



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 355

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

VISIT REPORT - AUSTRALIAN INDUSTRY

SUMMIT SELECT PTY LTD

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

October 2016

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ABBREVIATIONS

\$	Australian dollars
ABF	Australian Border Force
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
The applicant	Summit Select Pty Ltd
the Commission	Anti-Dumping Commission
the Commissioner	Commissioner of the Anti-Dumping Commission
CTMS	Cost to make & sell
the goods	the goods the subject of the application (also referred to as the goods under consideration)
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	the Assistant Minister for Industry, Innovation and Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science
P&L	Profit and Loss Statement
SEF	Statement of Essential Facts
Summit	Summit Select Pty Ltd (the applicant)
USP	Unsuppressed Selling Price

1 BACKGROUND AND PURPOSE

1.1 Background

On 5 May 2016, Summit Select Pty Ltd (Summit) (the applicant) lodged an application requesting that the then Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science¹ publish a dumping duty notice and a countervailing duty notice in respect of steel shelving units (steel shelving) exported to Australia from the People's Republic of China (China).

The applicant provided further information and data in support of the application on 19 May and 7 June 2016⁵. As a result, the Anti-Dumping Commission (the Commission) restarted the 20 day period for considering the application in accordance with subsection 269TC(2A) of the *Customs Act 1901* (the Act).²

The applicant alleges that the Australian industry has suffered material injury caused by steel shelving exported to Australia from China at dumped and subsidised prices. The applicants allege that the industry has been injured through:

- loss of sales volume;
- reduced market share;
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced revenue;
- reduced capacity utilisation; and
- reduced employment.

The Commissioner of the Anti-Dumping Commission (the Commissioner), after examining the application, gave Public Notice of his decision to initiate the investigation on 4 July 2016 on the Commission's website at www.adcommission.gov.au.³

There have been two previous dumping or countervailing investigations into steel shelving exported to Australia. Dumping Investigation 31 found that steel shelving exported from China to Australia was at dumped prices and caused injury to the Australian industry. Dumping Investigation 44 found that steel shelving exported from Thailand to Australia was at dumped prices and caused injury to the Australian industry. Measures were put in place as a result of both investigations, and these measures expired in 2006.

¹ The Minister for Industry, Innovation and Science has delegated responsibility with respect to anti-dumping matters to the Parliamentary Secretary, and accordingly, the Parliamentary Secretary is the relevant decision maker. 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.

² All legislative references in this report are to the *Customs Act 1901*, unless otherwise stated.

³ Anti-Dumping Notice (ADN) No. 2015/132 refers.

1.2 Purpose of visit

The purpose of the visit was to:

- obtain general information about the Australian market for steel shelving;
- gain a greater understanding of the company's manufacturing, marketing and distribution processes;
- verify information provided in the application;
- obtain additional financial data about claimed injury to the Australian industry; and
- gather information relevant to assessing whether the allegedly dumped and subsidised imports had caused material injury to the Australian industry.

1.3 Investigation process and timeframes

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

- The investigation period is 1 April 2015 to 31 March 2016.
- The injury analysis period is from 1 April 2016 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (2 September 2016) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

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

This is distinguished from the 'reasonable grounds' threshold for the initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 22 October 2016, or such later date as the Parliamentary Secretary allows under s.269ZHI of the *Customs Act 1901* (the Act).

The SEF will set out the material findings of fact on which the Commission intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Parliamentary Secretary.

This final report is due no later than 6 December 2016, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.4 Visit report

The Commission explained to the company that it would prepare a report of the visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential. The Commission explained that it would place the non-confidential visit report on the public record.

2 THE GOODS

2.1 Description

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

unassembled steel framed shelving or workbench units with 2,3,4,5 or 6 shelves; the frame of which is either partially or totally:

- *coated with paint or powder coated;*
- *galvanised; or*
- *made from colour bonded steel.*

Typically, the shelves of the units are made of medium density fibreboard (MDF), particle board, melamine or steel, however other materials may be used.

Usually, the units are pre-packed for sale in a kit form, containing all or the majority of the components required to assemble the finished unit.

Goods excluded from the application are:

- *wall mounted bracket and strip shelving;*
- *plastic shelving;*
- *predominantly melamine and timber shelving units used for home furnishing;*
- *industrial shelving;*
- *slotted angle shelving;*
- *shelving units with wire shelves; and*
- *custom-made shelving units (designed and made specifically for a specified project application).*

2.1.1 Clarification of goods description

The verification team explained that some aspects of the goods description for steel shelving has resulted in uncertainty for some interested parties.

On 25 July 2016, Summit lodged a submission for the public record that outlined Summit's definition of 'industrial' and 'slotted angle' shelving.

Summit explained that it considered 'keyhole systems' with rivet fixtures as the goods under consideration. Summit considers the *Hammer Lok* shelving to be 'slot and tab', which it considers to be a like good to the products with keyhole/rivet systems. During the visit, Summit commented that there is no significant difference in ease of assembly or assembly time between the imported product's keyhole system and Summit's manufactured 'slot and tab' system.

The verification team explained that the current goods description could include a wide range of other shelving and work bench units. The verification team stated that this description could mean that steel shelving imported by Summit could be captured under the goods description.

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The visit team stated that they would continue to consider the goods description as part of the investigation.

2.2 Tariff classification

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

- 9403.10.00 (statistical code 40)
- 9403.20.00 (statistical code 19).

3 THE AUSTRALIAN INDUSTRY

3.1 Australian industry

The applicant stated in the application that Summit is the only Australian producer of kit-form steel shelving units as described in the goods description in Australia.

The Commission identified potential other manufactures of the goods in its investigation. However, Summit claimed that these other manufactures do not produce like goods, and instead produce custom-made shelving or industrial shelving. At the initiation of the investigation, the Commission invited the participation of these potential other manufacturers but has not received any information. At this stage of the investigation, the Commission cannot verify Summit's claims of being the only Australian producer of like goods.

3.2 Corporate, organisational and ownership structure

Summit is an Australian owned manufacturer and distributor of pre-packaged shelving systems and garden products. Summit has been in business for 35 years. Summit has a trading division named Stormor Shelving Australia. Stormor manufactures and distributes *Handy Angle* (slotted angle) shelving and *Hookflex* and distributes other custom-made commercial shelving and storage products.

Summit was formerly Summit Storage Products Pty Ltd, and is owned by Summit Storage Products Pty Ltd (formerly Summit Holdings NSW Pty Ltd). Both companies changed their business names in January 2015. Summit Storage Products Pty Ltd is a holding company and does not trade with customers.

Summit and its commercial division Stormor import shelving which Summit is not able to manufacture, and the relationship with exporters of steel shelving is commercial.

3.3 Accounting structure and details of accounting systems

Summit's financial statements are prepared in accordance with Australian Accounting Standards. Summit's financial statements are independently audited by Deloitte.

Summit's accounting system is *FGH*. This system has three components – manufacturing, merchandising and general accounting.

Summit provided unaudited financial statements for years ending June 2014 and June 2015) with the application. Summit advised that its accounting data has been reviewed by an independent financial accountant, which also prepares and lodges the company income tax returns.

3.4 Relationship with suppliers and customers

The verification team found no evidence to suggest that Summit has a relationship other than a commercial buyer/seller relationship with any of its suppliers or customers.

3.5 Manufacturing facilities and product range

3.5.1 Manufacturing facilities

Summit's manufacturing facility is located at Keysborough, Victoria.

3.5.2 Range

Summit manufactures two types of shelving product – *Nut’N’Bolt* and *Hammer Lok*.

Nut’N’Bolt shelving is a lightweight, galvanised steel shelving system. The legs are made from galvanised angle section steel with round punched holes. The shelves are made from galvanised steel and no horizontal beams are required.

Hammer Lok shelving was referred to by Summit at the verification visit as ‘slot and tab’ shelving. This type of shelving is also commonly referred to as *boltless* shelving. The frame includes legs made from galvanised angle section steel punched with slots. Horizontal beams are made from galvanised steel and have tabs that fit into the slots in the legs. The shelves are made from medium density fibre board (MDF).

Summit imports a range of long span and industrial shelving units for sale on the Australian market.

Summit's other products include steel garden product, which represent an increasing share of its business due to the decrease in its business of steel shelving products.

3.6 Production process

On 3 August 2016, the Commission conducted an inspection of the production facilities at Keysborough. The verification team observed the production process as follows.

Nut’N’Bolt

Step 1: Manufacture Nut’N’Bolt Legs

Summit has a manufacturing line for the production of legs for *Nut’N’Bolt* shelving. The leg line can produce legs of different lengths. A coil of steel is loaded onto a de-coiler which feeds the steel into a dye press which pierces and cuts to length the leg. The leg is then moved along rollers and is formed into a right angle in the Roll Former. An automated stacking unit at the end of the line picks up and stacks eight legs ready for the operator to store in a stillage. A forklift moves the stillage of legs to the end of the shelf line where they are packed with other components into a cardboard carton.

Step 2: Manufacture Nut’N’Bolt Corner Bracing Brackets

Summit manufactures corner brackets on a dye press that forms and presses holes into the steel. A coil of steel is loaded onto a de-coiler, the press punches and pierces six brackets, an arm pushes the brackets along a conveyor, then the operator tapes the six brackets together and they are stored. The brackets are moved to the end of the shelf line to be packed into a cardboard carton.

Step 3: Manufacture of Nut’N’Bolt Steel Shelves

The steel shelves are manufactured on the shelf line. A coil of steel is loaded onto a de-coiler which feeds the steel onto the line rollers. In the first stage of production, the steel has the required holes pierced and is cut to length in a dye press. The steel is then fed

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along rollers to the roll former where the two longer lengths of the shelf are formed and rolled for safety purposes. The last stage of production is when the steel shelf goes through the forming press where the remaining ends of the shelf are formed. A conveyor system pushes the shelf towards the operator at the end of the line who packs the required number of shelves into the cardboard carton with the manufactured legs and corner brackets. Purchased nut and bolt packs and plastic feet are also put into the carton. The assembly instructions are printed on the back of a cardboard carton which is sealed by the operator with a glue gun.

Step 4: Packing and Storage

An air cylinder pushes the sealed shelving unit down and under several rollers. The rollers put pressure on the shelving unit until the glue is set. The unit is then pushed along a conveyor to a pallet where the units are stacked. The pallet is then taken by forklift to be shrink wrapped and stored in racking ready for sale. Summit's stock of these units are warehoused in volumes that relate to its sales history.

Hammer Lok:

Step 1: Manufacture Hammer Lok legs

Summit has a leg line that manufactures *Hammer Lok* legs in various lengths which are dependent on the dimensions of the finished shelving unit. A coil of steel is loaded onto a de-coiler and hydraulically pushed along steel rollers to a dye press that punches and counter sinks holes into the steel. The steel is then pushed along rollers into the roll former which forms the leg which is then cut to length on the last dye press on the line. A conveyor system moves the legs to an automated stacking unit at the end of the line which picks up and stacks the legs in the quantity required for each shelving unit. The operator stores the stacks of legs in a stillage. A forklift moves the stillage of legs to the packing station.

Step 2: Manufacture Hammer Lok beams

Summit's beam line produces *Hammer Lok* beams of various lengths determined by dimensions of each shelving unit. The coil of steel is loaded onto a de-coiler and a straightening feeder pushes the steel into a dye press on the line which pierces required holes and tabs and cuts to length the beam. The beam is fed along a conveyor into a roll formers which forms the edges of the beam. The operator stacks the beams in the required quantities for each shelving unit and places the stacks in a stillage for storage. A forklift moves the stillage of beams to the packing station when the components of the shelving units are being packed into cardboard cartons.

Step 3: Manufacture leg joiners

The leg joiners are manufactured on the same dye press as the *Nut'N'Bolt* corner brackets. However, the dye, bed and control panel need to be changed over. A coil of steel is loaded onto the de-coiler and the dye press pierces and punches the steel to produce the leg joiner. The leg joiners are pushed along a conveyor into large tubs for storage. The tubs of leg joiners are moved to the packing station when the components of the shelving units are being packed into cardboard cartons.

Step 4: Packing and Storage

The majority of components for each shelving unit are placed on and around the packing station. The exception is the purchased pre-cut MDF shelves, these shelves are pushed along steel rollers in packs. An automated system lifts the shelves from the pack to the

operator who packs them in a cardboard box with the other components. The assembly instructions are printed on the back of the carton which is sealed by the operator with a glue gun. An air cylinder pushes the sealed shelving unit down and under several rollers. The rollers put pressure on the shelving unit until the glue is set. The unit is then pushed along a conveyor to a pallet where the units are stacked. The pallet is then taken by a forklift driver to be shrink wrapped and stored in racking ready for sale. Summit make stock of these units which are warehoused in volumes that relate to its sales history.

3.7 Like goods

Like goods are defined in the legislation as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

Summit stated in the application that it considers that the imported steel shelving units are either identical or have characteristics closely resembling locally produced steel shelving units for the following reasons.

- i. Physical likeness:
Summit's steel shelving units and the imported goods are in kit form consisting of shelves, legs and beams, and are alike in physical appearance.
- ii. Commercial likeness:
The imported goods compete directly with the locally produced goods and are interchangeable. The imported goods compete on price with the goods manufactured by the local industry.
- iii. Functional likeness
The imported goods and the locally produced goods are used to perform the same function and have the same end-uses.
- iv. Production likeness
The imported and locally produced steel shelving units are manufactured via similar production processes.

From information submitted in the application, gathered during the verification visit to Summit and responses from some exporters and importers, the Commission considers that locally produced steel shelving units and imported steel shelving units appear to:

- be alike in physical appearance;
- compete directly with each other in the Australian market;
- have comparable or identical end-uses; and
- be manufactured in a similar manner.

The Commission will continue to undertake further assessment regarding the physical, commercial, functional, production likeness to the goods and any other considerations raised during the investigation.

3.8 Employment numbers and capacity

Summit provided employment numbers and capacity utilisation figures in its Confidential Appendix A-7 to the application.

The verification team sighted the production process at the Keysborough facility and received nameplate production capacity figures. The figures corresponded with the production process and Summit's Confidential Appendix A-7.

4 AUSTRALIAN MARKET

4.1 Market segmentation and end-use

The market for steel shelving is mainly residential, with commercial operators making up a smaller proportion of end-users. Residential end-users typically use the shelves in garages and sheds to store household goods. Commercial end-users may use the shelving units for a variety of purposes, such as in-store product display or storage of stock.

Summit claimed that there is no overlap in competition between its two shelving units, *Hammer Lok* and *Nut’N’Bolt* due to price, size and quality differences.

Summit estimates that importers supply approximately 95 per cent of the Australian market for steel shelving, with the balance supplied by the Australian industry. The major source of import supply is from China. Summit is not aware of any other countries that export steel shelving to Australia.

4.2 Marketing and distribution

Summit indicated that steel shelving units sales are made to retailers. Retailers are the dominant party in the supply chain and determine price, range of shelving stocked, and preference for domestic or imported shelving units.

The major retailer in the steel shelving units market is Bunnings, which Summit estimates has a commanding market share and is a driver of price.

Summit explained that most supply arrangements are awarded by submission/tender processes and that contracts can be for varying lengths of time depending on the retailer.

Chinese imports are sold to either Australian based distributors or direct to retailers.

Delivery is made to either directly to retailers or to retailers’ distribution centres.

The local industry competes with imports on the basis of price only, according to Summit. Market prices are influenced by competition between retailers. However, logistics can be important because transport adds significantly to the costs, which can influence profitability and ability to supply.

Summit claimed there is often no quality difference between the locally produced steel shelving units and the imported goods from China. Summit claimed that one of the Chinese imports is exactly the same as Summit’s *Nut’N’Bolt* shelving units, with the exception of having bent edges. However, Summit claimed that some Chinese shelving units can rust more easily due to poor powder coating of the steel.

4.3 Imports by applicant

Summit imports a range of ‘industrial’ shelving units from China. Summit’s commercial division, Stormor, imports a range of long span components from China for commercial uses. These imported shelving units are different to *Hammer Lok* and *Nut’N’Bolt* units in appearance, tend to be powder coated, and according to Summit, are designed for more heavy duty uses.

Summit noted that some of its imported products have wire shelves or are industrial shelving and thereby are outside the goods description for this investigation.

4.4 Demand

Summit indicated that demand variability is primarily driven by the residential sector.

Summit claimed that shelving units have not experienced fluctuation in demand, and demand may have increased in line with Australia's population growth. However, Summit said that market data for demand rests with retailers, and so obtaining evidence of demand variability is difficult.

4.5 Market size

In its application, Summit estimated the size of the Australian market using Summit's own sales data and knowledge of the market.

Summit did not use other data sources, such as the Australian Bureau of Statistics (ABS) because it claimed that the tariffs under which steel shelves are classified are so broad that any source data from the ABS would not represent reliable data for the analysis of the steel shelving market.

The Commission has taken the data provided by Summit and data from the Australian Border Force (ABF) import database to determine the size of the market.

The Commission found that the two tariff classifications cover many different types of shelves and various other pieces of furniture, and not all are manufactured from steel. In order to obtain a more reliable picture of the steel shelving market, the Commission used text data mining techniques to refine the import database. This involved measuring the frequency of words used in goods descriptions containing the word 'shelf' or 'shelves' (or a variation of those) and then using a pattern matching technique to find those that closely matched the goods description.

However, the Commission notes that importers are not obliged to submit a statistical quantity value. This means that the data to determine an estimate of the market size is unreliable. The Commission will rely on information from exporters and importers to determine the size of the market.

The Commission's results and estimation of the market for steel shelving are set out in Figure 1 for the period 2011 to 2016, with years aligned to the injury analysis period – from 1 April 2011 to 31 March 2016. Each column represents a 1 April to 31 March year, rather than a financial year, in order to align with the injury analysis period

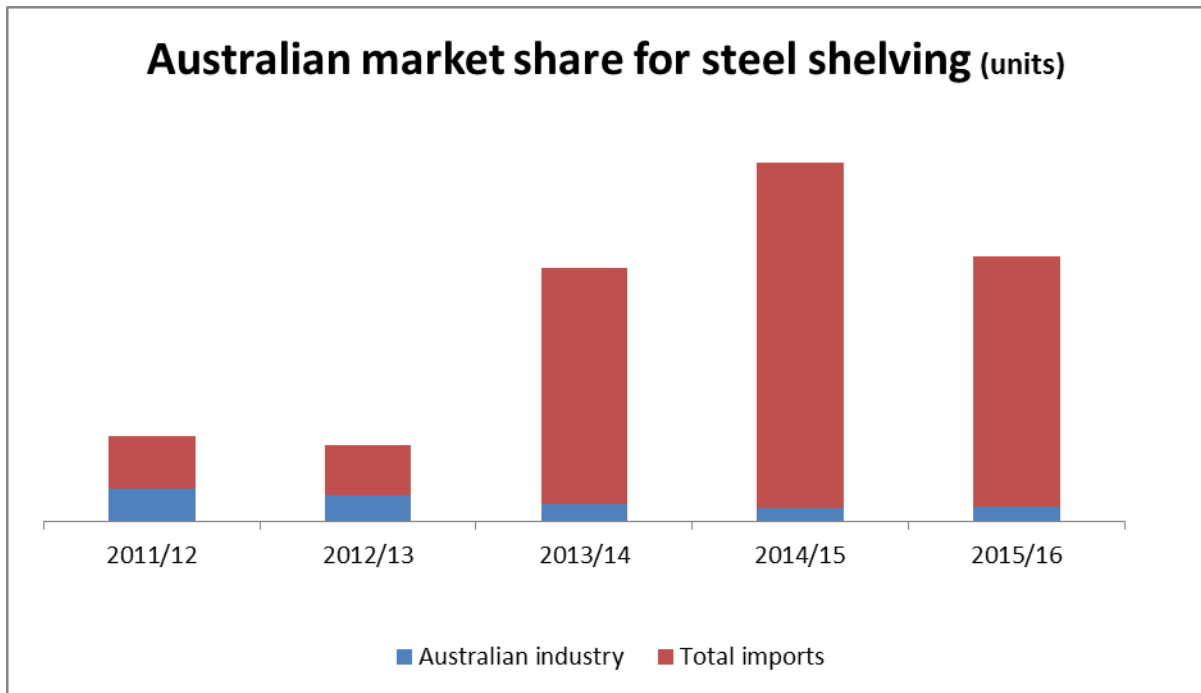


Figure 1: Total Australian market share for steel shelving

Summit claims that it had at least 95 per cent of the pre-packaged steel shelving market in Australia in 2005-06, which excluded any custom-made and made to order shelving. The Commission notes that this coincides with the last period of when measures were in place following Investigation 31.

Summit notes in its application, and reiterated at the verification visit, that it has limited data on which to base its market analysis, but it suspects that its market share has declined in recent years as its sales volume has declined.

In the 10 years since 2005/06, Summit claimed that the size of the Australian steel shelving market has not changed significantly and considers that market growth has likely kept pace with population growth.

Due to issues with ABF import data, the Commission's analysis of the size of the market cannot be determined at this point of the investigation, and it cannot verify Summit's claims. The Commission will rely upon further information gathered during the course of the investigation prior to finalising its view.

The Commission's assessment of the Australian market for steel shelving is at **Confidential Appendix 1**.

5 SALES

5.1 General

The verification team notes that Summit sell imported goods which are similar, though specifically excluded from the goods description. Summit stated that the imported products are excluded because Summit does not have the capacity to manufacture these goods.

The verification team focused on the sales of like goods which were manufactured in Australia.

Summit stated that for its two major product lines, there is no difference in the sales pricing, ordering, or other arrangements though prices differ.

Production is based on historic usage and sales, which are used to provide sales projections through an automated system for production. Relatively larger tenders are requested sufficiently in advance to allow for production to be scheduled efficiently. When Summit's customers have promotions, catalogues or specific contracts, production is planned in a similar way to tenders.

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

5.2 Ordering, invoicing and delivery arrangements

Summit maintains a level of inventory which allows it to accept and supply orders quickly.

Customers are able to order a single item of shelving, though it must be part of a larger order to meet Summit's minimum order value requirement. This allows for mix of products which may contain a single shelving kit to be ordered.

Production is scheduled when required as capacity is not fully utilised.

5.3 Pricing

5.3.1 Market Approach

Summit stated that prices are mainly driven by the major retailers of the goods.

Summit generally needs to chase the business - tenders operate in some circumstances, but they are highly price competitive.

Summit approaches the market with price offers into the market are set based on its understanding of a retailer's requirement.

5.3.2 Discounts and rebates

Summit indicated that its sales can include discounts, which it indicated is ordinary business practice for the industry.

5.4 Isolating relevant sales

The verification team selected a number of relevant sales which included large and small volumes, and varying customers.

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The verification team noted that *Hammer Lok* units accounts for almost twice as many units sold and six times as much revenue when compared to *Nut'n'bolt* units.

5.5 Level of trade and related vs unrelated customers

The verification team did not find any sales to related customers during the investigation period or injury analysis period. The verification team reviewed Summit's related parties and confirmed that no sales to these related parties occurred.

5.6 Verification of sales data to audited financial statements

Summit is a private company, and as such, to assess sales data for completeness and relevance, verification to the submitted Income Tax Return was undertaken.

The verification team was able to confirm the information to the submitted Income Tax Return via Summit's profit and loss statements for 30 June 2015, and confirmed that the treatment was consistent for the period 1 July 2015 to 31 March 2016. This was required as the Income Tax Return for the year ended 30 June 2016 had not been finalised or lodged by the date of verification.

5.6.1 Completeness and relevance of sales data - conclusion

Having regard to the above, we consider that the Appendix A4 Sales data provided represents reasonably complete and relevant accounts of the sales of steel shelving during the period from 1 April 2015 to 31 March 2016.

5.7 Verification of sales data to source documents

To assess sales data for accuracy, verification to source documents was undertaken. The verification team did not identified any material discrepancies in the documents provided.

5.7.1 Accuracy of sales data - conclusion

Having regard to all of the above, the verification team considers the Appendix A4 Sales data provided is a reasonably accurate account of the sales of steel shelving during the period from 1 April 2015 to 31 March 2016.

5.8 Export sales

The verification team identified an export sale which was incorrectly disclosed in Summit's appendix A4.

The verification team requested documentation confirming this was an export sale, and upon confirmation of this, excluded the sale from appendix A4.

5.9 Sales – conclusion

The verification team considers that Summit's sales in Appendix A4, is a reasonably complete, relevant and accurate reflection of the sales of Australian manufactured steel shelving during the period from 1 April 2015 to 31 March 2016.

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Accordingly, we consider the Summit's sales data in Appendix A4 is suitable for analysing the economic performance of its Australian manufactured steel shelving operations from 1 April 2015 to 31 March 2016.

6 COST TO MAKE AND SELL

6.1 General

The verification team verified the completeness, relevance and accuracy of Summit's cost to make and sell (CTMS) spreadsheet by reconciling it to its financial system and relevant invoices.

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

6.2 Verification of cost to make and sell data to audited financial statements

To assess CTMS data for completeness and relevance, the verification team undertook verification to the Profit & Loss Statement (P&L), and then subsequently to the company's Income Tax Return. The verification team is satisfied that the P&L for FY2015 reconciles to Summit's Income Tax Return for the same period, and that the CTMS spreadsheets reconciles to the P&L using a Cost of Goods Sold extract.

The verification team reconciled the unit costs in the CTMS spreadsheet to the bill of materials and reconciled the selling, distribution and administration expenses to the P&L.

During the visit, a minor error was identified in the calculation of the variable overhead for certain quarters within FY2015. Summit provided updated CTMS spreadsheets to ensure that the variable overhead allocation method is consistently applied to FY2015. Within the updated CTMS spreadsheets, Summit also corrected the variable overhead allocation for FY2016, which includes three quarters within the investigation period.

6.3 Verification of production costs to source documents

6.3.1 Raw materials

The verification team verified the accuracy of Summit's stated raw material purchases, including galvanised steel and MDF shelves, to the account ledger and invoice documents.

6.3.2 Direct Labour

The verification team verified the accuracy of Summit's stated direct labour costs to the expenses summary report, work statistics daily reports and overhead recovery documents.

6.3.3 Electricity

The verification team verified the accuracy of Summit's stated electricity costs to the expenses summary report and electricity bills.

6.3.4 Depreciation

The verification team verified Summit's stated depreciation amounts to the depreciation schedule and is satisfied that the amounts are based on a complete and accurate listing of the assets involved in the production of steel shelving.

6.3.5 Production volumes

Summit advised that it based the calculation of cost to make on sales quantity, rather than production quantity. The verification team found that the stated sales quantity were accurate (Section 5 refers). The verification team is satisfied that the stated quarterly sales quantity is reasonably consistent with the stated quarterly production quantity given that Summit produces stock of steel shelving in line with its sales history.

6.4 Verification of selling, distribution and administration costs to source documents

Summit provided the cost to sell by calculating the selling, distribution and administrative expenses in the P&L as a proportion of the total sales value. The verification team verified the stated amounts for selling, distribution and administrative expenses to the P&L.

6.5 Costs to make and sell – conclusion

The verification team considers that Summit's cost to make and sell data in Appendix A6, is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell steel shelving during the period from 1 April 2015 to 31 March 2016.

Accordingly, the verification team considers that Summit's cost to make and sell data in Appendix A6 are suitable for analysing the economic performance of its steel shelving operations from 1 April 2015 to 31 March 2016.

7 ECONOMIC CONDITION

7.1 Approach to injury analysis

The Commission used Summit's verified A-6 data and information from the ABF import database in its analysis of the economic condition of the industry. However, the verification team considers that the ABF import database is not sufficiently reliable for some information, such as the size of the Australian market (see Section 4.5 above). Due to the availability of data, certain injury factors are based on years that are aligned to the investigation period (April – March), while others are based on financial years (July – June). These year types are stipulated on the injury factor figures.

7.2 The applicants' injury claims

The applicant claims that the alleged dumping and subsidisation of steel shelving caused injury through:

- loss of sales volumes;
- reduced market share
- price depression;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced revenue;
- reduced capacity utilisation; and
- reduced employment.

7.3 Commencement of injury, and analysis period

The investigation period for this investigation is 1 April 2015 to 31 March 2016. The injury analysis period is from 1 April 2011.

Summit has claimed injury commenced in 2006, but the Commission will only examine injury factors from the commencement of the injury analysis period.

7.4 Volume trends

7.4.1 Sales volume

Summit claims it experienced a loss of sales volume over the injury analysis period. Figure 2 shows the volume of Summit's sales of steel shelving units over the injury analysis period.

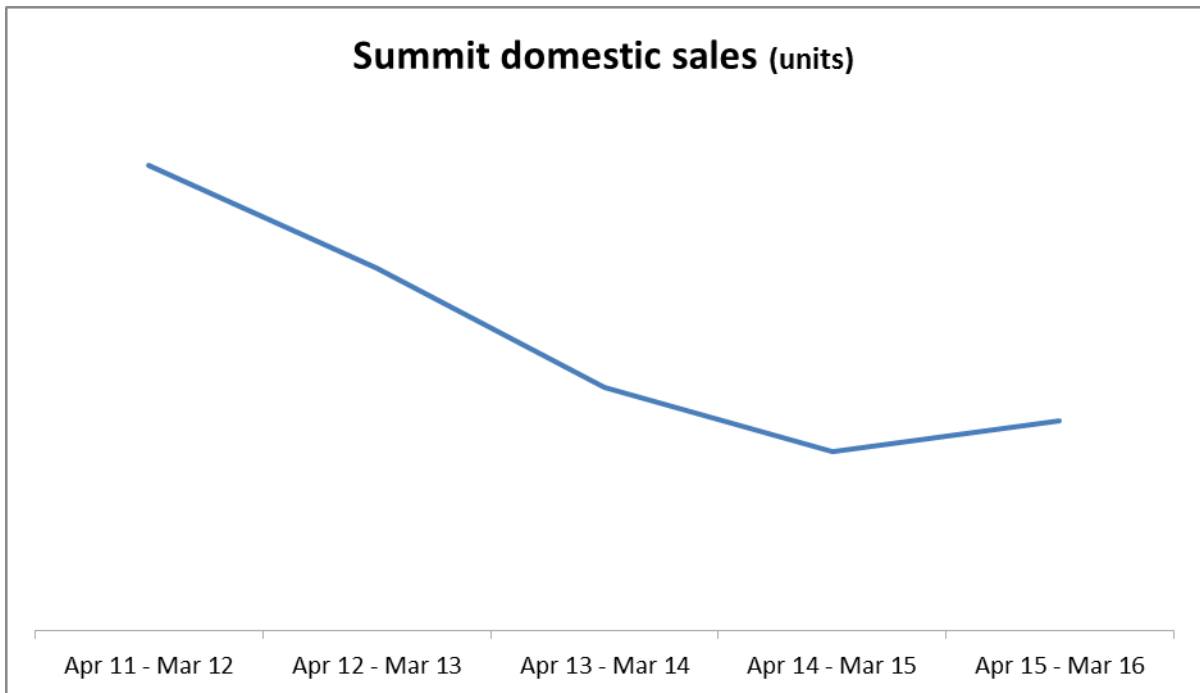


Figure 2: Summit’s domestic sales over the injury analysis period

The Commission observes in the above figure that there has been a consistent decline in Summit’s domestic sales volume over the injury period, though the last year of the period experienced a slight increase. Despite this slight increase during the investigation period, volumes remain below the volumes during the first three years of the injury analysis period.

7.4.2 Market share

At this stage of the investigation, the Commission considers that the ABF import database concerning steel shelving is not sufficiently reliable to assess trends in market share (see Section 4.5). As such, an assessment of market share will be made following analysis of verified data gathered at visits to importers and exporters of the goods.

7.5 Price suppression and depression

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.

Figure 3 shows the movement in weighted average net prices (per unit) and unit cost to make and sell (CTMS - per unit) over the injury analysis period.

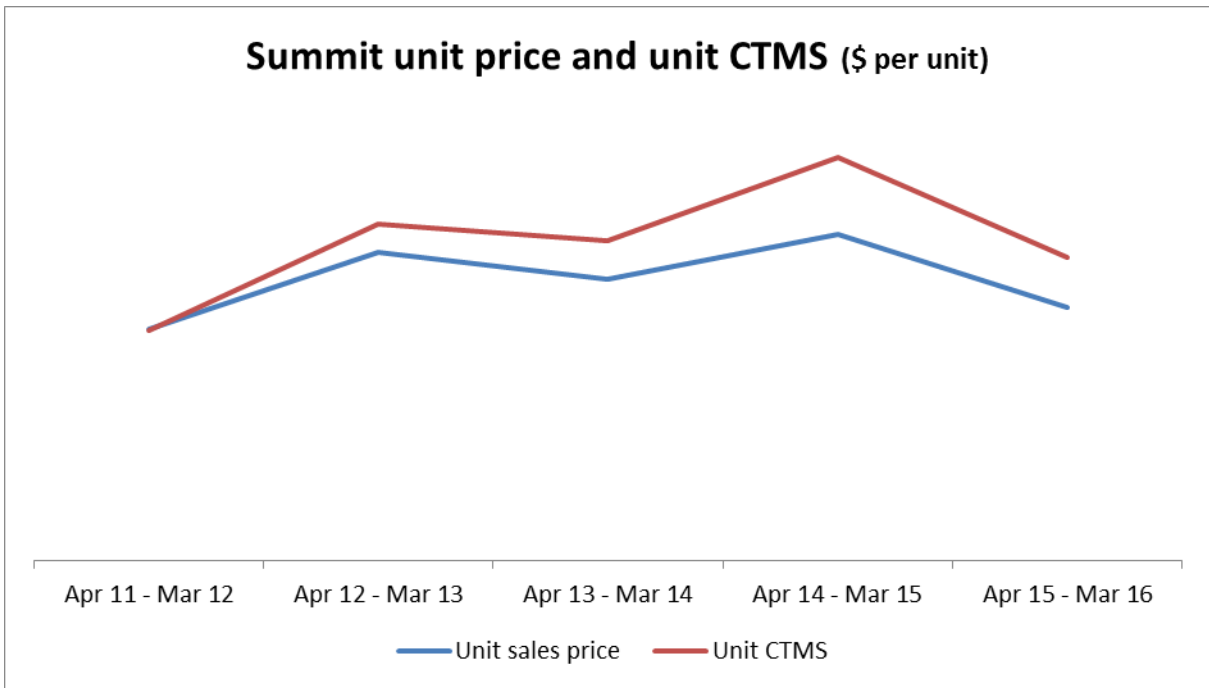


Figure 3: Summit's unit price and CTMS over the injury analysis period

Figure 3 shows that Summit's unit cost to make and sell exceeded its unit sales price during the injury analysis period. The Commission observes that at the beginning of the period, unit prices and CTMS were closely aligned with little margin. Unit prices fluctuated, but CTMS has increased faster over the injury analysis period. The margin reduced slightly in 2015/16.

Figure 4 shows the unit sales price and sales volumes over the injury analysis period.

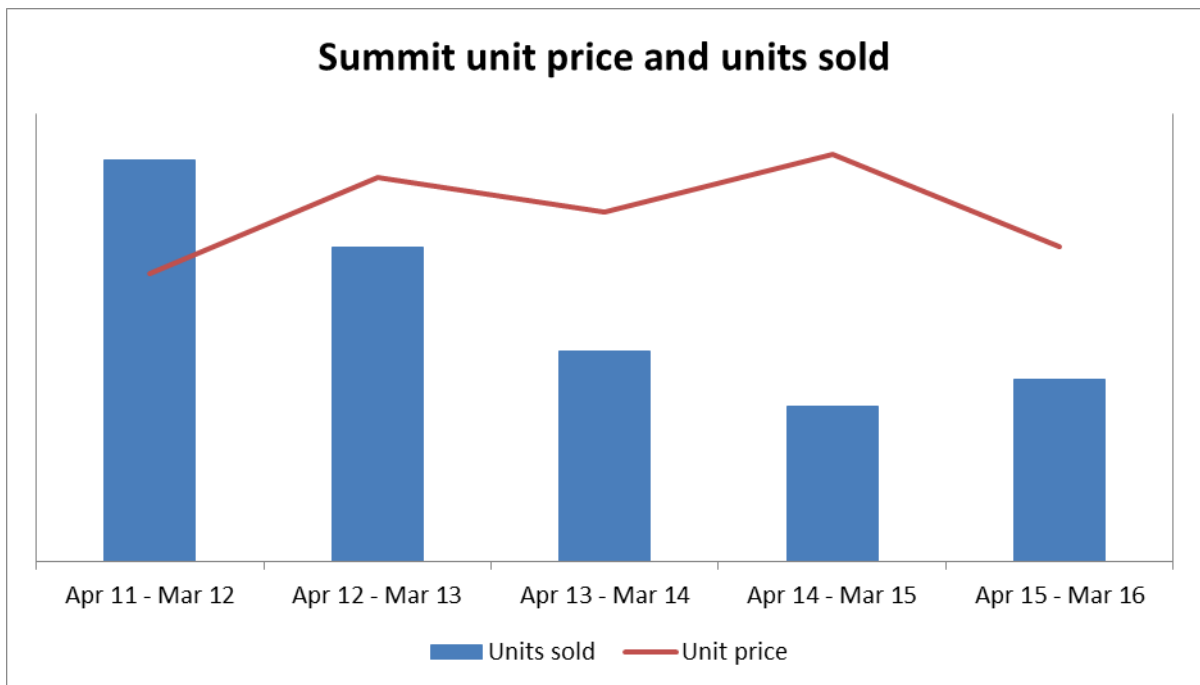


Figure 4: Summit's unit price and CTMS over the injury analysis period

Figure 4 shows that Summit has had a fluctuating unit price over the injury period with a steady decline in sales volumes. Summit claimed that despite an ongoing effort of the

applicant to reduce costs and remain competitive, there has been a significant decline in domestic sales.

7.6 Profits and profitability

Figures 5 and 6 show the total profit and per unit profitability over the injury analysis period. These figures are calculated using an index which sets the lowest amount of profit or unit profitability, respectively, during the injury analysis period as the base value.

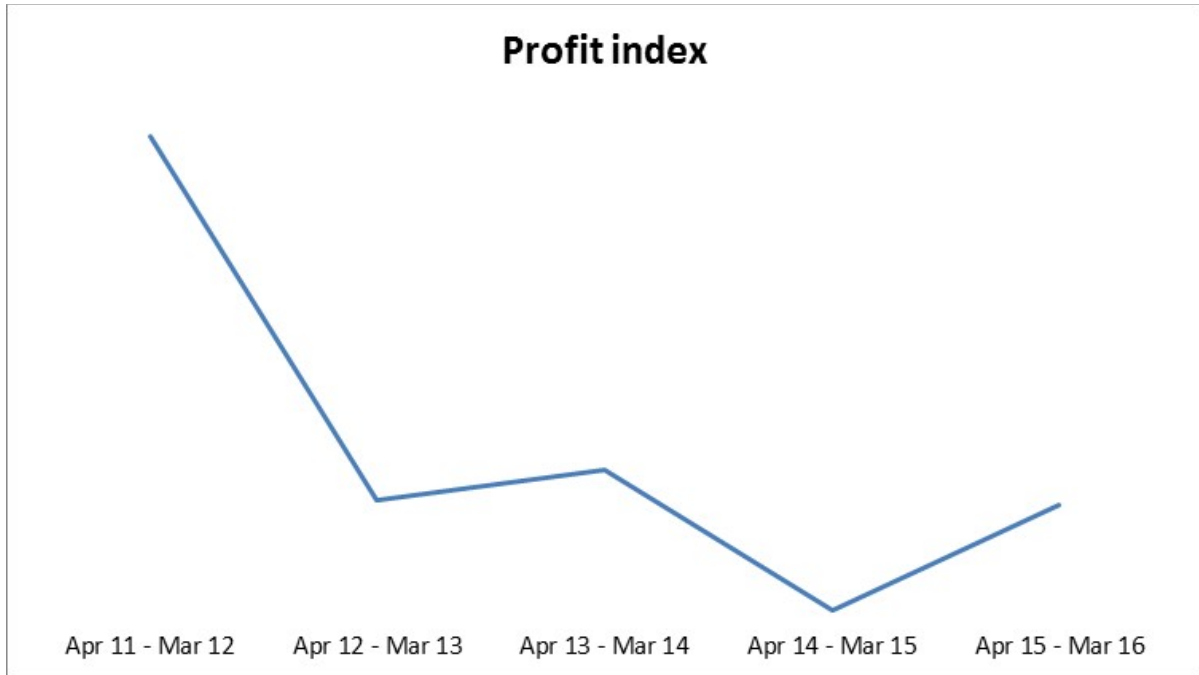


Figure 5: Summit’s profit over the injury analysis period

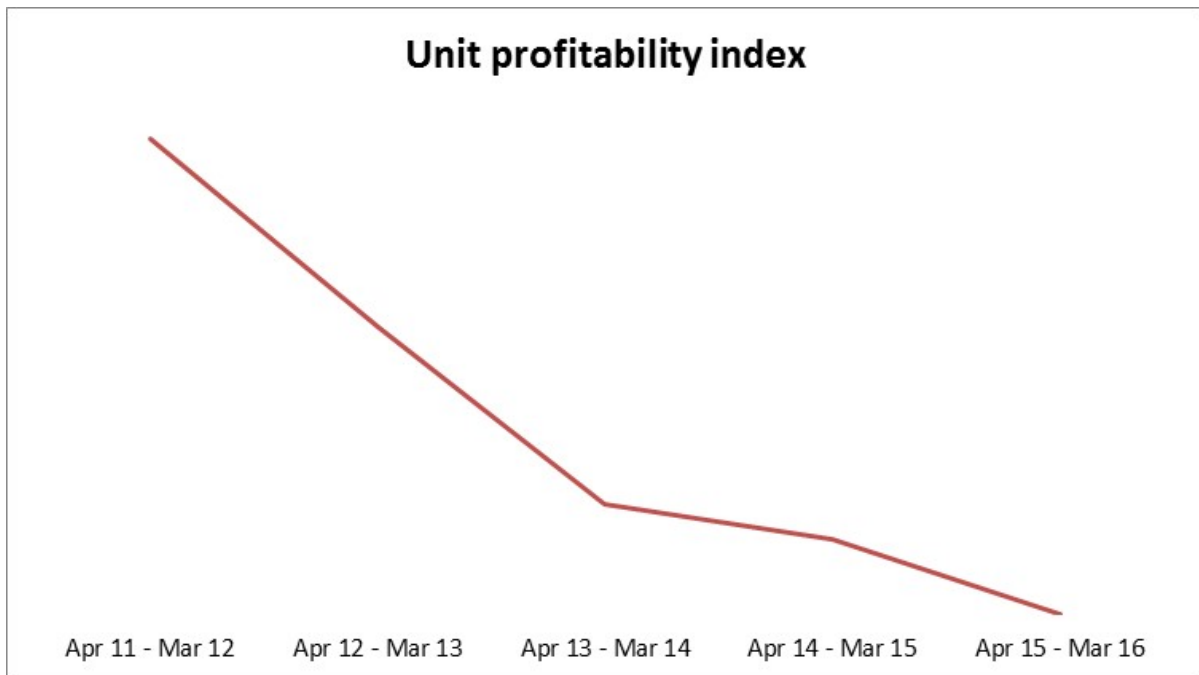


Figure 6: Summit’s unit profitability over the injury analysis period

Figures 5 and 6 show that Summit has experienced a continual decline in profit and profitability from the start of the injury analysis period. This is the case despite unit prices not demonstrating a similar pattern. Profit experienced an increase in 2015/16, while unit profitability continued to decrease in 2015/16.

7.7 Other economic factors

7.7.1 Revenue

Figure 7 shows a reduction in revenue for like goods over the injury analysis period.

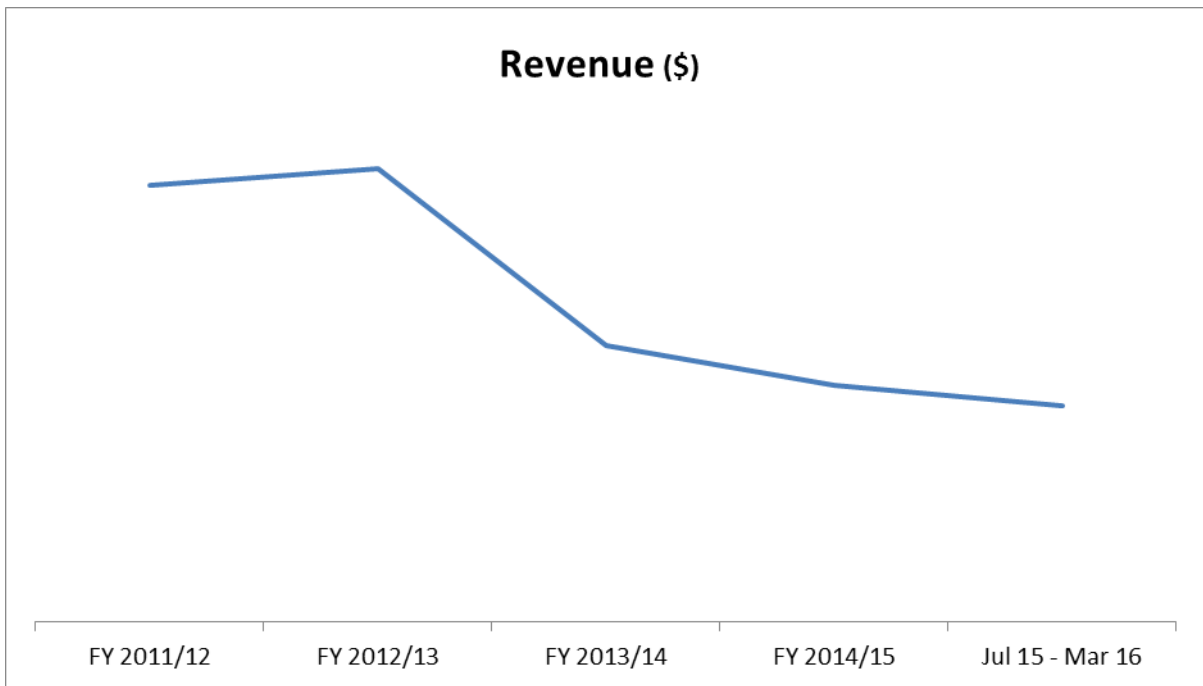


Figure 7: Summit's revenue over the injury analysis period

7.7.2 Capacity utilisation

Figure 8 shows a consistent decline in capacity utilisation for the production of like goods over the course of the injury analysis period.

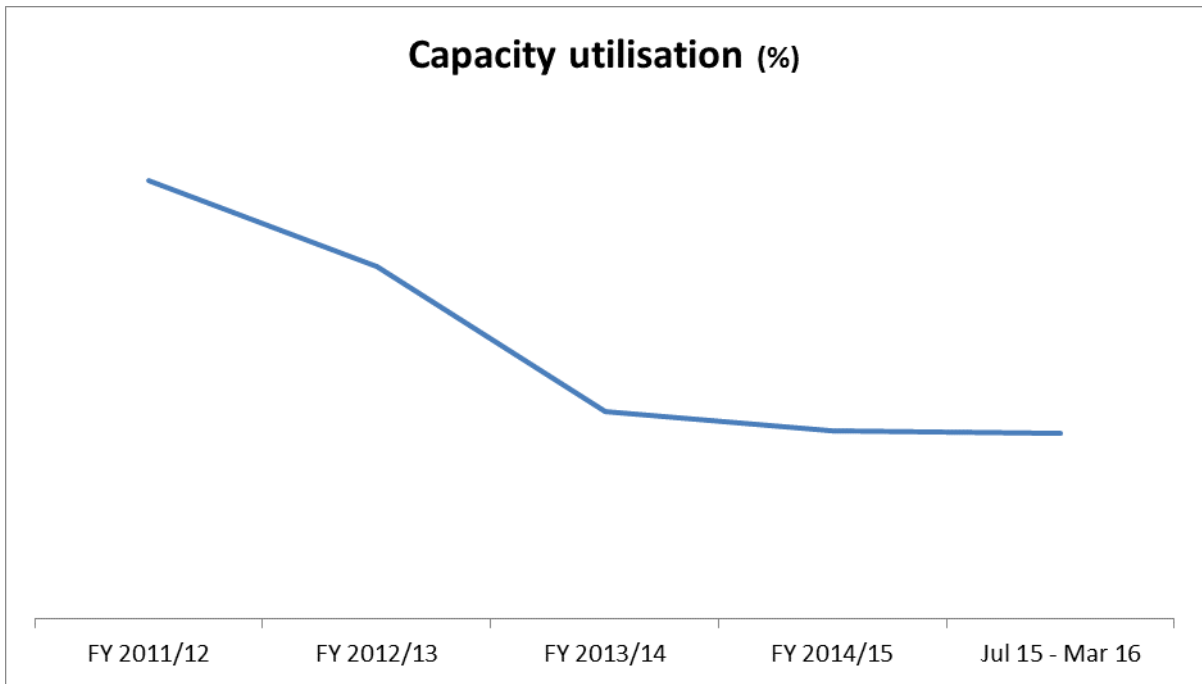


Figure 8: Summit's capacity utilisation over the injury analysis period

7.7.3 Employment

Figure 9 shows the decline in employment index for the production of like goods over the course of the injury analysis period.

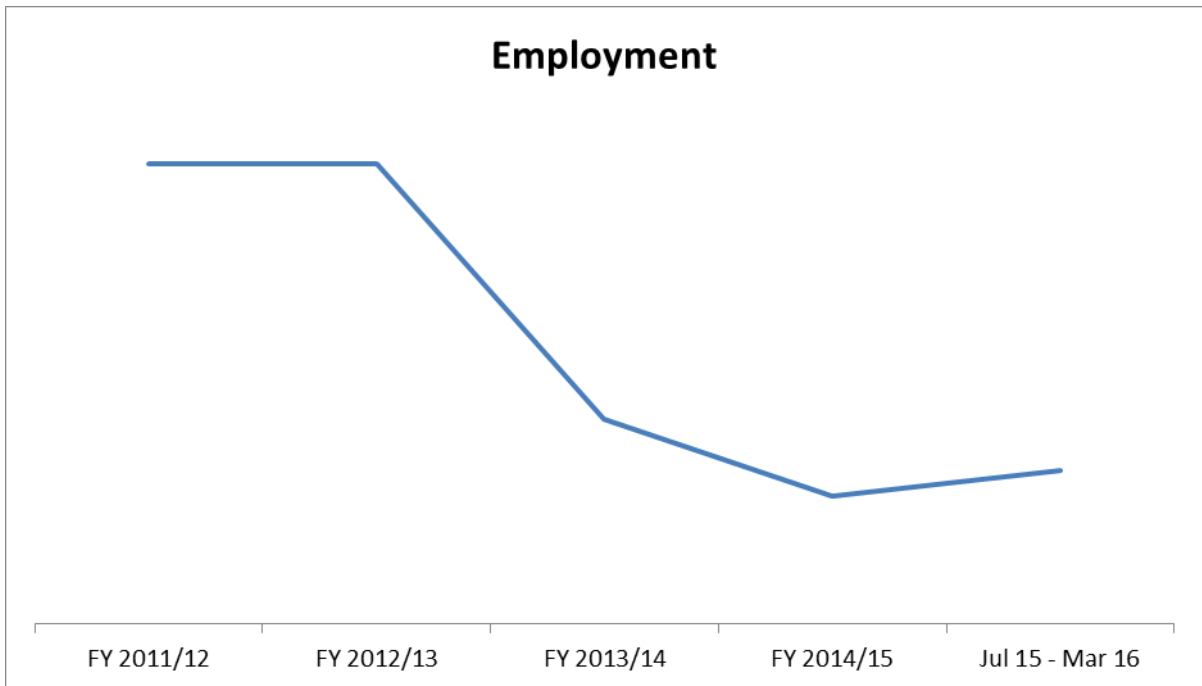


Figure 9: Summit's employment index over the injury analysis period

Summit made reductions to employee numbers over the injury analysis period. The Commission notes that overall employee numbers were originally low for the company and production of like goods.

7.8 Conclusion

Based on an analysis of the information contained in the application and obtained and verified during our visit, we consider that the company has experienced injury in the form of:

- loss of sales volumes;
- price suppression;
- loss of profits;
- reduced profitability;
- reduced revenue;
- reduced capacity utilisation; and
- reduced employment.

An assessment of market share will be made following analysis of verified data gathered at visits to importers and exporters of the goods.

The Commission's assessment of the economic condition of the industry is at **Confidential Appendix 3**.

8 CAUSAL LINK

The verification team discussed with Summit whether the alleged dumping and subsidisation of imported steel shelving can be demonstrated to be causing material injury to the Australian industry.

8.1 Price and volume effects

Summit claimed that it lost significant sales volume as it could not compete on price with imported steel shelving units from China. Summit provided an example of price negotiations between Summit and one of its customers, a retailer, highlighting how Summit's prices were not competitive and were likely undercut during the investigation period. This suggests that Summit's prices have been undercut by Chinese prices and that Summit has lost sales volume to Chinese imports. The evidence of Summit's price negotiations is at **Confidential Attachment 2**.

8.2 Other possible causes of injury

During the visit, Summit was asked whether other factors may have contributed to the injury it has suffered.

Summit commented that it did not consider there to be any other causes of injury. Summit indicated that it is not aware of the market or demand changing much over time, and Summit bases this assessment on the major retailer trends in marketing and sales of steel shelving over time.

Summit explained that the company has reduced the number of employees over the past 10 years in an attempt to remain competitive and efficient. Summit also advised that it has a project plan for investing in equipment that would enable the production of steel shelving with rolled edges (see section 10).

Summit continues to manufacture the same shelving as it did 10 years ago, with the differences being model sizing, construction to include metal bracing to improve weight loading of certain models and constant review of materials used in production to ensure all shelving was fit for purpose while being cost effective. Summit manufactured white colour bonded steel *Hammer Lok* and *Nut'N'Bolt* shelving but ceased production due to cost being too high when compared to imported coloured shelving.

Summit claimed that its products are high quality and that quality has never been an issue in its ability to compete with imported products. Summit advised that it does not manufacture powder coated shelving due to the additional cost involved compared to galvanised steel shelving. Summit advised that they have previously approached the market with the option of colour bonded steel products with a different price point to reflect the increased cost, and stated that their customers had no interest in the more expensive colour bonded steel alternative.

Summit commented that powder coated steel shelving is common in the market, and that consumers may view these products as having better aesthetics than galvanised steel shelving. Summit noted that its commercial division, Stormor, imports shelving that is designed for heavy duty applications. The imported product is long span industrial shelving. Summit commented that it and Stormor do not import a product that is in direct competition with the products it manufactures. Summit added that imports supplied by it and Stormor represent products that cannot be easily manufactured by Summit.

PUBLIC RECORD

Summit advised that it does not consider there to be a meaningful difference in end uses between its manufactured products and imported steel shelving. The majority of Summit's sales are products in the *Hammer Lok* range compared to the *Nut'N'Bolt* range.

Summit considers that given the Australian population has grown, it is likely that the market size would have also grown. Given the end-uses for shelving have not changed, Summit believes there has not been any major impacts on the market from new products or technologies.

The Commission will continue to examine other possible causes of injury during the course of the investigation.

9 UNSUPPRESSED SELLING PRICE AND NON-INJURIOUS PRICE

In assessing dumping margins and determining the operation of the lesser duty rule, the Commission calculates an unsuppressed selling price (USP) and non-injurious price (NIP).

The Commission observes the following hierarchy in its approach to establishing a USP:

- market approach using industry selling prices at a time unaffected by dumping;
- construction approach using recent Australian industry CTMS data plus an appropriate amount for profit; and
- market approach using selling prices in Australia of goods imported from undumped sources.

A NIP is calculated by deducting from the USP all post-exportation charges and importer profit. In calculating the dumping margin of an exporter, the lesser duty rule becomes operative for that exporter if the Commission determines that the NIP is less than the ascertained normal value.

The verification team invited Summit to consider and comment on the most appropriate method to calculate the USP.

In a submission⁴, Summit advised that the market approach using industry selling prices would not be a reasonable method for establishing the USP given that the data would be unreasonably dated (2006 or prior). Rather, Summit advised that the USP should be calculated using a contemporary CTMS value plus an amount for profit corresponding to a period unaffected by dumping (2006).

⁴ File number 29 on the [public record](#).

10 GENERAL COMMENTS AND OTHER MATTERS

Other matters discussed during the verification visit are outlined below.

An application was not made for the continuation of dumping duties for steel shelving against China and Thailand that were imposed in 2001. The dumping duties expired in 2006.

Summit indicated it could supply the Australian market for steel shelving should it establish additional supply contracts following the imposition of dumping measures on steel shelving exported from China including any capital investment required.

Summit indicated that it believes that China is the major global supplier of low priced steel shelving units, and highlighted in the US Department of Commerce case from 2015 as evidence of Chinese exporters' dumping and receipt of subsidies.

Summit stated that it has had a number of domestic and overseas sources from which it has purchased galvanised steel to produce steel shelving.

11 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian market
Confidential Appendix 2	A4 Sales – Summit
Confidential Appendix 3	Economic condition of the industry
Confidential Attachment 1	Verification work program
Confidential Attachment 2	Evidence of Summit's price negotiations