substance of the information submitted in confidence.
Signed in the manner indicated in the form under subsection 269TB(4)(d)	The application was signed in the manner indicated in Form B108 by a representative of the applicant.
Supported by a sufficient part of the Australian industry under subsection 269TB(4)(e) and determined in accordance with subsection 269TB(6)	See the discussion set out in section 2.2.4, below.
Lodged in the manner approved under section 269SMS for the purposes subsection 269TB(4)(f)	Dematic lodged the application in a manner that complied with the relevant Commissioner's instrument. ³ The application was lodged by email to the Commission's nominated email address and by hard copy to the Commission's postal address.

Table 2 – Form of application

2.2.4 Supported by a sufficient part of the Australian industry

Dematic identified itself as an Australian producer of steel pallet racking. Dematic has identified three other manufacturers (being APC Storage Solutions Pty Ltd, MACRACK (Australia) Pty Ltd and Spacerack) as potential other producers of the goods. Dematic considers that it represents more than fifty percent of the Australian industry in terms of subsection 269TB(6)(a).

During the investigation, the Commission will make enquiries of the additional companies identified to establish whether they form part of the Australian industry producing like goods.

Based on the information submitted by the applicant, the Commission considers that the application complies with subsection 269TB(4).

³ *Form and manner of lodging and withdrawing applications relating to anti-dumping matters: Instrument under section 269SMS of the Customs Act 1901*, 19 September 2017.

2.3 The goods the subject of the application

The table below outlines the goods as described in the application and their corresponding tariff classification.

Full description of the goods, as subject of the application
Steel pallet racking, or parts thereof, assembled or unassembled, of dimensions that can be adjusted as required (with or without locking tabs and/or slots, and/or bolted or clamped connections), including any of the following - beams, uprights (up to 12m) and brace (with or without nuts and bolts).
Further information
<p>The goods are adjustable static racking structures capable of carrying and storing product loads, and components used to make static racking structures.</p> <p>Adjustable racking is a structure typically made from cold-formed or hot rolled steel structural members and includes components such as plates, rods, angles, shapes, sections, tubes and the like. Welding, bolting or clipping are the typical methods to assemble them. It may be racking installed within a building.</p> <p>A typical storage configuration comprises upright frames perpendicular to the aisles and independently adjustable, positive locking beams parallel to the aisle, spanning between the upright frames, and brace designed to support unit load actions.</p> <p>The racking layout and components used are designed to get the best efficiency for the shape and volume of the items stored. The applicable Australian Standard is AS4084-2012.</p>

Tariff code	Statistical code	Unit	Description
7308.90.00	58	Tonnes	<p><u>Tariff code:</u> Structures (excluding prefabricated buildings of 9406) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel.</p> <p><u>Statistical code:</u> Other – Racking and shelving</p>

Table 3 – The goods

2.4 Like goods and the Australian industry

2.4.1 Finding

The Commission is satisfied that there is an Australian industry producing like goods to the goods the subject of the application on the basis that:

- Dematic produces goods that have characteristics that closely resemble the goods the subject of the application, and
- at least one substantial process of manufacture is performed in Australia.

2.4.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there is, or is likely to be established, an Australian industry in respect of like goods. The term ‘like goods’ is defined in subsection 269T(1). Like goods are produced in Australia and there is an Australian industry if subsections 269T(2), 269T(3) and 269T(4) are satisfied.

2.4.3 Locally produced like goods

The table below summarises the Commission’s assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods.

Factor	The applicant’s claims	The Commission’s assessment
Physical likeness	Dematic claims that the steel pallet racking it manufactures has a physical likeness to the goods exported to Australia from China and Malaysia. The locally produced steel pallet racking is manufactured to Australian Standard AS4084-2012; Dematic understands that imported steel pallet racking is represented as being AS4084-2012 compliant.	The Commission has reviewed the marketing material for the applicant and the main importers of steel pallet racking and the Commission is satisfied that imported and Australian made steel pallet racking have physical characteristics that are similar. These similar physical characteristics include size, appearance, stated standards and strength. These similar physical characteristics stem from the use of steel pallet racking for standard sized pallets.
Commercial likeness	Dematic’s locally produced steel pallet racking competes directly with imported steel pallet racking from China and Malaysia. The locally produced steel pallet racking systems and the imported goods are offered for sale to the Australian market via similar supply channels and on similar commercial terms and conditions.	The Commission is satisfied that the Australian made and imported steel pallet racking is commercially alike on the basis that these appear to directly compete in the same markets. It appears from tender material provided by the applicant that steel pallet racking buyers are willing to switch between Australian made and imported steel pallet racking.
Functional likeness	The locally produced steel pallet racking and imported steel pallet racking has comparable or identical end-uses.	The Commission is satisfied that imported and Australian made steel pallet racking is functionally alike, namely that these goods are racking used for storing pallets of other products.
Production likeness	The locally produced steel pallet racking and imported steel pallet racking are manufactured in a similar manner and via similar production processes.	The Commission is satisfied that the Australian steel pallet racking is produced in a similar manner to imported steel pallet racking. In particular, imported steel pallet racking shown in marketing materials (brochures and websites) has very similar appearance and specifications.
Commission’s assessment		
Based on the above assessment, the Commission is satisfied that Australian made steel pallet racking is like to imported steel pallet racking.		

Table 4 – Like goods assessment

2.4.4 Manufacture in Australia

The table below summarises the Commission’s assessment of whether the goods are wholly manufactured in Australia and whether the like goods are therefore considered to have been manufactured in Australia.

The Applicant’s claims
Dematic manufactures steel pallet racking in Australia from locally sourced HRC and other accessories sourced locally or imported as required. The conversion of HRC into beams, uprights and braces involves a process of substantial transformation involving a capital intensive manufacturing process.
The Commission’s assessment
Based on the above description of the manufacturing process and the Commission’s inspection of Dematic’s steel pallet racking manufacturing plant in Sydney, the Commission is satisfied that there is at least one substantial process of manufacture is performed in Australia and, therefore, that the goods may be taken to have been produced in Australia.

Table 5 – Manufacturing in Australia

2.5 Australian industry information

The table below summarises the Commission’s assessment of whether Dematic has provided sufficient information in the application to analyse the performance of the Australian industry.

Have the relevant appendices to the application been completed?		
A1	Australian production	Yes
A2	Australian market	Yes
A3	Sales turnover	Yes
A4	Domestic sales	Yes
A5	Sales of other production	Not applicable
A6.1	Cost to make and sell (& profit) – Domestic sales	Yes
A6.2	Cost to make and sell (& profit) – Export sales	Yes
A7	Other injury factors	Yes
General administration and accounting information		
History	Colby Handling Systems was formed in Sydney in 1966. Colby Handling Systems was acquired by German company Mannesmann DEMAG Fördertechnik in 1993. Mannesmann DEMAG Fördertechnik became Mannesman Dematic AG in 1997, prior to acquisition by Siemens AG in 2000. In 2005, Dematic GmbH & Co. KG was formed as a standalone, independent company. The Australian entity Dematic Pty Ltd was registered in 2006. Kion Group AG acquired Dematic GmbH & Co. KG in 2016.	
Ownership	Dematic is owned by Dematic Holding Pty Ltd. Dematic’s ultimate parent company is the Kion Group AG (Germany).	
Operations	Dematic manufactures and sells storage systems in Australia, including steel pallet racking systems. Dematic uses the business name of ‘Colby Storage	

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	Solutions' for the sales of steel pallet racking and solutions through its distributor network, and direct to end users.	
Financial year	Dematic has historically operated a 1 October to 30 September financial year. However, with effect from 1 January 2017, Dematic is now operating a 1 January to 31 December financial year.	
Audited accounts	Audited annual reports were provided for the years ending September 2015 and 2016.	
Annual reports	As above.	
Production and sales information	Cost to make and sell information	Other injury factors
Dematic provided quarterly data by component type for the period 1 July 2016 to 30 June 2017.	Dematic provided cost information for each component type in both domestic and export markets.	Data is provided from 1 July 2013.
The Commission's assessment		
Based on the information in the application, the Commission is satisfied that there is sufficient data on which to analyse the performance of the Australian industry between 1 July 2013 and 30 June 2017.		

Table 6 – Australian industry information

2.5.1 Market size

The Commission notes that the relevant statistical code within the ABF tariff classification was established in 2015.

The Commission has examined the data provided by Dematic and compared it to information from the ABF import database. The relevant tariff classification (7308.90.00, statistical code 58) includes:

- different racking components of varying weights; and
- goods that are not steel pallet racking components (for example, shelving components).

The Commission worked with the ABF to obtain data relevant to imports of the goods prior to 2015, and has attempted to further refine the data available by reference to the “description of the goods” declared in respect of each consignment. During this process, the Commission has *included* goods with descriptions such as “beam” (or “bm”), “upright”, “brace” (or “brc”), “pallet racking” (and variants such as “steel pallet rack”), “warehouse rack” (and variations) and known brands of the goods (as nominated by the applicant), and has *excluded* goods with descriptions that do not fall within the goods description (such as “shelf” and “bracket”) or those which were uncertain and lacking any further precision (such as “other items of iron or steel”). This approach has included importers and exporters that were identified by Dematic as being active in selling the goods.

Using this methodology, the Commission notes that the declared weight of imported goods fluctuated significantly. The Commission concludes that this is likely a function of the differing steel contents in the relevant components. The lack of detailed information on the weight of the imported goods means that the Commission has estimated the size of the market based on Free on Board (FOB) values for imported goods and from sales by Dematic (representing the Australian industry).

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The Commission estimates that the Australian market for steel pallet racking was worth approximately \$50 million during the period 1 July 2016 to 30 June 2017. As shown in Figure 1, below, the Commission considers that the market for steel pallet racking has grown in the last four years.

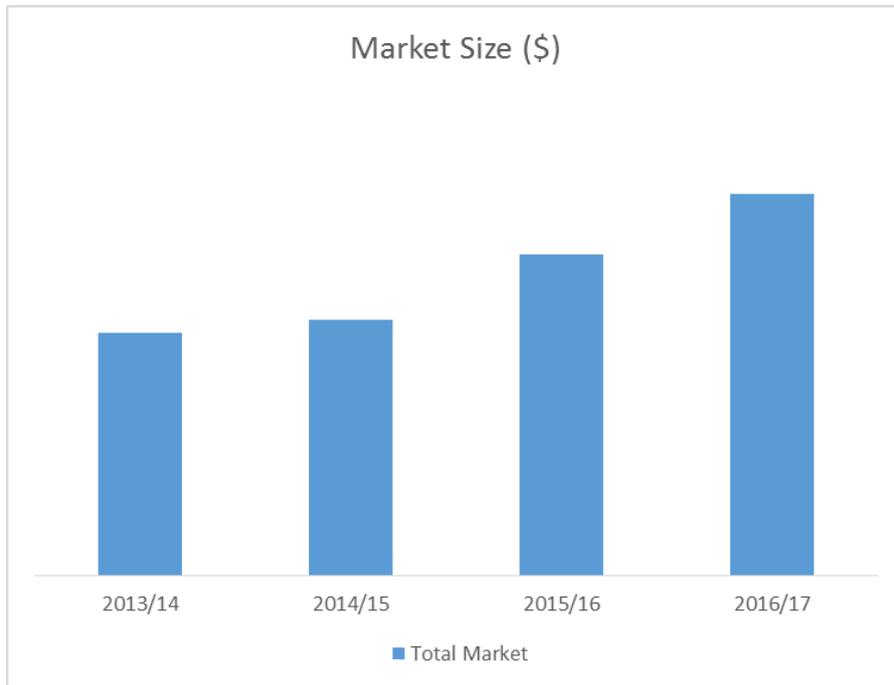


Figure 1 – Market Size (AUD)

The Commission’s assessment of the Australian market size for steel pallet racking is contained in **Confidential Attachment 2**.

The Commission anticipates that a more reliable estimate of the size of the market will be made during the course of the investigation.

3 REASONABLE GROUNDS – DUMPING

3.1 Findings

Pursuant to subsection 269TC(1)(c), the Commission considers that there appear to be reasonable grounds to support the claims that:

- the goods have been exported to Australia from China and Malaysia at dumped prices;
- the estimated dumping margin for exports from China and Malaysia is greater than 2 per cent, and therefore is not negligible; and
- the estimated volume of goods exported from China and Malaysia that appear to have been dumped is greater than 3 percent of the total Australian import volume of goods, and therefore is not negligible.

3.2 Legislative framework

Subsection 269TC(1) requires that the Commissioner reject an application for a dumping duty notice if, among other things, the Commissioner is not satisfied that there appear to be reasonable grounds for the publication of a dumping duty notice.

Under section 269TG, one of the matters that the Assistant Minister for Industry, Innovation and Science and Parliamentary Secretary to the Minister for Industry, Innovation and Science (the Parliamentary Secretary)⁴ must be satisfied of in order to publish a dumping duty notice is that the export price of goods that have been exported to Australia is less than the normal value of those goods, i.e. that dumping has taken place (to an extent that is not negligible). Whether dumping has taken place is considered in the following sections.

3.3 Export price

3.3.1 Legislative framework

Export price is determined by applying the requirements in section 269TAB, taking into account whether the purchase or sale of goods was an arms length transaction under section 269TAA.

3.3.2 The Applicant's estimate

The table below summarises the approach taken by the applicant to estimate export prices and the evidence relied upon.

⁴ On 19 July 2016, the Prime Minister appointed the Parliamentary Secretary to the Minister for Industry, Innovation and Science as the Assistant Minister for Industry, Innovation and Science. For the purposes of this investigation the Minister is the Parliamentary Secretary to the Minister for Industry, Innovation and Science.

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Country	Basis of estimate	Details
China	Offers / quotes and a steel benchmark from an independent, recognised international supplier of trade statistics as per subsection 269TAB(1)(c)	The applicant used competitor offers of imported steel pallet racking for the third quarter of 2016, adjusted by reference to movements in HRC pricing to calculate export prices for the three other quarters.
Malaysia	Deductive export price based on a winning tender price as per subsection 269TAB(1)(c)	The applicant used the winning tender price (in a tender which the applicant lost) to calculate a deductive export price for the components of steel pallet racking, being beams, uprights and braces.

Table 7 – Applicant’s approach to export price

3.3.3 The Commission's assessment

Dematic claims that the Australian Bureau of Statistics (ABS) import data does not differentiate between steel pallet racking components of beam, uprights and braces and so cannot be used to provide an accurate export price.

For Chinese export prices, Dematic calculated export price for each component of steel pallet racking (namely beams, uprights and braces), based on known competitor offers (Ex works price offers) for the third quarter of 2016. Dematic adjusted the export price by reference to movements in HRC pricing to calculate export prices for the three other quarters. Dematic provided evidence of price offers of the quotes.

In the absence of any information to determine Malaysian export prices, Dematic calculated deductive export prices using information obtained from a recent tender that Dematic lost to a Malaysian exporter. From the estimated free-into-store (FIS) price (excluding installation costs) of the goods, Dematic deducted estimated delivery costs, profit margin and applied a factor to account for the known price differential between Dematic and its competitor and multiplied it by Dematic’s standard extended costs for each component of the steel pallet racking system (beam, uprights and braces) to estimate the FOB export price (AUD/kg).

The Commission considers that the export prices submitted by Dematic are reliable and relevant for the purposes of the application. The Australian industry calculation of export price forms **Confidential Attachment 3**.

3.4 Normal value

3.4.1 Legislative framework

Normal value is determined by applying the requirements of section 269TAC, namely whether:

- the purchase or sale of the goods was an arms length transaction under section 269TAA;
- the goods were sold in the ordinary course of trade under section 269TAAD;
- there has been an absence or low volume of sales of like goods in the country of export; and
- whether the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value under subsection 269TAC(1).

3.4.2 The Applicant's estimate

The table below summarises the approach taken by the applicant to estimate normal values and the evidence relied upon.

Country	Basis of estimate	Further details
China	Constructed normal value using Dematic's production costs, a steel benchmark from an independent recognised international supplier of trade statistics, and labour data from the World Bank, as per subsection 269TAC(2)(c).	Having alleged a particular market situation in the steel pallet racking market in China, the applicant constructed normal value. The applicant has used its own 2016 production costs, selling, general and administrative (SG&A) expenses and profit, along with a benchmark HRC price to construct a cost to make and sell. The SG&A cost has been adjusted for China using World Bank data.
Malaysia	Constructed normal value using Dematic's production costs, a steel benchmark from an independent recognised international supplier of trade statistics, and labour data from the World Bank, as per subsection 269TAC(2)(c).	The applicant claims that domestic selling prices for steel pallet racking are not published in industry publications within Malaysia. Therefore, Dematic was not able to obtain domestic selling prices of the goods in Malaysia. The applicant also claims that the major raw input material (HRC) for steel pallet racking is no longer produced in Malaysia. Therefore Dematic has used its own 2016 production costs, SG&A and profit, along with a benchmark HRC price to construct a cost to make and sell. The SG&A cost has been adjusted for labour costs for Malaysia using World Bank data.

Table 8 – Applicant's approach to normal value

3.4.3 Claims of market situation in China

Dematic's market situation claims

Dematic claims that there is a market situation in the Chinese domestic market for steel pallet racking that renders sales in that market unsuitable for determining normal values under subsection 269TAC(1) due to the influence of the Government of China (GOC) in the Chinese iron and steel industry.

Dematic calls in support of its claims findings concerning GOC interventions in the Chinese iron and steel industry set out in *Trade Measures Report No. 177* and more recently in *Anti-Dumping Commission Report No. 379 (REP 379)*. Those findings (and findings in other reports by the Commission) identify significant GOC involvement in the Chinese market for steel products, including HRC and hollow structural sections (HSS) (which is made from HRC). HRC is the major raw material input to the production of steel pallet racking, and therefore Dematic claims that normal values for steel pallet racking in China are also distorted by GOC's influence in the steel market.

Framework for assessing market situation claims

Subsection 269TAC(2)(a)(ii) provides for circumstances where the normal value of goods cannot be ascertained under subsection 269TAC(1) “because the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price”.⁵ If there is a market situation, normal value may instead be constructed in accordance with subsection 269TAC(2)(c) or determined by reference to prices from a third country pursuant to subsection 269TAC(2)(d).

The Act does not prescribe what is required to reach a finding of market situation, however it is clear that a market situation will arise when there is some factor or factors impacting the relevant market in the country of export generally with the effect that sales in that market are not suitable for use in determining normal value.

In considering whether sales are not suitable for use in determining a normal value under subsection 269TAC(1) because of the situation in the market of the country of export, the Commission may have regard to factors such as:

- whether the prices are artificially low; or
- whether there are other conditions in the market that render sales in that market not suitable for use in determining prices under subsection 269TAC(1).

Government influence on prices or input costs could be one cause of artificially low pricing. Such government influence could come from any level of government.

In determining whether a market situation exists due to government influence, the Commission will assess whether government involvement in the domestic market has materially distorted market conditions. If market conditions have been materially distorted then domestic prices may be artificially low or not substantially the same as they would be in a competitive market.

Prices may also be artificially low or lower than they would otherwise be due to government influence on the costs of inputs. The Commission looks at the effect of any such influence on market conditions and the extent to which domestic prices can no longer be said to prevail in a normal competitive market. Government influence on costs that affect domestic prices is more likely to make the associated sales unsuitable inputs for determining a normal value.

The *Dumping and Subsidy Manual* (the Manual) provides further guidance on the circumstances in which the Commission will find that a market situation exists.⁶

The Commission’s assessment of Dematic’s market situation claims

Whilst the Commission acknowledges that previous cases (including REP 379) have concluded that influence in the steel market by the GOC has influenced prices, there is no current evidence before it which indicates that the price of steel pallet racking in China is unreliable.

However, the Commission has previously found that raw material inputs (HRC) have not been competitive market costs (within the meaning of subsection 43(2) of the *Customs (International Obligations) Regulation 2015*) due to GOC influence, and has previously

⁵ Subsection 269TAC(2)(a)(ii) is Australia’s implementation of Article 2.2 of the World Trade Organization *Anti-Dumping Agreement*.

⁶ See, for example, chapter 7. The Manual is available on the Commission [website](#).

replaced those costs in constructing normal values. In the present application, and noting the limited information available to Dematic, the Commission considers that it is reasonable for Dematic to construct a normal value by reference to an appropriate HRC benchmark in lieu of actual price information for the goods.

Based on the preliminary assessment of the information in the application the Commission considers that it is appropriate to assess Dematic's market situation claims during the course of the investigation. During the course of the investigation, the Commission will seek relevant information from Chinese exporters and the GOC in order to independently assess the applicant's market situation claims.

3.4.4 The Commission's assessment of normal value

Dematic constructed normal values for China and Malaysia by constructing normal values for each key component of steel pallet racking. Given the nature of steel pallet racking sales and the limited availability of domestic pricing information for steel pallet racking components, the Commission considers that this is a reasonable approach.⁷

The Commission has considered the requirements of sections 269TAC, 269TAAD and 269TAA, and whether there has been an absence or low volume of sales of like goods in the country of export, and whether the situation in the market of the country of export is such that sales in that country are not suitable for determining normal value. As noted above, the Commission considers that there appear to be reasonable grounds for Dematic's claim that there is a market situation in China for steel pallet racking and consequently that it was reasonable for Dematic to use an external benchmark for raw material (HRC) costs.

The applicant has provided relevant information to provide an appropriate estimate of normal values in both China and Malaysia. The HRC data provided by the applicant comprises selling prices in Japan, Korea and Taiwan, being countries for which relevant data can be obtained via subscription services and in which broadly similar conditions of competition exist; these countries have also been used by the Commission in past cases as an analogue for competitive market costs in China.

From the data provided by the applicant, the Commission noted that Japanese prices of HRC were very similar to the Korean and Taiwanese HRC prices during the period 1 July 2016 to 30 June 2017. Nonetheless, the Commission used Chinese prices as we considered these more appropriate and re-calculated the normal value for China using actual quarterly Chinese prices provided by the applicant.

From recent steel investigations undertaken by the Commission which included Malaysia, the Commission understands that HRC may not have been produced in Malaysia in 2016 and 2017. The Commission considers that China, Taiwan, Korea and Japan are likely to be the major suppliers of HRC to Malaysia. Therefore, the Commission accepts Dematic's approach to estimating normal value using an external benchmark price (i.e. Korea, Taiwan and Japan) for Malaysia.

Based on the information provided in the application and relevant supporting evidence, the Commission's assessment of applicant's normal value estimates are reasonable. The Australian's industry calculation of normal value and the Commission's estimates are contained at **Confidential Attachment 3**.

⁷ Dematic advises that steel pallet racking is typically installed on a project or tender basis, which means that pricing information for individual components of the goods from other countries is not readily available.

3.5 Dumping margins

3.5.1 Legislative framework

Dumping margins are determined in accordance with the requirements of section 269TACB. Dumping margins are expressed as a percentage of the export price.

If dumping margins or dumping volumes are negligible then an investigation must be terminated under the provisions of section 269TDA. If, during consideration of an application, the Commission finds that dumping margins or dumping volumes are negligible then the Commission would not be satisfied that there appear to be reasonable grounds for publishing a dumping duty notice in terms of subsection 269TC(1)(c).

3.5.2 Dematic's calculation of dumping margins

The table below summarises the dumping margins estimated by the applicant.

Dematic has provided dumping margins by quarter, for two Chinese exporters and one Malaysian exporter, broken down by the relevant components of steel pallet racking (beams, uprights and braces). The dumping margins have been summarised in the table which follows, as a range for each country and component.

Country	Beams	Uprights	Brace
China	58.9 to 61.1	24.5 to 26.2%	1.0 to 2.4%
Malaysia	14.9 to 15.3%	2.4 to 3.6%	4.8 to 5.9%

Table 9 – Dematic's range of estimated dumping margins

3.5.3 The Commission's estimate of dumping margins

The Commission noted some errors in the dumping margin calculations provided by the applicant. Furthermore, as discussed above, for:

- China, the Commission used actual Chinese HRC prices to re-calculate quarterly normal value; and
- Malaysia, the Commission accepted the use of benchmark HRC prices.

The Commission therefore re-calculated the product dumping margins for steel pallet racking for the period 1 July 2016 to 30 June 2017 using an average normal value and average export price of beams, uprights and braces. The table below summarises the product dumping margins estimated by the Commission.

Country	Q1	Q2	Q3	Q4
China	12.5%	7.5%	11.7%	3.1%
Malaysia	8.0%	8.0%	7.7%	7.4%

Table10 – the Commission's estimated dumping margins

3.5.4 The Commission's assessment

As noted previously, whilst the Commission has been able to refine the data available by having regard to the goods description against each consignment, the Commission is unable to fully evaluate the volume of the goods exported from China and Malaysia to Australia.

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The Commission notes that the preliminary dumping margins as calculated by the applicant, and those estimated by the Commission using a more conservative approach, are not negligible. The Commission finds that there are reasonable grounds to support the applicant's submission that dumped goods were exported to Australia from China and Malaysia during the period 1 July 2016 to 30 June 2017 and that the dumping margins are not negligible. The Commission's assessment of dumping is contained at **Confidential Attachment 3**.

Volumes

Notwithstanding the difficulties in identifying which consignments are the goods in the ABF import database, the Commission notes that goods exported from China and Malaysia account for the majority (over 80 per cent by volume, with each individual country's exports amounting to greater than 3 per cent of the total volume of imports) of goods falling under the relevant tariff classification.

The Commission considers that the ABF data provides a reasonable basis to conclude that imports of steel pallet racking from China and Malaysia each represent more than 3 per cent of the total import volume of steel pallet racking between the period 1 July 2016 to 30 June 2017. The Commission finds that imports of steel pallet racking from China and Malaysia are not negligible in terms of subsection 269TDA(4).

The Commission notes that Dematic provided an estimate of the value of the export price of goods imported from China and Malaysia for the period January 2015 to June 2017, using ABS data. Dematic's estimate of values is broadly comparable to the value of export prices reflected in the ABF data.

4 REASONABLE GROUNDS – INJURY TO THE AUSTRALIAN INDUSTRY

4.1 Findings

Pursuant to subsection 269TC(1)(c), having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced injury in the form of:

- loss of sales volume
- price suppression
- loss of profits
- reduced profitability
- reduced revenue
- declining asset value
- reduced capital investment
- reduced return on investment
- reduced employment
- reduced capacity utilisation
- reduced cashflow

The Commission's assessment of the economic condition of the Australian steel pallet racking industry is at **Confidential Attachment 4**.

4.2 Legislative framework

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the Australian industry has experienced material injury.

4.3 The Applicant's claims

Dematic considers itself to be the major Australian producer of steel pallet racking. The Commission therefore considers that Dematic's economic performance is a reasonable indicator of the economic condition of the Australian industry as a whole.

Dematic claims that the Australian industry has been injured through:

- loss of sales volume
- reduced market share
- price depression
- loss of profits
- reduced profitability
- reduced revenue
- reduced cash flow
- reduced employment
- increased wages
- reduced capacity and capacity utilisation
- reduced productivity
- reduced return on investment
- reduced capital investment

- reduced asset valuation

Dematic claims that it experienced injury from allegedly dumped imports of the goods from China and Malaysia since July 2014.

4.4 Approach to injury analysis

4.4.1 Legislative framework

The matters that may be considered in determining whether the industry has experienced material injury are set out in section 269TAE.

4.4.2 The Commission's approach

The Commission has had regard to the application and other information provided by Dematic, the ABF import database and other public sources of information available online to assess whether the Australian industry has been injured by allegedly dumped imports. The Commission has also had regard to the *Ministerial Direction on Material Injury 2012*.⁸

Size of the dumping margins

Under subsection 269TAE(1)(aa) the Parliamentary Secretary may have regard to the size of the dumping margins worked out in respect of the goods exported to Australia.

As set out in section 3.5, the dumping margins for the subject countries estimated by the Commission are not negligible.

Volume of dumped goods

The Commission's analysis of the ABF import database (as referred to in section 3.5) shows that the volume of dumped goods from each of the subject countries is greater than 3 per cent of the total Australian import volume, and therefore this is not a negligible volume.⁹

Conclusion

The Commission considers that there are reasonable grounds to conclude that:

- the dumping margin for exporters from the subject countries is not negligible;
- the volume of dumped imports is not negligible; and
- based on the evidence provided in the confidential attachments to the application and the Commission's understanding of the market, the conditions of competition between imported and domestically produced steel pallet racking are similar.

Accordingly, based on the information contained in the application, the Commission considers that there are reasonable grounds to conclude that imports of steel pallet racking at alleged dumped prices from China and Malaysia have caused material injury to the Australian industry producing like goods.

4.5 Volume effects

Dematic claimed a reduction in sales volume and market share over the injury analysis period.

⁸ Available on the Commission [website](#).

⁹ Subsection 269TDA(4) refers.

4.5.1 Sales volume

Dematic provided quarterly Australian market sales data and cost to make and sell (CTMS) data for both export and domestic markets from 1 July 2013 to 30 June 2016.

Figure 2, below, shows the overall declining trend in Dematic's sales of the goods.

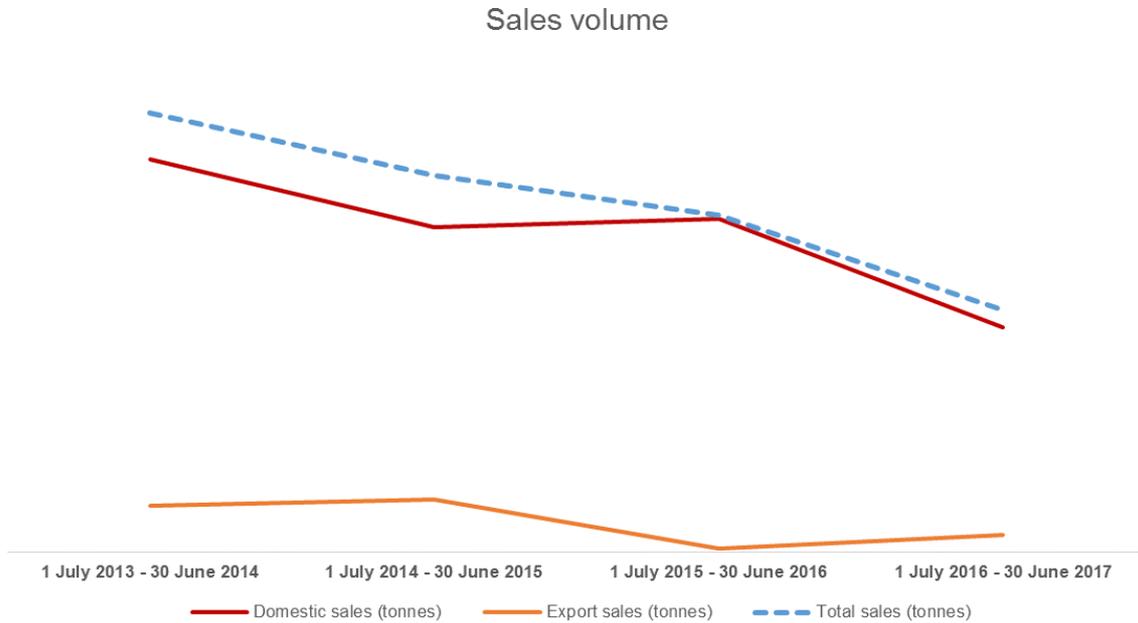


Figure 2: Dematic's domestic, export and total sales

The Commission observes that Dematic also experienced an overall decline in sales over the injury analysis period, but that its domestic sales, which represent the largest proportion of Dematic's total sales, have declined significantly since 2016.

4.5.2 Market share

Using the data and approach outlined in section 2.5.1, the Commission has estimated the respective market shares held by Dematic and the imported goods (by value) from 1 July 2013 to 30 June 2017. Figure 3 demonstrates a declining trend in the share of the Australian market held by Dematic.

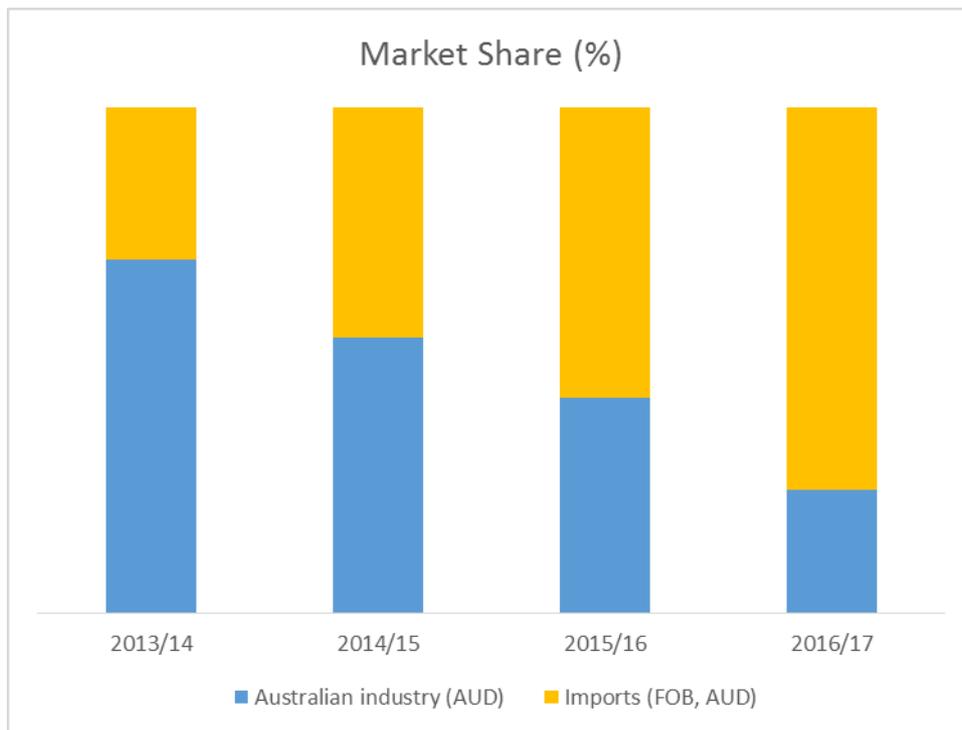


Figure 3: Market shares

4.5.3 Conclusion – volume effects

The Commission concludes that Dematic has experienced a loss of sales and a loss of market share in the Australian steel pallet racking market from July 2013 to June 2017.

4.6 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

Dematic claimed that it experienced price depression since 2013 as it was unable to increase selling prices to recover cost increases. Dematic advised that its CTMS increases were driven by higher HRC prices and also by a reduction in its production volumes.

The Commission examined the applicant's price injury claims by analysing unit CTMS and unit revenue for domestic production and sales over the injury analysis period, noting that domestic production and sales drive Dematic's revenue and production position (as discussed above).

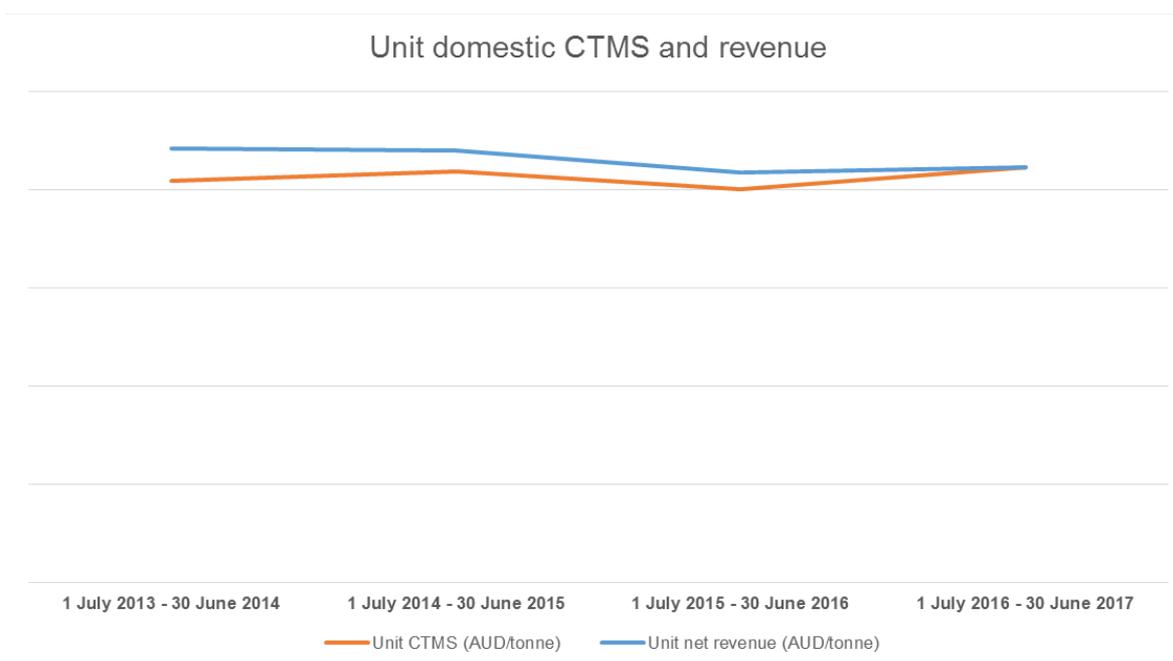


Figure 4: Dematic’s domestic unit CTMS and revenue
(production plotted on a secondary axis)

The Commission considers that Dematic’s prices have generally declined from 1 July 2013 to 30 June 2017, and that prices were constrained despite increases in costs. The Commission notes that declining production volume would also impact on Dematic’s CTMS (such as through a decline in capacity utilisation and manufacturing efficiency).

Figure 4 above supports Dematic’s claim that it has experienced price suppression.

4.6.1 Conclusion – price effects

The Commission concludes that Dematic has experienced price suppression during the injury analysis period.

4.7 Profit and profitability effects

Dematic also claimed it experienced loss of profits and reduced profitability (profit as expressed as a proportion of revenue).

Figure 5, below, shows that Dematic experienced a significant decline in profits and profitability since 1 July 2013 to 30 June 2017.

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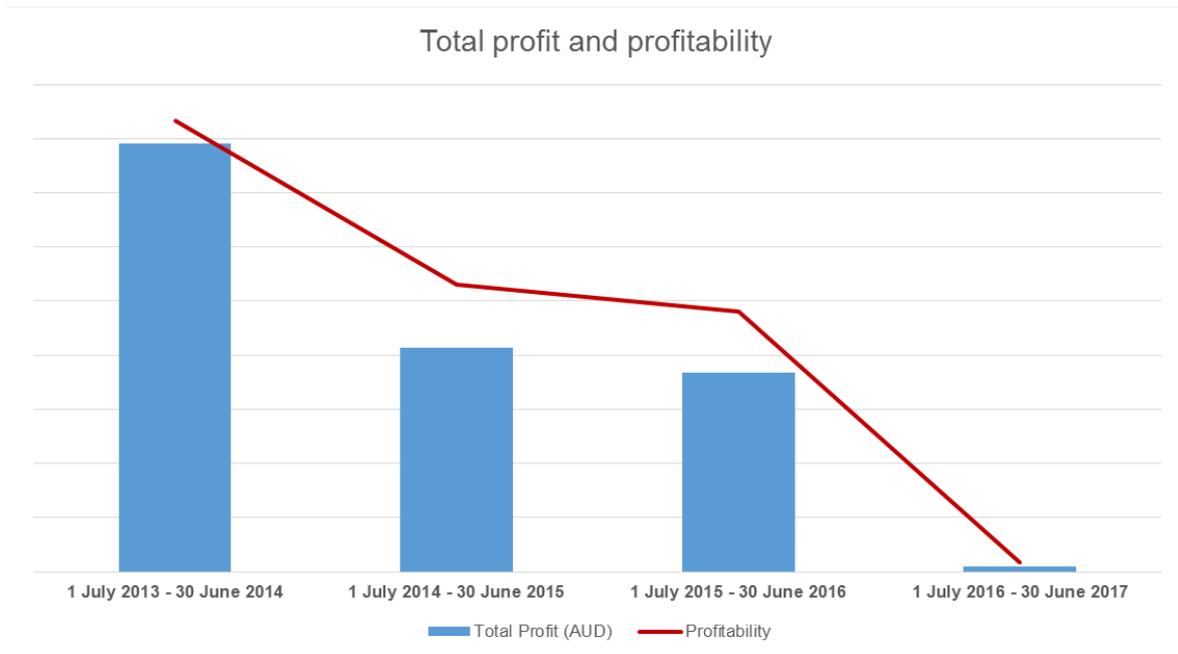


Figure 5: Dematic’s domestic profit and profitability

4.7.1 Conclusion – profit and profitability effects

The Commission considers that there appear to be reasonable ground to support the claim that the Australian industry has suffered injury in the form of lost profit and profitability.

5 REASONABLE GROUNDS – CAUSATION FACTORS

5.1 Findings

Having regard to the matters contained in the application, and to other information considered relevant, the Commission considers that there appear to be reasonable grounds to support the claims that the Australian industry has experienced injury caused by dumping, and that the injury is material.

5.2 Cause of injury to the Australian industry

5.2.1 Legislative framework

Under section 269TG, one of the matters that the Parliamentary Secretary must be satisfied of in order to publish a dumping duty notice is that the material injury experienced by the Australian industry was caused by dumping as discussed below.

Matters that may be considered in determining whether the Australian industry has experienced material injury caused by dumped goods are set out in section 269TAE of the Act.

5.3 The Applicant's claims

The table below summarises the causation claims of the applicant.

Injury caused by dumping
<p>Dematic claims that increased market offers and imports from Malaysian suppliers of steel pallet racking have eroded sales of locally produced goods in 2016-17. Dematic notes that imports from China also increased over 2016-17 but at a slower rate.</p> <p>Dematic has supplied the Commission with a list of lost tenders. Dematic cites price undercutting of up to 30 per cent on goods supplied by its competitors that have been sourced from China and Malaysia as the reason for several lost tenders, and that it has been forced to lower its prices in response.</p> <p>Dematic claims that the decline in sales volume that has been captured by the dumped goods has affected its profit levels and profitability, as unit costs have risen against declining production volumes.</p>
Injury caused by other factors
<p>The applicant noted that the recent closure of Woolworths' Masters stores caused some second-hand racking to be released to the market, potentially lowering demand for new steel pallet racking products. Dematic did not consider the volume of second-hand product to be material.</p> <p>Dematic also claimed that an increase in major raw material input (HRC) prices has caused an increase in its CTMS, which has contributed to the price suppression experienced.</p>

Table 11 – Applicant's claims as to cause of injury

5.3.1 The Commission's assessment

The Commission has examined the evidence presented by Dematic in its application of new warehouse construction at Figure 6, below.

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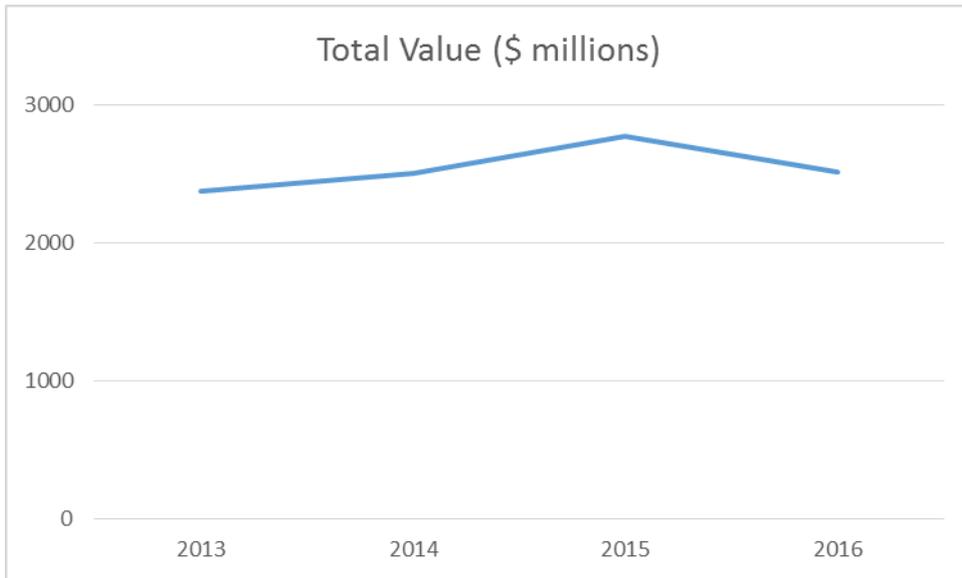


Figure 6: Warehouse construction activity in Australia, 2013-2016¹⁰

The Commission has also examined data from the ABS on the value of approvals for warehouse construction.

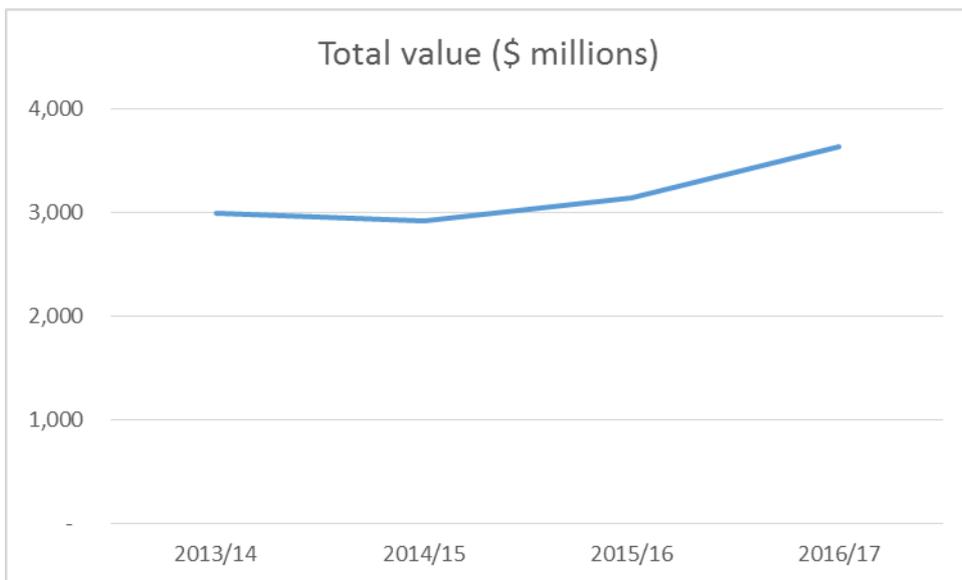


Figure 7 – Total value of warehouse approvals 2013/14 to 2016/17¹¹

The Commission notes that the value of construction projects has generally increased from July 2013 to June 2017.¹² In a growing warehouse construction market (which correlates with the Commission’s analysis of steel pallet racking market size at section 2.5.1), the Commission expects Dematic to be able to capture some of the available

¹⁰ Source: *Dematic application, BIS Shrapnel, Outlook for Non-Residential Building, 2016* (at 2013/14 prices)

¹¹ Source: ABS, 8731.0 Building Approvals, Australia (Table 51)

¹² Although the BIS Shrapnel data in Figure 6 suggests that the market may have been relatively flat in real terms, this appears to be at odds with the data presented in Figure 1 and Figure 7. The Commission considers that the weight of the evidence from the Australian Bureau of Statistics and the ABF indicates a growing market, noting the Commission does not have access to the underlying data relied on by BIS Shrapnel.

opportunities, which may increase its production and sales volumes and improve its revenue and profitability position.

The Commission's understanding of the Australian steel pallet racking market is that there is competition between steel pallet racking suppliers to fit out warehouses, and that the requirements of each warehouse will vary according to the goods that will be stored within it and the operational requirements of individual warehouse. The Commission understands that smaller warehouses tend to be supplied by distributors, whereas larger warehouses seek tenders for the supply of steel pallet racking.

Evidence provided by the applicant shows that it has both won and lost tenders during the period 1 July 2016 to 30 June 2017. Where Dematic's tender has been unsuccessful, its market intelligence shows that price is a significant consideration for the purchaser. Dematic's evidence also shows that in most instances its tenders were beaten by suppliers from China and Malaysia. The Commission has noted that imported steel pallet racking shows an increasing share of market (Figure 3 above refers), and that goods sourced from China and Malaysia accounted for over 90 per cent of all imports throughout the period.

The Commission undertook desktop research of second-hand steel pallet racking available in Australia. The second-hand steel pallet racking which appears to be available for sale appears to be in small volumes, and is unlikely to be used in new, large scale (tender-based) warehouse fitouts.

5.4 Other injury factors

Dematic has claimed that it has experienced a decline in revenue as a result of their declining sales volume, and that overall company revenue has declined as a result of the declining contribution of steel pallet racking sales. Dematic claims that as a result of declines in sales, revenue and profits and profitability, it subsequently experienced a decline in asset valuation, capital investment and return on investment.

Dematic claims that the number of staff employed in the production of steel pallet racking has reduced. The applicant claims that this has resulted in Dematic experiencing reduced capacity and capacity utilisation for the production of steel pallet racking. The applicant also claims that it has experienced a decline in productivity, a reduction in cashflow, resulting from an increase in outstanding accounts receivables, and an increase in the value of inventories maintained, as well as a reduced inventory turnover.

Dematic identified that there is a small second-hand market for steel pallet racking, such as that which became available following the shutdown of the Masters chain of hardware stores, however Dematic submits that this was unlikely to affect its sales.

5.4.1 Conclusion – other injury factors

Having assessed the information provided in the application, the Commission considers that there appear to be reasonable grounds to support the claim that Dematic experienced injury through reduced revenue, declining asset value, reduced capital investment, reduced return on investment, reduced employment, reduced capacity utilisation and reduced cashflow.

5.4.2 Conclusion – material injury caused by dumping

Based on the evidence provided in the application, the Commission concludes that:

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- the Australian industry producing steel pallet racking (represented by Dematic) has experienced injury from 1 July 2016, most notably a loss of sales volume and revenue, reduced prices and a decline in profits and profitability;
- this occurred at the same time as the overall market (illustrated by warehouse construction activity) grew, which indicates that the injury experienced is not simply a result of the normal ebb and flow of business;
- the value and market share of steel pallet racking exported from China and Malaysia increased over the same period;
- price is likely to be the key factor in the purchasing decisions of end users of steel pallet racking; and;
- the goods exported from China and Malaysia have a price advantage on those goods which has made them comparatively more attractive to the market than the goods produced by the applicant.

The Commission therefore considers that there are reasonable grounds to support the applicant's claim that the Australian industry producing like goods has experienced material injury caused by steel pallet racking exported from China and Malaysia at allegedly dumped prices.

6 ATTACHMENTS

Attachment	Title
Non-Confidential Attachment 1	Public notice
Confidential Attachment 2	Commission analysis of market size
Confidential Attachment 3	Dematic's calculation of normal value, export price and dumping margins
Confidential Attachment 4	Commission analysis of economic condition of Australian industry