



Australian Government
Anti-Dumping Commission

INVESTIGATION 355

**ALLEGED DUMPING OF STEEL SHELVING KITS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA
AND
ALLEGED SUBSIDISATION OF STEEL SHELVING KITS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA**

VERIFICATION VISIT REPORT - IMPORTER

ZENEXUS

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION

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1 BACKGROUND

On 4 July 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated an investigation into the alleged dumping and subsidisation of steel shelving kits exported to Australia from the People's Republic of China (China). Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report 355.¹

Following initiation of the investigation, the Anti-Dumping Commission (the Commission) wrote to Sales Force National trading As Zenexus Pty Ltd (Zenexus) and other importers of steel shelving kits inviting them to cooperate with the investigation. Zenexus cooperated with the investigation and completed the importer questionnaire and relevant attachments.

¹ File number 7 on the [public record](#).

2 AUSTRALIAN SALES

2.1 Verification of sales to audited financial statements

The verification team verified the completeness and relevance of Zenexus' sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team found one issue with the verification of the sales listing to audited financial statements.

2.1.1 Exception 1

The verification team identified and amended the sales listing to omit transactions that were unrelated to the Australian market.

2.2 Verification of sales to source documents

The verification team verified the accuracy of Zenexus' sales listing by reconciling it to source documents in accordance with ADN. No 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of the sales listing to source documents.

2.3 Related party customers

The verification team did not find any evidence that Zenexus was related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

Zenexus confirmed that it imported steel shelving components and kits from China during the investigation period. Zenexus no longer import steel shelving in pre-packaged kit form.

Zenexus imports components that make up complete steel shelving bays, which are selected and assembled by consumers following purchase from the retailer. The imported products are not pre-packaged.

3.2 Verification of importation and selling costs

The visit team verified the accuracy of the importation and selling costs by reconciling selected imports to the source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program as **confidential attachment 1**.

The verification team found one minor issue with the verification of importation and selling costs to source documents. While this issue was not material, adjustments to the data provided have been completed to ensure the Commission is basing any assessment on accurate information.

3.2.1 Exception 1

The verification team revised the warehouse and freight allocations with figures from Zenexus' profit and loss report and revised the percentage calculation to ensure the figure represented weighted average selling, general and administration (SG&A) costs. These revisions had a minor impact on the total, warehouse and freight percentage figure.

3.3 Import listing

The verification team compared the detailed import information provided by Zenexus and confirmed the information through reconciliation to their income statements. This allowed the Commission to confirm the completeness of the information provided.

The verification team confirms that Zenexus have provided the Commission with a full list of shelving component imports over the investigation period.

The verification team calculated the weighted average FOB export price by supplier at **Confidential Appendix 2**.

3.4 Forward orders

Zenexus provided a listing of its forward orders. The verification team observed that the trading practices and price information of the forward orders were consistent with past purchasing behaviour. The verification team is satisfied that the forward orders listing is reliable. The list of forward orders is at **Confidential Appendix 3**.

3.5 The importer

The visit team considers Zenexus to be the beneficial owner of the goods at the time of importation and therefore the importer.

3.6 The exporter

Subject to further inquiries, the verification team considers Guangdong Guanyu Metal Products Co., Ltd. (Guanyu Metal) to be the exporter of steel shelving kits² during the investigation period.

3.7 Profitability of imports

The verification team was unable to assess the profitability of Zenexus' imports on an individual shipment basis due to the warehousing of goods.

The verification team noted that over the investigation period Zenexus generated a gross profit which was subsequently eroded due to warehousing, transport, and administration costs. The assessment is at **Confidential Appendix 4**.

3.8 Related party suppliers

The verification team did not find any evidence that Zenexus was related to its supplier of steel shelving kits exported from China during the investigation period.

3.9 Arm's length

In respect of imports of steel shelving kits to Australia by Zenexus during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

Therefore, subject to further inquiries, the verification team is satisfied that import transactions between Zenexus and its suppliers are at arm's length transactions.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

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The verification team are of the opinion that for the goods imported by Zenexus from Guangdong Guanyu Metal Products Co., Ltd (Guanyu Metal).

- shelving has been exported to Australia otherwise than by the importer;
- shelving has been purchased by the importer from the exporters; and
- the purchases of the shelving by the importer were arm's length transactions.

Subject to further inquiries with the exporter, the verification team recommends that the export price for steel shelving kits imported by Zenexus from Guanyu Metal can be established under subsection 269TAB(1)(a) of the *Customs Act 1901*, using the invoiced price, less transport and other costs arising after exportation.

5 GENERAL COMMENTS

The goods and like goods

Zenexus explained that the majority of its business in steel shelving is *Rack It* products. Zenexus considers *Rack It* products to be heavy duty with shelf load weights of 750kg or greater. The company claimed that Summit does not manufacture heavy duty products that are comparable to the physical, commercial and functional characteristics of *Rack It* products. Zenexus claimed that the price points of *Rack It* products are significantly higher than Summit's *Hammer Lok*® products, resulting in little to no price competition. Zenexus added that the *Rack It* products are easier to assemble than *Hammer Lok*® products.

Zenexus claimed that given the differences outlined above between its imported products and Summit's manufactured products, it does not consider Summit to be a competitor. Zenexus advised that it was unaware that Summit continued to manufacture steel shelving until the Anti-Dumping Commissioner initiated this investigation.

Zenexus advised that its current supply arrangements have been successfully won on volume levels rather than price. Zenexus added that many retailers are open to switching sources of supply depending on a supplier's track record, product offering, supply logistics/structure and price.

Zenexus noted that the only imported products within the Australian market (none of which are imported by Zenexus) that could be comparable to Summit's products are 'keylock' shelving which are assembled without bolts, or smaller, nut and bolt kits. Zenexus explained that it assists its customers with accessing direct supply of a 'nut and bolt' product from a factory in China. However, Zenexus is not the importer of this line.

[market information]

Nut'N'Bolt shelving generally includes four or five galvanised shelves and is sold at a relatively low price point. Zenexus considered *Nut'N'Bolt* to be an entry level product with a lower (50kg/shelf) load limit than other products. Zenexus indicated that it does not consider that the purchasers of *Nut'N'Bolt* shelving are impacting on its *Rack It* sales as the consumer needs and value proposition are completely different.

Zenexus stated that it provides the following shelving options:

- MDF manufactured within Australia by [redacted]; [supplier details]
- Powder coated wire shelving (imported); and
- Galvanised wire shelving (imported).

Zenexus indicated that the consumers who are their target market are those looking for multiple bays of storage, and it's their belief that some consumers are buying alternative materials for the shelves including marine ply or hardwood.

Zenexus considered its focus on ease of construction and assembly differentiate it from what the applicant has described as *slotted angle shelving*, which Zenexus stated could be used for a similar purpose at lower load ratings.

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Market trends

Zenexus claimed that the steel shelving market has moved away from galvanised to powder coated shelving due to consumer preferences. Zenexus added that the market has also moved towards larger, heavier duty shelves with higher load bearing capacity. Zenexus estimated that these market trends commenced a decade or more ago.

This movement towards powder coating for kit shelving has led Zenexus to provide a galvanised version of *Rack It* alongside powder-coated goods to fill a gap in the market. Zenexus consider the galvanised product to be the only genuine outdoor product in the market, as it does not utilise MDF shelving that would distort quickly in rain.

Zenexus provided information to support its claim that it undertakes continual product development to suit the changing market. The information highlights Zenexus's move towards larger and heavier duty powder coated steel shelving.

Zenexus claimed that Summit has not appeared to have developed its products to suit the changing market and, as such, Summit continues to sell galvanised shelves with lower shelf load weights. Zenexus claimed that the market and consumers consider these products to be lower quality and antiquated. Zenexus advised that it imports a small volume of galvanised shelving components that is largely limited to outdoor use for the reasons outlined above.

Zenexus claimed that even if dumping duties are applied to steel shelving kits, these would not help Summit due to the small and declining consumer preference for galvanised shelving in comparison to powder coated shelving which Summit does not manufacture.

Zenexus stated that Bunnings is very service orientated, and Zenexus [REDACTED] representatives to service the national network of Bunnings stores. [REDACTED]

[REDACTED] [details regarding commercial service arrangements]

Zenexus considered that *Rack It* style products represent [REDACTED] of the market with the remainder being kit based shelving. [proportion of market] Zenexus suggested that there is a range of other injury factors which the Commissioner should consider, including:

- Powder coating and design preferences;
- The quality of finish;
- The size and range of shelving offered;
- The weight capacity of the shelving; and
- The ability to match shelving together to build complete storage solutions.

To meet these requirements, Zenexus has introduced drawers, cabinets, pegboards and hooks to their shelving range to offer a complete storage solution. Zenexus stated that Summit has not evolved its range to meet market requirements, and considered that even

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a 20 per cent increase in price may not change preferences due to trends, quality, and adaptability of product.

6 ATTACHMENTS

Confidential Appendix 1	Into-store costs
Confidential Appendix 2	Export price
Confidential Appendix 3	Forward orders
Confidential Appendix 4	Profitability of sales
Confidential Attachment 1	Verification Work Plan