



Australian Government
Anti-Dumping Commission

INVESTIGATION 355

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

VERIFICATION VISIT REPORT - IMPORTER

ROMAK

**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**

October 2016

PUBLIC RECORD

CONTENTS

CONTENTS	2
1 BACKGROUND	3
2 AUSTRALIAN SALES	4
2.1 VERIFICATION OF SALES TO AUDITED FINANCIAL STATEMENTS	4
2.2 VERIFICATION OF SALES TO SOURCE DOCUMENTS	4
2.3 RELATED PARTY CUSTOMERS.....	4
3 IMPORTS	5
3.1 THE GOODS	5
3.2 VERIFICATION OF IMPORTATION AND SELLING COSTS	5
3.3 IMPORT LISTING.....	5
3.4 FORWARD ORDERS	6
3.5 THE IMPORTER	6
3.6 THE EXPORTER	6
3.7 PROFITABILITY OF IMPORTS	6
3.8 RELATED PARTY SUPPLIERS	6
3.9 ARM’S LENGTH.....	6
4 RECOMMENDATIONS	8
5 GENERAL COMMENTS	9
5.1 THE GOODS AND LIKE GOODS	9
5.2 MARKET TRENDS	9
5.3 OTHER FACTORS OF INJURY.....	10
5.4 COUNTERVAILING	11
6 ATTACHMENTS	12

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 units 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, Romak Hardware Distributors (Australia) Pty Ltd (Romak) contacted the Anti-Dumping Commission (the Commission) to participate in the investigation as an importer of steel shelving units. Romak cooperated with the investigation and completed the importer questionnaire and relevant attachments. It also invited the Commission to attend its premises on 22 July 2016 for a preliminary meeting to discuss the investigative process generally.² Further, on 26 August 2016, Romak provided a submission to the Commission which detailed its view that the investigation should be terminated (Submission).³

Since that date there have been two subsequent verification meetings conducted by the Commission at Romak's premises, one on 9 September 2016, the other on 20 September 2016. This report provides an account of those two meetings and the conclusions reached by the Commission's verification team after their completion.

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

² File number 10 on the [public record](#).

³ File number 31 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 Romak's sales listing by reconciling it to audited financial statements in accordance with ADN 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 which is discussed in section 2.1.1 below.

2.1.1 Exception 1

The verification team identified two relevant product codes that appeared on invoice documentation but that were not present in the original sales listing. Romak provided a revised sales listing to the Commission to include these products codes and the verification team is now satisfied that this aspect of the sales listing is reasonably complete and accurate.

2.2 Verification of sales to source documents

The verification team verified the accuracy of Romak's sales listing by reconciling it to source documents in accordance with ADN 2016/30.

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

The verification team found no 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 Romak was related to any of its customers during the investigation period.

3 IMPORTS

3.1 The goods

Romak confirmed that it imports steel shelving from China during the investigation period. These products are in the form of pre-packaged kit shelving units.

Romak only sells 'keyhole slot' shelving kits, which are boltless shelving kits whereby horizontal beams have rivets that are aligned in keyhole-shaped slots that are punched into legs made of angle section steel.

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 calculated the weighted average importation costs at **Confidential Appendix 1**.

While verification of completeness and relevance was not undertaken between the import listing provided by Romak and its vendor ledger entries, the verification team is satisfied that Romak maintains a rolling balance with its supplier that reflects the amount payable by Romak for its imports of steel shelving. The verification team has not identified any evidence to suggest that purchases by Romak from the supplier were not arm's length transactions.

The verification team found one issue with the verification of importation and selling costs to source documents which is discussed in section 3.2.1 below.

3.2.1 Exception 1

The verification team identified a cost that was included in the cost to import data, but that was irrelevant to the shipping terms and not paid by Romak. Romak provided revised cost to import data to the Commission that omitted this cost and the verification team is now satisfied that the importation and selling costs are reasonably complete and accurate.

3.3 Import listing

Romak provided the verification team with a detailed import listing. With reference to Romak's verified sales information, the verification team is satisfied that the import listing is reasonably complete and accurate.

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

3.4 Forward orders

Romak 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 Romak 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 Eastern Field Promotion Ltd to be the exporter of steel shelving units⁴.

3.7 Profitability of imports

The verification team calculated profitability for the 12 selected shipments and determined that Romak achieved a range of profit outcomes in relation to these shipments. Romak explained to the verification team the commercial reasons for the unprofitable shipments. Based on the calculations undertaken by the verification team, and explanations provided by Romak, the verification team is satisfied that the steel shelving account within Romak's profit and loss report was profitable over the investigation period. The assessment is at **Confidential Appendix 4**.

3.8 Related party suppliers

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

3.9 Arm's length

In respect of imports of steel shelving units to Australia by Romak 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

⁴ 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.

PUBLIC RECORD

- 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.

While the verification team found that Romak achieved a range of profit outcomes in relation to the 12 selected shipments, the verification team is satisfied that Romak's steel shelving business was profitable over the investigation period. The verification team also found no evidence to suggest that the import transactions between Romak and its supplier were not arm's length.

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

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4 RECOMMENDATIONS

The verification team is of the opinion that for the goods imported by Romak from Eastern Field Promotional Ltd.

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arm's length transactions.

Subject to further inquiries with these exporters, the verification team recommends that the export price for steel shelving units imported by Romak from Eastern Field Promotion Ltd 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.

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5 GENERAL COMMENTS

5.1 The goods and like goods

Romak has already commented on a number of occasions that the goods description is unduly broad and captures an inappropriately wide range of steel shelving units when compared to the steel shelving that Summit actually manufactures. This includes units depicted at pages 11 and 12 of the confidential version of Romak's Submission. Romak does not consider that Summit's submission of 22 July 2016 on the public record clarifies the terms 'industrial' and 'slotted angle' in the goods description so as to resolve any of the uncertainty those terms have caused to interested parties in the investigation.

5.2 Market trends

5.2.1 Changes in end-user needs and preferences

Romak claimed that there has been a significant market shift in terms of product type and market size over the past five to ten years as a result of changes in end-user needs and preferences. Romak claimed that recent market growth has come from newer and larger sizes of shelving units with higher shelf weight bearing capacities, and from more flexible and customisable shelving units as the market has moved towards "total shelving solutions".

Romak also noted that there has also been a significant trend towards powder coated steel shelving units, away from more 'old fashioned' galvanised steel products. To demonstrate this point, Romak explained that a number of galvanised steel products that Romak imported in the past have been discontinued due to their declining demand.

5.2.2 Importance of innovation

Romak stated that it has contributed to market growth over the period by constantly innovating and broadening its product offering in response to ever changing end-user needs and preferences. Romak has undertaken improvement in designs and market development for each of its product lines.

For example, Romak noted that larger sizes and corner units are increasingly desired by consumers, which has led to the development of shelving units which are deeper and wider and have extra shelves. Romak stated that this means that customers now have multiple shelving options across a range of dimensions and tend to make multiple purchases in fitting out a garage or other appropriate spaces.

5.2.3 Supply relationships with key retailers

Romak noted that when considering supply arrangements, retailers consider the ease of assembly, quality, appearance, and value for money together with broader trends in consumer preferences.

Romak considers that its supply contracts with its customer have been longstanding due largely to its ongoing innovation, product development and willingness to collaborate with its customer on sales and developments.

PUBLIC RECORD

Romak outlined that 'winning' a range review with its major customer was not a *set and forget* arrangement, and ongoing management of the relationship after winning the business was required. This included maintaining a high quality of product as brand is very important, ensuring value for money, providing quality service and staff training, merchandising, stock level management including delivery, provision of display units and stock at each of the many warehouses which are serviced on a weekly basis.

Romak stated that the other key issue in maintaining strong relationships with key retailers is maintaining a high level of business service. Romak noted that the service level that Romak is required to provide has led to a significant level of investment in getting the right people to do the job and to maintain retailer relationships. Romak also stated that it proactively searches for ways to improve relationships such as broadening product ranges, investing in new stock lines and conducting research.

Romak also believes that its collaborative efforts to develop a recognisable brand and product can be demonstrated by its major customer which now advertises Romak products on television with specific reference to the Romak brand. This, Romak stated, indicates that the goods are of a superior quality to others on the market and evidences the strength of its relationship with its major customer.

5.2.4 Barriers to entry

In terms of supplying retailers of steel shelving, Romak does not consider there to be a high barrier to entry regarding production and capital equipment. However, Romak commented that there is a high level of employment and resourcing costs related to the services required to maintain strong and effective retailer relationships, including stock level management, branding, and involvement in product display and facing stock. Romak considers that this service requirement creates a barrier to entry that a new supplier would need to demonstrate that it can provide to achieve volume sales.

5.2.4 Competition from Summit

Romak claimed that over the last ten years, Summit may have lost major contracts and sales volume because it was not attuned to the changes in market trends and consumer preferences. Romak claimed that it does not view Summit as a competitor given the significant differences in their respective products. Romak also added that its major customer has never approached it to advise of any review of its supply arrangements as a result of offers made by Summit. Romak notes that major retailers would prefer Australian produced goods if they were competitive and demanded by consumers.

5.3 Other factors of injury

In addition to injury caused by market changes (see above section), Romak stated that lack of economies of scale and macroeconomic factors such as movements in foreign exchange rates and relative labour productivity rates between China and Australia have broadly impacted the Australian manufacturing industry.

Romak commented that in many sectors, Australian manufacturers have needed to move towards boutique and specialised products as a result of these broad macroeconomic trends unrelated to dumping and subsidisation as they are unable to competitively manufacture more commoditised products.

PUBLIC RECORD

Given the lack of competitiveness when manufacturers were not facing these risks prior to the global financial crisis, Romak questioned whether dumping was causing the injury. While Romak recognised that steel prices are important, there are other significant factors including wages, capital investment, and economies of scale that are not present in Australia which may be reflected in Summit's performance. Therefore, Romak does not consider that Summit's injury has been caused by dumping or subsidisation.

5.4 Countervailing

Romak raised an issue regarding countervailing, and indicated that in its view, a bland assertion that a program exists shouldn't be enough on its own to generate measures, and the Commission should continue to rely on verified evidence of the receipt of benefits from these programs by exporters before taking them into account. Romak stated that it should be subject to a separate investigation by the Commission with those exporters.

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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

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