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18 August 2016

The Director  
Operations 4  
Anti-Dumping Commission  
GPO Box 1632  
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Our ref: RXW  
Matter no:  
Your ref: ADC 355

**By email:** [operations4@adcommission.gov.au](mailto:operations4@adcommission.gov.au)

**Attention Mr Adam Hourigan**

Dear Adam

**Submission by Geelong Holdings Limited in respect of the investigation into steel shelving exported from China**

We act for Geelong Holdings Limited (**Geelong**) and its related parties.

Geelong, through its subsidiaries, is a manufacturer, seller and exporter of products made from steel, including steel shelving. The purpose of this letter is to provide information relevant to the investigation by the Anti-Dumping Commission (**ADC**) in relation to steel shelving units exported to Australia from the People's Republic of China (ADC 355) (**Investigation**).

Geelong wishes to fully cooperate with the Investigation and provide the ADC with the information it needs to make an objective assessment as to the issues raised in the application lodged by Summit Select Pty Ltd (**Summit**).

At the same time as lodging this submission, Geelong has provided the ADC with its exporter questionnaire which clearly shows that Geelong has not sold its products to the Australian market at dumped prices.

**1. Geelong Holdings Limited**

**1.1 Background**

The exporter questionnaire sets out the company structure of Geelong. [REDACTED]

[Description of internal company structure of Geelong]

ZGM is a manufacturer of various steel products under "Geelong" and other brands. The products it manufactures include steel tool chests, tool trolleys and tool boxes, cabinets, ute boxes, ladders, work benches and shelves.

The products are designed by Zhongshan Geelong Manufacturing Co Ltd (ZGM) in consultation with customers and are produced by ZGM in China. [REDACTED]

[REDACTED] [Describes internal company transactions]

Goods are sold on an [REDACTED] [Describes sales transaction] and are shipped in containers direct to customers from Southern China. [REDACTED]

[REDACTED]  
[REDACTED] [Describes internal company transactions]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Describes confidential arrangements for the manufactures of the goods. Enclosed A is a copy of two agreements relating to the manufacture of the goods]

1.3 Treatment of the Geelong Group

[REDACTED]

[Describes internal company transactions and arrangements]

The issue of considering multiple entities as a single entity for the purpose of calculating dumping margins was considered by a World Trade Organization (WTO) panel dealing with the case of Korea – Anti Dumping Duties on Imports of Certain Paper from Indonesia. The WTO panel stated:

*"In our view, in order to properly treat multiple companies as a single exporter or producer in the context of its dumping determinations in an investigation, the investigating authority has to determine that these companies are in a relationship close enough to support that treatment."*

It was stated that entities could be treated as a single entity where:

*"...the structural and commercial relationship between the companies in question is sufficiently close to be considered a single exporter or producer."*

[REDACTED]

[Describes internal company transactions and arrangements]

[REDACTED]

[Describes internal company arrangements]

In this respect, we note that the financial statements for Geelong included with the exporter questionnaire [REDACTED]

[REDACTED] this most appropriately reflects the export price and commercial reality of the transaction. [Describes internal company transactions and arrangements and sales transactions]

## 2. Goods under consideration

### 2.1 Australian industry

Summit has submitted that it is the entire Australian industry. To the extent that this is correct, it is important to appreciate that the Australian industry for steel shelving only consists of steel shelves constructed from galvanised steel (GSS). In this respect the Australian industry has elected to service retailers of steel shelving who only require GSS. This is a retailer who does not wish to develop or obtain a product range of steel shelving from the one supplier that includes both galvanised and powder coated or painted shelving (PCSS).

As the customers of the Australian industry can only consist of those requiring GSS, it is automatic that changes in consumer demand for GSS will result in changes in demand for the products produced by the Australian industry.

While the definition of the goods under consideration include many types of steel shelving, it must be remembered that only imports which impact demand for GSS can impact the Australian industry.

As outline below, retailers have moved away from Summit's galvanised product for reasons that have nothing to do with price. Geelong offer a different, improved more appealing product, offers better customer service and is able to help the client achieve logistic and supply chain efficiencies. As should be evident to the ADC, To the extent that Summit has lost its market share, it is because it failed to evolve its offerings to meet consumer taste, not because of price. The market has simply moved to powder coated products over out dated galvanised products.

### 2.2 Excluded goods

As the applicant, Summit has the choice of how it words the description of the goods under consideration (GUC) and any exclusions to the GUC. It elected a broad definition being essentially "*unassembled steel framed shelving*". This covers the goods produced in Australia by Summit and also goods imported into Australia by Summit or its related parties.

Presumably in an attempt to have dumping duties apply to steel shelving, but not the steel shelving it or its related parties import, Summit has nominated a number of exclusions to the GUC. Relevantly, Summit has sought to exclude shelving described as:

- Slotted angle shelving; and
- Industrial shelving.

It is contended that each of these terms describe the bulk of the goods exported to Australia by Geelong. Specifically, the terms "slotted angle shelving" and "industrial shelving" cover the boltless and nut and bolt steel shelves exported by Geelong.

It of course seems contradictory to draft exclusions to the GUC which in themselves largely defeat the purpose of the application. This is a consequence of:

- Summit seeking to obtain dumping duties over all steel shelving except the shelving it imports; and/or
- poor drafting.

Again, it is Summit's choice as to how it worded the GUC and the exceptions to the GUC. That Summit has done so in a way that means most steel shelving is excluded is not a reason to give the terms "slotted angle shelving" and "industrial shelving" meanings other than their normal meaning.

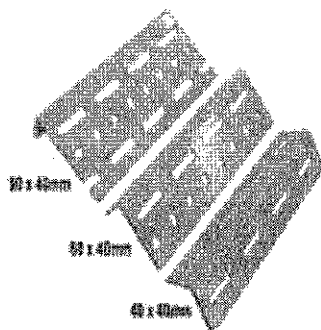
The meaning of each term is set out below.

(a) Slotted angle shelving

In its application Summit describes slotted angle shelving as "*steel strips with holes punched in them with a right angle bend down the middle*".

In its submission dated 22 July 2016 Summit notes that "'Slotted Angle Shelving' refers to shelving units that use slotted angle steel as their structural components (beams and legs) and have shelves positions on the slotted angle steel structure. The shelves themselves may be made of various material including wood, MDF or steel".

It provides the below image of slotted angle steel.



The image should be compared to the steel used for shelving exported by Geelong. In particular, the steel on the bottom right in the above image bears a very similar resemblance to the steel used for boltless shelving. It should also be noted that among the 3 steel examples presented by Summit there is a range of steel shapes and hole shapes. It cannot be said that term slotted angle shelving or slotted angle steel is confined to any particular steel shape or any particular pattern or shape of holes in that steel.

Boltless and nut and bolt shelving is shelving made from steel strips with holes punched in them with a right angle bend down the middle. Such shelving, like the shelving shown above, is designed in this way to allow for flexibility of structure design.

It is contended that "slotted angle shelving" has no generally accepted meaning. Enclosed and marked "B" is a number of web pages where the term "slotted angle shelving" is used to describe shelving similar to that exported by Geelong.

Similarly, enclosed and marked "C" is an image of a website advertising Handy Angle Shelving kits that show the product is interchangeable with the GUC.

While Summit has sought to exclude its own imported steel shelving from the application of dumping duties, the reality is that it has failed to describe its imported product in a way that does not also describe the products imported by Geelong. It has attempted to do so by using the term "slotted angle shelving". However, this is a term with no precise meaning, and to the extent that Summit has sought to give it a meaning (*steel strips with holes punched in them with a right angle bend down the middle*) it has described Geelong's products.

(b) Industrial shelving

It is submitted that the term "industrial shelving" has no accepted meaning and can include any shelving that is capable of being put to an industrial purpose or has an industrial appearance. In fact, we note that on the enclosed brochure (marked "D") Summit's related company describes its "industrial shelving" as "...suitable for commercial, industrial and domestic use...". The brochure also shows images of the "industrial shelving" being used in a home garage.

We note that in the US investigation into boltless shelving it was found that there is not a clear division between low and high capacity boltless shelving (page 1-14). Indeed, in its 22 July 2015 submission Summit merely described industrial shelving as "heavy duty commercial shelving". No particular weight capacity was nominated.

Summit also noted that industrial shelving is commonly purchased for industrial, warehousing and commercial fit-out applications.

By its very nature, most steel shelving is "industrial shelving". This is particularly the case for shelving made from galvanised steel due to its industrial appearance.

Summit claimed in its application that unlike wooden and melamine shelving, steel shelving is not shelving designed for internal domestic use. Rather, it is designed to be used for industrial, warehouse and commercial applications. While steel shelving is often purchased by domestic consumers, it is primarily for use in sheds or garages. A use not dissimilar to commercial storeroom or light industrial use.

We note that Summit puts forward its product "Hammer Lok" as a like good for the GUC, and therefore is presumably, not "industrial shelving". Enclosed and marked "E" is a brochure for Hammer Lok that shows the product being advertised for use in rows in a commercial/industrial setting. It is hard to see how Hammer Lok is not being marketed for a "commercial fit out" application. Further, Summit notes in the application that one Hammer Lok product that is said to be a like good has a shelf weight capacity of 500 KG (HL S412). It is difficult to see the domestic, as opposed to industrial, need for such shelf load capacities.

Summit claims that Geelong's goods are substitutable for Hammer Lok. If this is the case, Geelong's products must also be capable of being put to the same commercial fit out or "industrial" use.

It follows that both Hammer Lok and the alleged substitutable goods would meet the definition of "industrial shelving".

Similarly, Stormor (a related body corporate of Summit) describes its rivet shelving as capable of being "used in a wide range of environments from the office to the factory" (see website image enclosed and marked "F"). It describes the shelf load capacity of the rivet product as being up to 300kg. Stormor's "Warehouse Shelving" brochure also includes rivet shelving (see enclosed

brochure marked "G"). Geelong's products include rivet shelving that has shelves with a capacity of up to 300kg. That Stormor markets its rivet shelving for warehouse use demonstrates that boltless PCSS can be identified as "industrial shelving".

Again, Summit has elected to use a term designed to exclude its own imported shelving which has created an exclusion wide enough to exclude most of the GUC. Any other view would require the words "industrial shelving" to be attributed characteristics and weight specifications which are not commonly accepted or which the natural meaning of the words "industrial shelving" cannot bare,

(c) Application should have been rejected, or once accepted, must fail

The ADC should not have accepted the application as it was drafted in terms that excluded from the GUC the very goods alleged to have caused harm to the Australian industry. Having been accepted, the ADC cannot now change the wording of the GUC and the exceptions. It is submitted that the ADC must interpret the terms "slotted angle shelving" and "industrial shelving" by giving them their ordinary meaning. It cannot provide them with a meaning designed to make the application effective. Additionally, it cannot give the terms a meaning created exclusively by Summit and which others in the industry do not share.

Summit should have described the excluded goods by their technical specifications rather than using broad terms which overlap with the goods for which it seeks the imposition of dumping duties. It is contended that Summit did not do so as it could not so describe the excluded goods without either:

- Excluding goods exported by Geelong and other Chinese manufacturers; or
- Having its imports, or imports of its related bodies corporate, attract dumping duties if the application was successful.

It is contended that the exclusions from the GUC have the effect of excluding most imported steel shelving with the result that there are no imported goods which can be said to have caused damage to the Australian industry (if there is in fact an Australian industry for the GUC).

By accepting the application, the ADC has implicitly accepted that the exclusions to the GUC do not cover steel shelving produced by Summit. Geelong does not agree with this position and request the ADC to review this point as part of the Investigation. Geelong has based its exporter questionnaire, and the balance of this submission, on the disputed premises that the GUC cover the goods described by Summit in section A3 of its application.

## 2.3 Coating

(a) Powder coated steel framed shelves not a like product to GSS

The GUC include steel shelving that is powder coated, coated with paint, made from colour bond steel or made from galvanised steel. As set out above, the Australian industry only manufactures steel shelving made from galvanised steel. It is submitted that GSS has physical and commercial properties that are not shared by steel shelves manufactured from powder coated or painted steel.

The different coatings produce a material difference in appearance. The difference is so significant that it alters the commercial uses of the product. A PCSS can be marketed for household domestic use or commercial use where it will be on display. By contrast, a galvanised steel frame is much more likely to have an industrial use or be used in a domestic garage or shed. Enclosed and marked "H" is a recent [REDACTED] [name of Geelong customer]

catalogue advertising the sale of boltless PCSS in the same section as melamine bookshelves. It is submitted that a GSS would not be so marketed.

The differences in appearances mean that galvanised and non-galvanised shelving do not directly compete in the market place. Powder coated products are seen as a higher quality product than galvanised steel frames and many consumers will be willing to pay more for a powder coated product.

Below is a table comparing two Geelong products, one a galvanised steel nut and bolt assembly shelf with a 50kg weight load per shelf, the other, a PCSS of the same size but with a 60kg per shelf weight load. It can be seen that the powder coated product

[REDACTED] This is a domestic retailer decision and demonstrates the difference in how the two products are viewed by Australian retailers.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[The table and redacted text above the table set out costs, Geelong sale price and retail sale price for two products]

It is contended that the significant increase in the market for steel shelving has resulted from the introduction of PCSS in the retail market. With this product consumers have been offered an attractive shelving option with a variety of potential uses. The lack of a metal appearance and absence of sharp edges transforms a PCSS from a product that could only have an industrial or garage application to a product that can be used in a variety of environments. This has resulted in steel shelving being sold in stores such as [REDACTED] [Name of Geelong customer] which would have rarely stocked a GSS.

That galvanised steel shelving does not share a commercial likeness with PCSS can be seen by the way steel shelving product ranges are developed by retailers. If a galvanised steel shelf is included in that range, it will be a low grade product designed with lower quality specification. It is designed for the customer that does not wish seek the aesthetic benefits of a powder coated product and prefers a lightweight shelf with a metallic appearance.

Summit do not produce in Australia a good that is a like good to PCSS. The application should not have been accepted for this reason.



In considering the application, it is submitted that the ADC should carefully consider the extent to which any importations of PCSS can have any impact on the Australian industry producing GSS. It is crucial that the ADC appreciate that there is not an Australian industry producing goods that are substitutable for the vast majority of imported steel shelving.

(b) Exemption

While it is not expected that there will be any finding of Dumping by Geelong, even if there was, it is submitted that PCSS is eligible for exemption from any measures under sections 8(7)(a) and 10(8)(a) of the *Customs Tariff Act (Anti Dumping) Act 1975 (Dumping Act)*. Relevantly, it is contended that the goods produced by Summit are not "like" goods to, or do not directly compete with, PCSS. Each of these submissions is discussed below.

(1) Like goods

We have set out above the reasons why we do not consider that shelving made from powder coated steel frames is a like good for shelving made from galvanised steel frames. By reference to the factors usually considered by the ADC when assessing like goods we note the following:

**Physical likeness:** The key physical differences between the PCSS and GSS is the coating of the steel used as the shelf frame. As noted above, powder coated steel has a different appearance to galvanised steel frames. Galvanised steel has a lower quality and more metallic appearance than powder coated steel, which can be any colour. Consistent with its more industrial appearance, galvanised steel frames are generally have sharper edges.

**Commercial difference:** Due to its more aesthetically pleasing appearance, PCSS has broader commercial appeal than GSS. The later looks dated and has sharper edges limiting its appeal to domestic consumers. It is submitted that in no circumstances will a retailer switch from a galvanised steel product to a powder coated product, or vice versa. Rather, it will stock a range that is either exclusively powder coated or includes a galvanised steel model for the segment of the market to whom the qualities of galvanised steel appeal. Often it is the case that there is a powder coated steel frame and a galvanised steel frame with similar specification in the same product range as the two products are not substitutable. Rather, both will be offered to cater for consumer tastes.

**Functional likeness:** Both products have the end use of being industrial, domestic or commercial shelving. However, it is contended that the uses of GSS are likely to be more limited than PCSS. GSS is unlikely to be used for internal office use or domestic use inside a home. PCSS is sold for this use in places such as [REDACTED] [name of Geelong customer]

**Production likeness:** The production of both goods is similar.

While there is similarity in the way the goods are produced, it is submitted that there are significant differences in the physical properties of the goods and that these physical differences lead to differences in the commercial and functional likeness of the goods. The result is that GSS and PCSS are not like goods.

(2) Directly competitive

It is submitted that GSS and PCSS do not directly compete. Most retailers of PCSS will either sell no, or a very limited range of GSS. Where offered, GSS is stocked for those customers that desire shelving with a qualities of galvanised steel. It is not seen as a substitute for PCSS. Relevantly, Geelong has no customers that request a GSS range that replicates their PCSS range. For most PCSS models, there is simply no demand for a GSS equivalent.

For the above reasons, it is submitted that PCSS does not directly compete with GSS.

#### 2.4 Load weights

In addition to appearance, load weights are important factors considered by purchasers of steel shelving. The load weight will be determined by the strength of the shelving, which is impacted by thickness of components, whether the components are folded and the type of locking system (with nut and bolt having the least strength).

A nut and bolt steel shelf may only have a load weight of 50 - 60 KG per shelf. It is extremely unlikely that this product is practically or commercially substitutable for a steel shelf with load weight capacity of much greater amounts (say 100 KG and above). Due to the different shelving specifications required to achieve higher weight loads there will be an increase in costs and the products will be marketed at different consumers.

#### 2.5 Locking system

Similar to load weight and appearance, the locking system has an impact on functionality and consumer decisions regarding steel shelving. Boltless systems have both a strength and ease of assembly benefit over nut and bolt shelving. The differences affect the physical properties of the shelf, its uses (due to weight capacities) and how it is used (due to differences in assembly). It also affects how the product will be marketed. Nut and bolt shelving will be marketed as the cheapest shelving and is rarely marketed as an alternative to boltless shelving.

#### 2.6 Impact of GUCs being drafted so widely

Without taking into account the points made in section 2.2 regarding the exclusions to the GUC, the GUC encompass a variety of goods, some of which have no potential to be substitutable or compete. As such, the importation of one type of shelving that fits within the description of the GUC will not impact on the market for another type of shelving that also fits within the GUC.

In considering the impact of imported goods on the Australian industry, it is submitted that the ADC must separate the GUC into particular categories. For instance, importations of powder coated rivet shelving with a load weight capacity of 300 KG will have no impact of the Australian industry for nut and bolt galvanized steel shelves with a load weight capacity of 50 kg per shelf.

We suggest the following categories:

Coating	Assembly	Shelve load weight		
		50 – 99KG	100 – 300KG	Over 300 KG
Galvanised steel	nut and bolt	50 – 99KG	100 – 300KG	Over 300 KG
	Boltless	50 – 99KG	100 – 300KG	Over 300 KG
Powder coated / painted / colour bond	nut and bolt	50 – 99KG	100 – 300KG	Over 300 KG
	boltless	50 – 99KG	100 – 300KG	Over 300 KG

### 3. Australian market

The identification of the market for steel shelving is very important in respect of the assessment of whether the Australian industry has suffered loss and what has been the cause of that loss.

As set out in section 2.2 above, the breadth of the exclusions to the GUC mean that there is almost no Australian market for like goods. The below is submitted as an alternative to the points made in section 2.2 and on the assumption (which is denied) that PCSS and GSS are not excluded from the GUC.

Summit has claimed that its market share has changed from approximately 95% in 2005/06 with the ADC estimating that its market share was approximately 40% in 2011/12. The 2005/06 figure if accurate, reflects that the only steel shelving supplied to the market in 2005/06 was made from galvanised steel. This is a reflection of an immature market and Summit could only maintain this market share if the composition of the market did not change, or alternatively, Summit's product range evolved with the market. Neither of these occurred.

Summit's market share since 2005/06 has changed due to changes in consumer demand for GSS. While it is possible that the level of the GSS market remained constant (this is not asserted or denied), the growth in the steel shelving market has come from sales of PCSS. Over the past 5 years, sales of PCSS have comprised between [REDACTED] **[Sets out confidential sales information relation of Geelong's % of PCSS sales]** This is a portion of the market in which Summit simply does not participate.

[REDACTED] **[Sets out confidential sales information and information regarding Geelong product mix]** Again, it is contended that while the market for steel shelving is growing, most of that growth is in the market of PCSS.

It is submitted that the market share figures produced by the ADC are very unlikely to be accurate. As Summit noted in its application, the tariff classification into which steel shelving falls is so broad as to be an unreliable measure of the market.

Assuming that Summit supplied every GSS in Australia, it could only have achieved a market share of 40% in 2011/12 if GSS comprised 40% of the market. It is submitted that by 2011/12 GSS were much less than 40% of the steel shelving market and this market was not owned exclusively by Summit.<sup>2</sup> If nothing else, Summit was not the supplier to Bunnings, the largest retailer of steel shelves.

Contrary to the claims made by Summit, it is submitted that the Australian market has not remained steady over the past 10 years. Rather, there has been significant growth in the market as retailers have developed a market for PCSS. This is consistent with the ADC's findings as to the increase in market size.

Given the significant difference between Summit's perception of the market and the findings by the ADC, it is recommended that the ADC clarify with Summit whether its claims regarding the market are limited to the Australian market for GSS or extends to all goods falling within the GUC.

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<sup>2</sup> By sales value, it is Geelong's estimate that Galvanise steel shelves comprised approximately [REDACTED] of the market. **[Sets out confidential sales information]**

It is submitted that Summit has either grossly misjudged the Australian market for steel shelving or limited its analysis to the market for GSS. Either cause of the significant disparity between Summit's claims as to market and the findings by the ADC demonstrate that claims by Summit regarding the market (and its share of it) are not reliable.

As a result of having access to exporter and importer questionnaires, the ADC will be in a position to accurately determine the size of the Australian market and the extent to which the GSS share of that market has decreased over time. We strongly urge the ADC to base its assessment on this more reliable information than claims by Summit or attempts to use imprecise customs data.

#### **4. Evidence of loss provided by Summit**

Below we comment on certain information provided by Summit in the Application.

##### **4.1 Claimed level of dumped imports**

We note that in the tables on page 23 of the Application, Summit has claimed its level of sales of like goods has decreased from an indexed amount of 100 to 22 from 2009/10 to 2014/15, while the level of dumped imports has only increased from an indexed amount of 100 to 110 over the same period. While the columns in the table have been incorrectly completed, it appears that the claim by Summit is that a 10 point increase in dumped imports has caused a 78 point reduction in its sales.

Similarly, in respect of Nut and Bolt units it reports an 11 index point increase in dumped imports over 6 years and a corresponding 94 point reduction in its sales.

Either its claims are correct and demonstrate no close correlation between the level of imports and the level of Summit's sales, or the information is clearly inaccurate and unreliable.

##### **4.2 Claimed level of sales**

The information provided on page 24 of the Application contains clear errors. In both tables on that page the level of total sales of "all products" is less than the combination of sales to the Australian market and exports sales. The errors are simple and demonstrate a lack of understanding by Summit of the information requested by the ADC.

It is submitted that the information provided by Summit contains such clear errors that the ADC should not rely on any financial claims by Summit. All claims by Summit must be closely audited as there has been demonstrated a continued pattern of making simple errors.

##### **4.3 Evidence of injury**

The data provided as to the claimed level of injury in section A8 of the Application contains irreconcilable inconsistencies. Examples include:

- a. The costs per unit of like goods increased by 20 index points in 2014/15. However, the cost variations of Hammer Lok and Nut and Bolt (presumably comprising the like goods) varied by +7 index points and -3 index points respectively;
- b. The price of like goods dropped 30 index points in 2011/12. However, the price variation of Hammer Lok increased by 12 index points and Nut and Bolt decreased by 18 index points;
- c. The index of profit variations for Hammer Lok suggests that the level of loss made in 2014/15 is 38 times the profit achieved in 2010/11;

- d. It is stated that production of like goods has decreased by 54% in the 5 years between 2010/11 and 2014/15 while capacity utilisation has decreased by 78% (did Summit make the decision to increase capacity during a period of decreasing sales and profits?);
- e. Summit states that attachment 9-2-1 clearly shows that its costs have increased from 2011 to 2015 while the tables on page 35 for Hammer Lok and Nut and Bolt show a decrease in the cost of production over the same period.

The figures are simply so inconsistent as to be completely unreliable.

## 5. Summit estimated normal value

The Application in section B-4 sets out an estimated normal value. Being only an estimate and being made without reference to any actual costs of Geelong or any other Chinese manufacturer, this estimate should have no relevance beyond the acceptance of the Application.

In particular, it lacks the level of certainty required to justify the making of a preliminary affirmative determination.

[REDACTED]

[REDACTED]

[Sets out the material used by Geelong to make shelving and contrasts that to costing assumptions made by Summit]

We also note that the "About Us" website page located at [http://summit.com.au/about\\_us](http://summit.com.au/about_us) refers to certain Summit products being manufactured in China. Given this, Summit would have had access to actual Chinese manufacturing costs for like goods and did not need to rely on vague estimates.

## 6. Impact of Summit information being unreliable

The clear accounting and financial errors in the Application displayed deficiencies sufficient to cast doubt on the reasonableness of the claims made by Summit. The Application should not have been accepted for this reason alone.

While the Application has been accepted, the information does not possess a level of reliability to justify the ADC making a preliminary affirmative determination.

On receipt of Geelong's exporter questionnaire, the ADC will have access to all of Geelong's actual costs and should disregard Summit's constructed value.

## 7. Cause of any loss suffered by Summit

### 7.1 Demand for galvanised steel shelving

To the extent that Summit has experienced loss, it is submitted that the primary cause of this is the decrease in demand (as a percentage of market share) for GSS and the increase in demand for PCSS.

Geelong sells to a variety of Australian retailers of steel shelves. It offers both GSS and PCSS. The vast majority [redacted] [Sets out information regarding Geelong's sales] of orders are for PCSS.

[redacted]  
[Sets out information regarding Geelong's sales of shelving]

The result of the shift in consumer preference is that PCSS now dominates the steel shelving market. These products are most often more expensive than GSS. The popularity of powder coated products reflects that consumers are not solely driven by price and will prefer to purchase the more expensive powder coated product over a galvanised product.

Similarly, demand for nut and bolt shelving has also fallen significantly as the popularity of boltless shelving has increased. To the extent that Summit relies on sales of nut and bolt shelving its loss is caused by an inability to diversify its product range.

[redacted]

[Attachment prepared by a former representative of a client of Geelong setting out views of the Australian steel shelving market]

Geelong has reviewed its own records and identified that it has [redacted] [Sets out details of Geelong's sales] Since this time, the consumer demand has been so strong for PCSS that, with the exception of one model, its customers have not requested the supply of galvanised steel shelving. That one model is a nut and bolt model with a maximum weight load of 50KG per shelf. It is not comparable to boltless PCSS with shelf weight loads from 100KG and above.

## 7.2 Inefficient distribution network

It is submitted that Summit's distribution method puts it at a competitive disadvantage and increases the cost for its customer when purchasing its products. [redacted]

[redacted]

This method enables efficient stock management and reduces storage and transportation costs.

[redacted]

[redacted]

[Describes Geelong's terms of sale and method of delivery]

## 7.3 Product variety

[redacted]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Discusses commercial strategies associated with a complete product range which advantage Geelong]

(b) Delivery of products

[REDACTED]

[REDACTED]

[Sets out Geelong's approach to achieving logistics efficiency for its clients]

This regularity and efficiency of delivery results in better servicing of Geelong's customers.

(c) Developing commercial relationships

[REDACTED]

[REDACTED]

[Redacted]  
[Discusses Geelong strategy regarding commercial relationships]

[Redacted]  
[Sets out the strategy of Geelong regarding a particular Australian customer]

A relationship and reputation developed over a variety of products has meant that Geelong does not compete purely on price.

#### 7.4 Attempts to win work

[Redacted]  
[Describes discussions between Geelong and its customers and knowledge of other participants in the market]

We request that during the investigation the ADC speak to relevant product managers at the major Australian retailers to confirm that Summit has actually attempted to win orders for the supply of Australian made steel shelving (not imported PCSS).

It is contended that a significant cause of Summit's alleged loss has resulted from Summit not actively seeking to win orders for GSS with national retail stores.

We note in the Application Summit has stated that it has made attempts to win orders and provided evidence to the ADC. We request that the ADC closely review whether the offer was to supply GSS, "industrial shelving" or imported PCSS.

#### 7.5 China FTA

On 20 December 2015, the China Australia Free Trade Agreement (**China FTA**) commenced. Under the terms of the China FTA customs duty payable on steel furniture of Chinese origin decreased from 5% to zero.

[Redacted]  
[Details of Geelong's terms of sale]

This cost reduction is only available to imported goods. To the extent that the cost of imports causes reduces sales of Australian made products (which is denied), the introduction of the China FTA will have caused loss to the Australian industry.



## 7.6 Summit's own imports

Summit (or its related entities) advertises a variety of powder coated products on its website and uses wording that suggests that these products are made in China. The ADC is encouraged to determine the extent to which Summit's customers are electing to purchase the imported Summit product over Australian made GSS.

In particular, we note that the following products are offered by Stormor and not claimed to be made in Australia:

- Stormor rivet shelving;
- Stormor long span shelving;
- Zinc plated cool room shelving;
- Industrial shelving;
- Z beam garage shelving<sup>3</sup>
- Z beam office shelving<sup>4</sup>

Enclosed and marked "J" are copied of Stormor web pages for Z beam products.

## 7.7 Impact of goods excluded from the GUC

As previously noted, the GUC exclude goods described as "industrial shelving" and shelving units with wire shelves. Given that each of these products may be made from galvanised steel or otherwise have a very metallic appearance, it is submitted that they are likely to have an impact on the market for GSS.

In particular we note the following:

- As previously stated, Summit's related company Stormor markets a product described as "industrial shelving" that is described as having industrial, commercial and domestic uses. Enclosure marked "D" is a brochure for Stormor that displays its "industrial shelving" being used in home garages. It is contended that to the extent that there is a market for GSS, it is likely to be favoured by consumers seeking an industrial appearance. The ADC is requested to investigate the extent to which Stormor's market share has increased to the detriment of Summit's products.
- Shelving units with wire shelf can be put to similar uses to Summit's nut and bolt shelving. Both products are low cost light weight capacity shelving that is marketed primarily for domestic use. The ADC is requested to investigate the extent to which wire shelving sold in stores such as Bunnings, Kmart and Big W has impacted on the sales of Summit's nut and bolt product.

## 7.8 Is price the most important factor

Geelong does not accept that the price of Chinese produced steel shelving is the reason that Summit has suffered its alleged loss. Most significantly, it is submitted that a decision to purchase a GSS over a PCSS is not based on price. Rather, it is based on consumer demand for a particular finish.

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<sup>3</sup> This product is described as a boltless powder coated shelf

<sup>4</sup> This product is described as a boltless powder coated shelf

We note the following other factors in respect of price:

- a) Figure 10 in the Consideration Report demonstrates that the price of imports from countries other than China was significantly lower than both the Australian and Chinese prices in each of 2011/12, 2012/13 and 2013/14. However, the market share of such imports in 2011/12, 2012/13 and 2013/14 (as set out in figure 3 in the Consideration Report) was no more than 25%. Factors other than price must have been causing customers to purchase the more expensive Australian and Chinese products between 2011 – 2014.
- b) Figure 11 in the Consideration Report indicates an inconsistent relationship between price and volume. The unit price of the Chinese product is said to have decreased by a very similar amount each year. However, the volume of Chinese imports does not increase steadily. Rather, there is one year of slow growth, 2 years of strong growth and in the final year, rapid decline (all while prices are decreasing). Similarly, figure 10 of the Consideration Report shows decreases in the price of Australian units in 2013/14 and 2015/16. However, figure 11 of the Consideration Report does not show a corresponding increase in sales.

It is submitted that the following factors play a significant role in retailer/consumer purchasing decisions:

[REDACTED]

k) [REDACTED]

**[Describes factors other than price which are important to Geelong's customers]**

It is too simplistic to treat the product as a commodity and ignore the various non-price factors that impact purchaser decision.

## **8. Particular market situation**

Geelong rejects that there is evidence of a particular market situation in China that impacts on its activities. As set out in the exporter questionnaire, the Government of China (GOC) has no control over its decision making or impact on its business (other than the need to comply with standard Government regulatory requirements).

[REDACTED]

**[Sets out raw material sourcing by Geelong]**

It is also noted that Summit has primarily based its assertions on findings made by the ADC in previous investigations. In this respect we note that:

- a) [REDACTED] [Describes difference in Geelong's circumstances and previous investigations]
- b) The previous investigations did not cover the same period as the current investigation. It is noted that the earliest referred to investigation concerned the period 1 July 2010 to 30 June 2011;
- c) Reference is made to investigation ITR 177 where a finding of a market situation was subject to a contrary finding on application to the Anti-Dumping Review Panel; and
- d) The finding of a particular market situation in ADC 300 is currently subject to review by the Anti-Dumping Review Panel.

It is also submitted that reliance of the US investigation into certain boltless steel shelving is of limited utility due to:

- a) The difference in review periods;
- b) The difference in the products under review;
- c) Geelong was not involved in the investigation (the ADC should query whether other major Chinese exporters to Australia were involved); and
- d) The differences that flow from the US not granting China market status.

Any finding in respect of a particular market situation must be based on positive evidence and not merely repeating findings from previous investigations that relate to difference products and, in part, will be based on Government policies that are no longer in operation.

We would be pleased to meet and discuss the issues raised in this submission and any questions you may have regarding the contents of Geelong's exporter questionnaire.

Yours faithfully  
**Hunt & Hunt**



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