

PUBLIC FILE

*Application for the continuation of a
Dumping Duty Notice*

ADN No. 2019/045

ATTACHMENT A Application for Continuation of a Dumping Duty Notice Steel Pallet Racking exported from China, and Malaysia

The application must include a detailed statement setting out reasons for seeking continuation of the anti-dumping measure. Applicants must provide evidence addressing whether, in the absence of measures, dumped or subsidised imports would cause material injury to the local industry producing like goods.

i. Will the dumping or subsidisation continue, or recur?

Dematic submits that sufficient evidence exists for the Anti-Dumping Commission (**the Commission**) to conclude that the expiration of the measures would likely lead to a continuation or recurrence of dumping of the goods exported to Australia from China, and Malaysia.

In assessing the likelihood of dumping continuing or recurring, the Commission's Dumping and Subsidy Manual outlines several relevant factors and considerations. Such factors may include exporters' dumping margins, the volume of exports before and after the measures were imposed, the effect of the measures, the level of dumping compared with the level of measures, and any change in those measures (e.g., as a result of a review).¹

- **Anti-dumping actions by other countries**

Overview

Trade measures currently exist in the United States (**U.S.**). Dematic considers that the trade measures in the U.S. will, in the absence of trade measures in Australia, likely lead to trade diversion, for the reasons outlined further below at ii.

Major Jurisdictions

Anti-Dumping Measures – United States

On 16 September 2019, the U.S. Department of Commerce (**DOC**) announced its affirmative final determinations in the antidumping (**AD**) and countervailing duty investigations of imports of certain steel racks and parts thereof (**steel racks**) from China.²

The merchandise covered by this investigation included steel racks and parts thereof, assembled, to any extent, or unassembled, including but not limited to, vertical components (e.g., uprights, posts, or columns), horizontal or diagonal components (e.g., arms or beams), braces, frames, locking devices (e.g., end plates and beam connectors), and accessories (including, but not limited to, rails, skid channels, skid rails, drum/coil beds, fork clearance bars, pallet supports, row spacers, and wall ties).³

This decision levied the following AD margins on Chinese exporters:⁴

¹ Dumping and Subsidy Manual, December 2021, p. 137.

² Non-Confidential Attachment 1: Federal Register; *Certain Steel Racks and Parts Thereof From the People's Republic of China: Amended Final Affirmative Antidumping Duty Determination and Antidumping Duty Order; and Countervailing Duty Order*. 16 September 2019. Also available at: <https://www.federalregister.gov/documents/2019/09/16/2019-19949/certain-steel-racks-and-parts-thereof-from-the-peoples-republic-of-china-amended-final-affirmative>

³ Non-Confidential Attachment 3: International Trade Administration; Fact Sheet – Commerce Preliminarily Finds Dumping of Imports of Steel Racks from the People's Republic of China.

⁴ Non-Confidential Attachment 2: U.S. International Trade Administration; Fact Sheet – Commerce Finds Dumping of Imports of Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan; Countervailable Subsidisation of Imports of Corrosion

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No.	Exporter	Producer	Weighted Ave, Dumping Margin
1	Nanjing Dongsheng Shelf Manufacturing Co., Ltd	Nanjing Dongsheng Shelf Manufacturing Co., Ltd	18.06%
2	Ateel Display Industries (Xiamen) Co., Ltd	Ateel Display Industries (Xiamen) Co., Ltd	18.06%
3	CTC Universal (Zhangzhou) Industrial Co., Ltd	CTC Universal (Zhangzhou) Industrial Co., Ltd	18.06%
4	David Metal Craft Manufactory Ltd	David Metal Craft Manufactory Ltd	18.06%
5	Guangdong Wireking Housewares and Hardware Co., Ltd	Guangdong Wireking Housewares and Hardware Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Hebei Wuxin Garden Products Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Huanghua Xinxing Furniture Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Huanghua Xingyu Hardware Products Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Huangua Qingxin Hardware Products Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Huangua Haixin Hardware Products Co., Ltd	18.06%
6	Hebei Minmetals Co., Ltd	Huanghua Hualing Hardware Products Co., Ltd	18.06%
7	i-Lift Equipment Ltd	Yuanda Storage Equipment Ltd	18.06%
8	Jiangsu Nova Intelligent Logistics Equipment Co., Ltd	Jiangsu Nova Intelligent Logistics Equipment Co., Ltd	18.06%
9	Johnson (Suzhou) Metal Products Co., Ltd	Johnson (Suzhou) Metal Products Co., Ltd	18.06%
10	Master Trust (Xiamen) Import and Export Co., Ltd	Zhangzhou Hongcheng Hardware & Plastic Industry Co., Ltd	18.06%
11	Nanjing Ironstone Storage Equipment Co., Ltd	Jiangsu Baigeng Logistics Equipments Co., Ltd	18.06%
12	Nanjing Kingmore Logistics Equipment Manufacturing Co., Ltd	Nanjing Kingmore Logistics Equipment Manufacturing Co., Ltd	18.06%
12	Nanjing Kingmore Logistics Equipment Manufacturing Co., Ltd	Jiangsu Kingmore Storage Equipment Manufacturing Co., Ltd	18.06%
13	Ningbo Beilun Songyi Warehouse Equipment Manufacturing Co., Ltd	Ningbo Beilun Songyi Warehouse Equipment Manufacturing Co., Ltd	18.06%
14	Ningbo Xinguang Rack Co., Ltd	Ningbo Xinguang Rack Co., Ltd	18.06%
15	Qingdao Rockstone Logistics Appliance Co., Ltd	Qingdao Rockstone Logistics Appliance Co., Ltd	18.06%
16	Redman Corporation	Redman Corporation	18.06%

Resistant Steel Products from China, India, Italy, Korea, and No Countervailable Subsidisation of Imports of Corrosion Resistant Steel Products from Taiwan.

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17	Redman Import & Export Limited	Redman Corporation	18.06%
18	Suzhou (China) Sunshine Hardware & Equipment Imp. & Exp. Co. Ltd	Changzhou Tianyue Storage Equipment Co., Ltd	18.06%
18	Suzhou (China) Sunshine Hardware & Equipment Imp. & Exp. Co. Ltd	Ningbo Beilun Songyi Warehouse Equipment Manufacturing Co., Ltd	18.06%
19	Tianjin Master Logistics Equipment Co., Ltd	Tianjin Master Logistics Equipment Co., Ltd	18.06%
20	Waken Display System Co., Ltd	CTC Universal (Zhangzhou) Industrial Co., Ltd	18.06%
21	Xiamen Baihuide Manufacturing Co., Ltd	Xiamen Baihuide Manufacturing Co., Ltd	18.06%
22	Xiamen Ever Glory Fixtures Co., Ltd	Fujian First Industry and Trade Co., Ltd	18.06%
22	Xiamen Ever Glory Fixtures Co., Ltd	Fujian Ever Glory Fixtures Co., Ltd	18.06%
22	Xiamen Ever Glory Fixtures Co., Ltd	Xiamen Ever Glory Fixtures Co., Ltd	18.06%
23	Xiamen Golden Trust Industry & Trade Co., Ltd	Xiamen Golden Trust Industry & Trade Co., Ltd	18.06%
24	Xiamen Kingfull Imp and Exp Co., Ltd. (d.b.a) Xiamen Kingfull Displays Co., Ltd	Xiamen Huiyi Beauty Furniture Co., Ltd	18.06%
25	Xiamen Kingfull Imp and Exp Co., Ltd. (d.b.a) Xiamen Kingfull Displays Co., Ltd	Xiamen LianHong Industry and Trade Co., Ltd	18.06%
26	Xiamen LianHong Industry and Trade Co., Ltd	Xiamen LianHong Industry and Trade Co., Ltd	18.06%
27	Xiamen Luckyroc Industry Co., Ltd	Xiamen Luckyroc Storage Equipment Manufacture Co., Ltd	18.06%
28	Xiamen Meitoushan Metal Products Co., Ltd	Xiamen Meitoushan Metal Products Co., Ltd	18.06%
29	Xiamen Power Metal Display Co., Ltd	Xiamen Power Metal Display Co., Ltd	18.06%
30	Xiamen XinHuiYuan Industrial & Trade Co., Ltd	Xiamen XinHuiYuan Industrial & Trade Co., Ltd	18.06%
31	Xiamen Yiree Display Fixtures Co., Ltd	Xiamen Yiree Display Fixtures Co., Ltd	18.06%
32	Zhangjiagang Better Display Co., Ltd	Zhangjiagang Better Display Co., Ltd	18.06%
	China-wide entity		144.50%

Non-Confidential Table 1: U.S. AD Margins on Steel Pallet Racking

On 27 September 2019, the U.S. International Trade Commission determined that the United States industry was materially injured by reasons of imports of steel racks from China that had been found by the U.S. DOC to have been exported to the U.S. at less than fair value (dumped) prices.

- **Current normal values in the exporting countries**

In Investigation No. 441 (**INV 441**),⁵ the then Minister for Industry, Science and Technology considered and accepted the recommendations of the Anti-Dumping Commissioner, and imposed the following ad valorem interim dumping duties:⁶

Country	Exporter	Dumping Margin
China	Dexion (Shanghai) Logistics Equipment Co. Ltd	33.7%
	Changzhou Tianyue Storage Equipment Co. Ltd	78.6%
	SSI Schaefer System International (Kunshan) Co. Ltd	72.7%
	Jiangsu Jracking Industry Ltd	60.1%
	Danyang Hengcheng Metal Products Co. Ltd	60.1%
	Residual Exporters	77.0%
	Uncooperative Exporters	10.3%
Malaysia	Schaefer Systems International SDN. BHD	4.6%
	All Other Exporters	4.8%

Non-Confidential Table 1: INV 441 Dumping Margins Summary

In the Final Report to INV 441 (**REP 441**), the Commission determined that Hot Rolled Coil Steel (**HRC**), as the major raw material input into the production of Steel Pallet Racking, accounts for approximately 70 percent of the cost to make Steel Pallet Racking, and is therefore a key determinant of the domestic Chinese and Malaysian price of the goods.⁷ In relation to the determination of home market prices for China, the Commission concluded as follows:⁸

6.6 Cost replacement for HRC

6.6.1 Background and basis of the HRC benchmark

Having determined that a particular market situation exists in the steel pallet racking market in China, such that sales of steel pallet racking in that market are unsuitable for normal value, the Commissioner considered whether it was appropriate and possible to construct normal values for certain Chinese exporters in accordance with subsection 269TAC(2)(c) of the Act.

Section 43 of the Customs (International Obligations) Regulation 2015 (the Regulation) requires that where an exporter keeps records in accordance with GAAP and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods then the cost of production must be worked out using the exporter's records.

The Commissioner has determined that the HRC prices are influenced by the GOC's involvement in the steel market in China. As outlined in Non-Confidential Appendix 4, the Commissioner considers that HRC prices are significantly affected by GOC influences such that they do not reasonably reflect competitive market costs.

The Commissioner has therefore considered options for establishing competitive market costs of HRC in China for the purposes of constructing normal value under subsection 269TAC(2)(c).

The Commissioner has determined that an appropriate basis for calculating a benchmark for HRC costs in China is the weighted average domestic HRC price paid by cooperating exporters from Korea and

⁵ Steel Pallet Racking exported from the People's Republic of China and Malaysia. Dumping investigation.

⁶ Refer AND 2019/45.

⁷ REP 441, p. 42.

⁸ REP 441, p. 42-43.

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Taiwan in Reviews 456 and 457, at comparable delivery terms to those observed in China. This is because:

- the review period for Reviews 456 and 457 is the same as the investigation period for this investigation; and
- it was determined using verified domestic HRC purchases by exporters in markets free of apparent government influence (in this instance, Korea and Taiwan).

Furthermore, the Commissioner considers that it is not appropriate to use private domestic prices for HRC in China or import prices for HRC in China when determining a benchmark for the reasons discussed in Non-Confidential Appendix 4.

As noted in Dematic's public file application to INV 441, and as is still the case, Dematic does not have access to domestic selling price information for Steel Pallet Racking in China or Malaysia.

Dematic has sourced domestic selling price information for raw material HRC and galvanised HRC for certain countries, including China [commercial -in-confidence domestic selling price information and HRC benchmark methodology].

Dematic has adjusted the labour component [commercial-in-confidence labour cost adjustment].

For selling, general, and administrative (SGA) expenses [commercial-in-confidence SGA cost considerations in assessing normal values].

Dematic refers the Commission to Confidential Attachment 17 for full details.

▪ **Whether exports have continued post the imposition of measures, and estimates of export price**

Exports from China and Malaysia have continued post the imposition of measures. Since July 2018, Dematic's assessment of these volumes from Australian Bureau of Statistics data is as follows:

[Confidential Chart 1: Import Volume Estimate; July 2018 – November 2022]

Australian Bureau of Statistics data for the tariff code in which Steel Pallet Racking is classified includes all components of the goods – beams, uprights, and braces. Consequently, unit Free on Board (FOB) prices for the pallet racking components of beams, uprights, and braces, are not separately identified.

In its public file application to INV 441, Dematic determined Chinese and Malaysian export prices as follows:⁹

China

Dematic has included pricing offers for pallet racking exported from China that have been obtained 'In-Confidence'.

The competitor offers are for pallet racking supplied by:

- Two offers ex [company] (China);
- Three offers ex [company] (China).

The export prices are on an ex-works basis and have been used in dumping margin calculations.

⁹ Dematic Application to INV 441, p. 36.

The export prices relate to exports during the third quarter of 2016. In the absence of any subsequent offers, Dematic has adjusted the offers obtained for each of the remaining three quarters of the likely investigation period, adjusted for movements in HRC pricing.

Malaysia

Dematic cannot obtain from published ABS import data actual unit values (per kg) for beams, uprights and brace exported from Malaysia.

As an alternative, Dematic has calculated deductive export prices from a recent tender that Dematic was unsuccessful and the importer of pallet racking – [company] – was the successful bidder. Dematic was notified of the successful price for the winning tenderer and has calculated deductive export prices for beams, uprights and brace based upon similar components supplied by Dematic.

Dematic has estimated export prices for the proposed CY2022 inquiry period in the same manner as in INV 441, with a timing adjustment for the movement in selling prices between 1 October 2016 – 30 September 2017 and CY2022.

Dematic refers the Commission to Confidential Attachment 17 for full details.

▪ **Whether exporters have maintained distribution links in Australia**

The evidence above of ongoing subject country export trade to the Australian market indicates the presence of well-utilised distribution links. The continued export activity via these established export pathways presents an opportunity for Chinese and Malaysia exporters to quickly increase sales volume of dumped and injurious Steel Pallet Racking if the measures are removed.

Additional evidence of subject exporters maintaining distribution links into the Australian market comes in the form of the Australian Border Force (**ABF**) focus on trade remedy compliance activities. Following imposition of the measures, imports of Steel Pallet Racking have been subject to numerous ABF compliance assessments. These can be summarised as follows:

ABF Goods Compliance Update	Compliance Activity Commentary
October 2020 ¹⁰	<p><i>Revenue understatements – Trade remedies</i></p> <p><i>During the 2019 – 2020 financial year, Trade Compliance officers undertook 54 targeted activities to ensure a level playing field in relation to the enforcement of trade remedy measures for:</i></p> <ul style="list-style-type: none"> • <i>Aluminium extrusions,</i> • <i>Clear float glass,</i> • <i>Hollow Structural Sections (HSS),</i> • <i>Wire rope, and</i> • <i>Steel pallet racking.</i> <p><i>Seven infringement notices under the infringement notice scheme were issued to encourage voluntary compliance for \$73,666.45. [emphasis added].</i></p>

¹⁰ Australian Border Force Goods Compliance Update – October 2020, p. 26.

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<p>February 2021¹¹</p>	<p>Revenue understatements – Trade remedies</p> <p><i>During the period July to September 2020, Trade Compliance officers undertook 24 targeted activities to ensure a level playing field in relation to the enforcement of trade remedy measures for:</i></p> <ul style="list-style-type: none"> • Aluminium extrusions; • Hollow Structural Sections (HSS); • Steel pallet racking; and • A4 copy paper. <p>[emphasis added].</p>
<p>Autumn 2021¹²</p>	<p>Revenue understatements – Trade remedies</p> <p><i>During the period 1 October to 31 December 2020, Trade Compliance officers conducted 33 activities to ensure a level playing field in relation to the enforcement of trade remedy measures, primarily focusing on:</i></p> <ul style="list-style-type: none"> • Aluminium extrusions; • Hollow Structural Sections (HSS); and • Steel pallet racking. <p>[emphasis added].</p>
<p>August 2021¹³</p>	<p>Revenue understatements – trade remedy measures</p> <p><i>During the period 1 January to 31 March 2021, Trade Compliance officers completed 13 verification activities to ensure a level playing field in relation to the enforcement of trade remedy measures, primarily focusing on:</i></p> <ul style="list-style-type: none"> • Aluminium extrusions; • Hollow Structural Sections (HSS); and • Steel pallet racking. <p><i>A total of 57 verification activities have now been completed this financial year to date.</i> [emphasis added].</p>
<p>Spring 2021¹⁴</p>	<p>Revenue understatements – trade remedy measures</p> <p><i>During the period 1 April to 30 June 2021, Trade Compliance officers completed 13 verification activities to ensure a level playing field in relation to the enforcement of trade remedy measures, primarily focusing on:</i></p> <ul style="list-style-type: none"> • Aluminium extrusions; • Hollow Structural Sections (HSS);

¹¹ Australian Border Force Goods Compliance Update – February 2021, p. 28.

¹² Australian Border Force Goods Compliance Update – Autumn 2021, p. 22.

¹³ Australian Border Force Goods Compliance Update – August 2021, p. 33.

¹⁴ Australian Border Force Goods Compliance Update – Spring 2021, p. 33.

	<ul style="list-style-type: none"> • Steel pallet racking; and • A4 copy paper. <p>A total of 70 verification activities were completed during the 2020-2021 financial year, compared to 54 during 2019-2020. [emphasis added].</p>
Autumn 2022 ¹⁵	<p>Revenue understatements – trade remedy measures</p> <p>During the period 1 July to 31 December 2021, Trade Compliance officers completed 29 verification activities to ensure a level playing field in relation to the enforcement of trade remedy measures, primarily focusing on:</p> <ul style="list-style-type: none"> • Aluminium extrusions; • Hollow Structural Sections (HSS); • Steel pallet racking; and • Precision pipe and tube steel. <p>A total of 70 verification activities were completed during the 2020-2021 financial year, compared to 29 so far during 2021-2022 FY in the period July-December 2021. [emphasis added].</p>

In the Spring 2021 edition of the Goods Compliance Update, the ABF also detailed the then recent Administrative Appeals Tribunal outcome that upheld the ABF's decision that dumping duties were payable on certain adjustable steel pallet racking imported from China:¹⁶

In June 2018 the ADC made a preliminary affirmative decision enabling securities to be taken from adjustable steel pallet racking imported from China, pending the outcome of their investigation. They deemed it was necessary to take securities in relation to the exports of goods under consideration from China and Malaysia to prevent material injury to Australian industry while the investigation continued. The NTIS team collected interim dumping securities from relevant importers.

*The ABF received information from industry that there was an importer who was **pressuring brokers to claim a dumping exemption** for steel pallet racking imports from China. Based on this information the NTIS team took a closer look at the entity identified. This closer inspection identified **misuse of the exemptions to the dumping duty notice and found this company to be circumventing dumping measures**. The NTIS team collected the interim dumping duty on further imports, which after initial reluctance was eventually paid by the importer. [**emphasis added**].*

The ADC investigation into steel pallet racking was concluded in 2019 affirming that dumping duties were payable on adjustable steel pallet racking imported from China. The importer applied to the Anti-Dumping Review Panel (ADRP) to review the decision on the basis that although the imported steel racking was adjustable it wasn't to the dimensions prescribed by the ADC.

...

The ADRP considered and rejected claims made by the importer that the steel pallet racking was not adjustable as prescribed and recommended that the Minister's decision be affirmed. The Minister affirmed the decision in September 2019.

¹⁵ Australian Border Force Goods Compliance Update – Autumn 2022, p. 28.

¹⁶ Australian Border Force Goods Compliance Update – Spring 2021, p. 4-5.

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The ABF sent a letter to the importer which explained that the imported pallet racking was considered like goods and therefore subject to dumping duty by reference of the findings of the ADRP, the ADC and other material available to the ABF regarding the goods. The importer then lodged a review with the Administrative Appeals Tribunal (AAT) in August 2020 with the application being heard on 22 April 2021. The AAT upheld the decisions of the ABF accepting the legal submission represented on behalf of the ABF Commissioner in the matter.

Not only have significant distribution links been maintained since the imposition of measures, but the trade through such links has, as demonstrated above, been the subject of a high level of ongoing compliance scrutiny by the ABF and the AAT.

Further, [additional commercial-in-confidence details concerning Chinese and Malaysian exports]^{17 18}

These proven and documented instances of circumvention and underpayment of trade remedy duties, whilst under measures, is telling as to the likely future price and volume behaviour of subject country exporters and Australian importers should the measures be allowed to expire – these parties are clearly motivated to achieve the lowest possible price points into the Australian market – an absence of ongoing measures will translate to a fall in prices, and the Australian industry will suffer a recurrence of material injury.

- **Whether exporters retain excess capacity for direction to Australia**

Summary

Subject country Steel Pallet Racking producers have the capacity to export a substantial volume of subject goods to the Australian market in the event of the expiration of the measures. Subject producers maintain extensive production capacity, and they have the means and motive to export substantial volumes of the goods to Australia. Given the attractiveness of the Australian market, they would not hesitate to do so without the discipline of the measures.

While there does not appear to be any publicly available information regarding installed capacity and capacity utilisation rates in the Chinese and Malaysian steel racking industry per se, overall steel capacity utilisation and consumption rates indicate that Chinese and Malaysian iron and steel producers have the incentive and ability to expand exports, including Steel Pallet Racking exports, to Australia:

- capacity utilisation rates in the Chinese iron and steel industry fell throughout 2022, down 3.8 percent year-on-year,¹⁹ indicating growing excess capacity and therefore a capability to manufacture steel products for export markets where demand so dictates (for example, markets without trade measures where such exports had been previously found to be dumped and injurious); and
- during the first half of 2022, Malaysia's steel exports increased significantly (15 percent year-on-year).²⁰

Prior to and leading up to INV 441, the excess capacity of subject exporters was significant enough to permit the Commission to make affirmative dumping and material injury findings. Given this large amount of available capacity, which Dematic asserts will not have materially altered since INV 441, Chinese, and Malaysian Steel Pallet Racking producers will certainly seek to ship large and growing volumes of the subject goods to the Australian market if the measures are discontinued. Subject country producers continue to have strong incentives to operate their facilities at high-capacity utilisation levels, as doing so lowers per-unit costs. These circumstances, plus the attractiveness of the Australian market, creates significant incentives for subject goods producers to manufacture significant amounts of dumped goods for export to Australia.

¹⁷ Confidential Attachment 15.

¹⁸ Confidential Attachment 16.

¹⁹ Non-Confidential Attachment 4: National Bureau of Statistics of China, December 21, 2022, *The Utilization Rate of National Industrial Capacity in the Third Quarter of 2022*. Refer Manufacturing of Ferrous Metal Smelting and Pressing indicator.

²⁰ Non-Confidential Attachment 5: SteelOrbis, November 14, 2022, *SEAISI: 2022 appears to be yet another challenging year*.

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Dematic agrees with (and further critiques below) the Commission's assessment that spare capacity has remained a feature of the Chinese and Asian steel market generally and will continue dominating the steel landscape for the foreseeable future.

Global Capacity Developments

With HRC accounting approximately 70 percent of the cost to make Steel Pallet Racking, an analysis of excess capacity in the subject goods industry requires consideration of both overcapacity in the industry specifically (as above), and the HRC producing steel industry more generally.

Overcapacity in the steel industry is the subject of continual critique, yet the conclusions remain the same – global excess capacity is one of the biggest challenges facing steel producers, which much of that capacity being artificially sustained by market-distorting policies and practices.

Earlier Commentary & Analysis

The Organisation of Economic Cooperation and Development (**OECD**) has noted that whilst global steel-making capacity (in nominal terms) decreased from 2015 to 2018, available information suggested that capacity had been increasing for the first time since 2014.²¹ In addition, steel investment project announcements suggested that global gross steel capacity was expanding by 17.3 million tonnes, with a further 26.63 million tonnes in the planning stages.²² Fully implemented, this would add approximately 44 million metric tonnes of new global steel-making capacity within the next three years.²³

The Commission's Analysis of Steel and Aluminium Markets Report to the Commissioner of the Anti-Dumping Commission²⁴ found that ongoing excess capacity is a significant challenge for the global steel industry, particularly in Asia. In relevant part:

Excess capacity – a problem that afflicts the steel industry – is a significant issue for the sector. The growing gap between global steelmaking capacity and demand has led to deterioration in the financial situation of steelmakers, and raised concerns about the longer-term economic viability and efficiency of the industry.

The tipping point in global steel excess capacity was recognised by the OECD in April 2016. It noted that excess capacity is the biggest challenge facing the steel industry:

Excess steelmaking capacity – a global challenge that continues to grow – is creating significant difficulties for steel producers in advanced, emerging and developing economies alike. Low steel prices, weak profitability, trade disturbances in some jurisdictions, and an escalation of trade actions against steel imports are some of the immediate impacts of excess capacity that are being felt by steel manufacturers around the world. These effects are pronounced due to the weakness of global steel markets and sluggish growth prospects. Alleviating excess capacity would lead to improved and more stable business conditions, and allow the industry to face a number of long-term challenges more effectively.²⁵

At the March 2018 OECD Steel Committee meeting, it was further noted that:²⁶

²¹ Non-Confidential Attachment 6: *OECD Latest Development in Steel Making Capacity, 2020*, p. 9 (2.1.1 Global Summary).

²² Non-Confidential Attachment 7: *Extending the EU Safeguard; Key Elements* (February 2021, p. 1).

²³ *Ibid.*

²⁴ <https://www.industry.gov.au/data-and-publications/analysis-of-steel-and-aluminium-markets>

²⁵ OECD, High-Level Meeting, Excess Capacity and Structural Adjustment in the Steel Sector: Background Note No. 2: "Capacity Developments in the World Steel Industry" (April 18, 2016) at p. 2.

²⁶ OECD, "Statement by Lieven Top, Chair of the OECD Steel Committee", 84th Session of the OECD Steel Committee, (5-6 March 2018).

New investment projects continue to take place around the world and global steelmaking capacity could increase by 2.0% between 2018 and 2020 in the absence of any further closures. Global excess capacity is expected to continue to be a major challenge for the global steel industry—calling for urgent, accelerated actions to reduce it. Economies at the heart of the increase in capacity have an important role in this regard, and those increasing capacity should do so strictly in line with demand to avoid an exacerbation of the problem.

In March 2019, the OECD Steel Committee again ...expressed concerns about the low growth prospects for the global economy and global steel markets, noting that decelerating demand growth and virtually unchanged steelmaking capacity result in a persistence of severe excess capacity in the steel sector.²⁷

On 25 November 2019 the South East Asian Iron and Steel Institute (**SEAISI**) highlighted that the ASEAN region was slated to significantly increase its overall steelmaking capacity.²⁸ SEAISI forecast an alarming increase across the region from the then current existing capacity of [XXX] million metric tonnes, to [XXX] million metric tonnes.²⁹ This was to be driven primarily by Chinese investment,³⁰ the steel industry of which is not impartial to ignoring the economic and fiscal impacts of unmitigated steel manufacture.

Current Commentary & Analysis

The OECD's 2021 *Latest Developments in Steelmaking Capacity* report concludes that steel capacity continues to expand in key producing economies, and that new plants are being built in economies that previously had little or no steel production. Its key findings are:³¹

- Global crude steelmaking capacity increased by 37.6 million metric tonnes (**mmt**), or 1.6%, in 2020 despite extremely weak market conditions. Over the past two years, global capacity has increased by a total of 73.7 mmt. Asia and the Middle East accounted for almost all that growth.
- Because of falling production and demand for steel, the global capacity increase led to a worsening excess capacity situation for the world steel industry in 2020. The gap between global capacity and production increased 624.9 mmt in 2020.
- Capacity is expected to continue expanding over the next few years. Many investment projects continue to take place around the world: for example, a total of 45 mmt of capacity is currently underway for completion over the next three years (2021-23) while an additional 68.7 mmt is in the planning stages. Should all these projects be realised, global steelmaking capacity could increase by almost 5% between 2021 and 2023 in the absence of closures, clearly adding to supply side pressures for the steel industry.
- Excess capacity pressures have emerged, and are getting worse, in regions that previously had strong steel demand and positive prospects for market growth; there are growing concerns in Southeast Asia for instance as capacity growth outpaces demand, supported by foreign investment particularly from China. These emerging problems, and the longevity of capacity once installed, highlight the need to address excess capacity issues early on.

During 2020, most steelmaking capacity additions took place in Asia, where an additional 28.8 mmt of capacity was deployed.³² Information on gross capacity additions expected in 2021-2023 suggests 45.0 mmt is currently

²⁷ OECD, "Statement by Mr Jai Motwane, Vice Chairman of the OECD Steel Committee", 86th Session of the OECD Steel Committee, (25-26 March 2019).

²⁸ Confidential Attachment 14.

²⁹ Ibid.

³⁰ Ibid.

³¹ Non-Confidential Attachment 8: *OECD Latest Development in Steel Making Capacity, 2021*. P. 5 (Introduction and key findings).

³² Ibid, p. 9.

under construction around the world, and that Asia and the Middle East are likely to experience a considerable increase in steelmaking capacity over the next few years.³³

In Asia specifically, steelmaking capacity increased by 28.8 mmt in 2020, representing growth of 1.8 percent from 2019. Capacity growth is expected to continue over the next few years, supported by several investment projects that are underway or in the planning stages, with production operations expected to start during the three-year period of 2021-2023. The projects that are now underway could add an additional 18.6 mmt of steelmaking capacity by 2023 (in gross terms), bringing Asia's total capacity to 1,664.9 mmt (+1.1% during the three-year period) in the absence of closures.³⁴

Within China, several new capacity investments are being made:³⁵

With regard to investments in BOF capacity in China, Anyang Zhoukou Steel is constructing a new BOF plant with 1.75 mmt in Henan province, and its completion date has been postponed to 2021 from 2020 (reference omitted). In addition, Baosteel Zhanjiang Iron and Steel is constructing a new BOF plant with capacity of 3.6 mmt which is scheduled to become operational in 2021 (reference omitted).

With regard to investments in EAF capacity, in the Sichuan province, Luzhou Xinyang Steel and Sichuan Jinsheng Steel started operations at their new EAF plants in 2020, which have steelmaking capacities of 2.0 mmt and 1.0 mmt, respectively. Also, Fujian Dingsheng Iron and Steel installed an EAF with 2.0 mmt of capacity in Fujian province in 2020 (reference omitted). In Guangxi Zhuang Autonomous Region, Wuzhou Yongda Iron and Steel commissioned a new EAF plant in December 2020 with steelmaking capacity of 1.0 mmt (reference omitted). In the Guangdong province, Heyuan Derun Iron and Steel has plans to replace existing EAFs with new EAFs. Although these facilities are expected to become operational in summer 2021, their capacity levels are still unknown (reference omitted).

China's HRC capacity expansion is set to gain pace in 2022-2023. According to a recent article by [commercial-in-confidence economic analysis].³⁶

Within South-East Asia, concerns are growing about the emergence of significant excess capacity in the region. For example, SEAISI published a recent article noting its grave concerns for overcapacity in the region in October 2020, noting that total steelmaking capacity in the ASEAN region could increase to about 151 mmt, taking into account investments from China, which could be up to 50 mmt, and joint ventures with foreign investors and local companies. Because of these investments, total excess capacity will be more than 60 mmt by 2026 and it will take about 20 years for demand to catch up with this capacity level.³⁷

Steel Pallet Racking Capacity Implications

Dematic contends that overcapacity in the global steel market generally has an impact on the subject goods specifically. Such global excess capacity leads to excess capacity and low prices for the subject goods. It is highly likely then that this global oversupply translates to a displacement of export volumes to open markets, making Australia an attractive destination for dumped and injurious excess Steel Pallet Racking.

▪ **China's Particular Market Situation**

In INV 441, the Commission found that the Government of China (**GOC**) influenced conditions within Chinese steel markets during the investigation period. The GOC was able to exert this influence through its directives

³³ Ibid, p. 10.

³⁴ Ibid, p. 12.

³⁵ Ibid, p. 12-13.

³⁶ Confidential Attachment 9.

³⁷ Non-Confidential Attachment 8: *OECD Latest Development in Steel Making Capacity, 2021*. P. 15-16.

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and oversight, subsidy programs, taxation arrangements and the significant number of state-owned enterprises and state invested enterprises operating in the market. The Commissioner's assessment and analysis indicated that the GOC materially influenced conditions within the Chinese HRC market (and Chinese steel markets generally) during the investigation period and because of that influence, domestic prices for Chinese Steel Pallet Racking were substantially different to those that would otherwise prevail in normal competitive market conditions.³⁸

The GOC continues to exert significant influence in the Chinese domestic steel industry, and that Chinese steel industry participants continue to receive countervailable benefits provided by the GOC at local, provincial, and national levels.

Hollow Structural Sections (HSS) Continuation No. 590

Dematic notes the Commission's conclusions in Report 590 (**REP 590**) to the Continuation Inquiry 590 (**CON 590**) involving HSS exported from China where it has concluded that the GOC continues to influence the Chinese domestic market for hot rolled coil (**HRC**), the key raw material input in the production of HSS.

REP 590 detailed a total of 59 countervailable subsidies as being applicable to exports of HSS from China, as identified from an earlier HSS variable factors review inquiry.³⁹ During the course of CON 590, the Commission also identified an additional program under which countervailable subsidies were provided to Chinese exporters of the HSS goods.⁴⁰ REP 590 then determined that Chinese exporters of the goods were in receipt of countervailable subsidies by margins of between 8.4 and 51 percent.⁴¹

The Commission's REP 590 findings in relation to the GOC's influence in the Chinese steel market, and therefore the extent of subsidisation, were that:⁴²

The commission considers the GOC's involvement and influence over the steel industry to be a primary cause of the prevailing structural imbalances within both the broader steel industry and the HRC and HSS markets. The issuance of planning guidelines and directives along with provisions of direct and indirect financial support creates a domestic market that benefits domestic producers and supports inefficient enterprises, but does not support access and therefore competition from foreign producers.

...

The commission therefore considers that the GOC's historic and continued involvement in the Chinese steel industry, through its policies, planning guidelines, plans and directives, materially contributed to its steel industry's overcapacity, over supply and distorted structure during the inquiry period. It is the commission's view that these features have also limited foreign competition. When considered together, the state of affairs created by the GOC significantly affected the dynamics and price setting in the domestic market.

Similar to HSS, HRC is the key raw material input used in the manufacture of Steel Pallet Racking. A finding that the GOC continues to exert influence in the HSS domestic market in China, via HRC, therefore similarly applies to the Chinese Steel Pallet Racking market.

Macroeconomic View – China Industrial Policy Spending & Export Focus

Dematic highlights with the Commission recent economic analysis and commentary suggesting that the GOC's industrial interventions continue to increase, as industrial policy is seen as vital to reducing China's economic

³⁸ REP 441, section 6.5.2, p. 42.

³⁹ REP 590, p. 101.

⁴⁰ Ibid.

⁴¹ REP 590, p. 100.

⁴² REP 590, p. 169.

dependence on other countries, while they increase their dependence on China.⁴³ According to the *Centre for Strategic and International Studies (CSIS)*, Beijing's industrial initiatives have become more ambitious in recent years. In a recent study, the CSIS concluded that:⁴⁴

- China's industrial policy spending is enormous, totalling at least 1.73 percent of GDP in 2019. This is equivalent to more than US\$248 billion at nominal exchange rates and US\$407 billion at purchasing power parity exchange rates. This is higher than China's defence spending for 2019, estimated at US\$240 billion.
- China is an outlier; it spends far more on supporting its industries than any other economy. As a share of GDP, China spends over twice as much as South Korea, which is the second-largest relative spender. In dollar terms, China spends more than twice as much as the U.S.
- China's approach to industrial policy is exceptional, as Beijing is sustaining or increasing vertical industrial policy at a level of development when other economies have dialled back. China stands out in terms of both quantifiable spending as well as non-quantifiable policy tools.

In June 2022, *The Australian Strategic Policy Institute* assessed that:⁴⁵

China's trade surplus hit an extraordinary US\$292 billion in the first five months of the year—more than double its pre-pandemic level—and its aggressive pursuit of export markets is likely to become a flashpoint in a slowing world economy.

The Chinese export surge includes Australia, despite Beijing's continuing campaign of illegal trade sanctions against Australian exports.

China's exports to Australia over the last reported five months were up 44% from a year ago, while Australia's shipments in the other direction were down 5%, despite soaring commodity prices.

There is no hint of a concerted Western response to China's mercantilist strategy, which treats trade surpluses as a manifestation of national power. The World Trade Organization's rules place no restriction on either the preponderance of state-owned enterprises in the Chinese economy or the subsidies China extends to its private sector, which are fuelling its export boom.

Specific to Chinese steel manufacturing, [*commercial-in-confidence economic analysis*].⁴⁶

Amongst others, this economic analysis and commentary highlights the ongoing prevalence and involvement of the GOC in Chinese industry broadly, and the steel industry specifically. Applied here, it is Dematic's firm position that the GOC continues to influence the domestic market in China for Steel Pallet Racking through the broad range of policies and plans that result in Chinese domestic selling prices for the goods being lower than they otherwise would be.

⁴³ Non-Confidential Attachment 10: *China spends far more than others to help favoured industries, report finds*. The Wall Street Journal, 23 May, 2022.

⁴⁴ Non-Confidential Attachment 11: *Red Ink, Estimating Chinese Industrial Policy Spending in Comparative Perspective*. Centre for Strategic & International Studies. May 2022. Accessible at <https://www.csis.org/analysis/red-ink-estimating-chinese-industrial-policy-spending-comparative-perspective>

⁴⁵ Non-Confidential Attachment 12: *China's relentless export machine*. Australian Strategic Policy Institute, *The Strategist*. 21 June, 2022.

⁴⁶ Confidential Attachment 13: *S&P Global Commodity Insights; Platts SBB Steel Markets Daily. China's manufacturing sector recovery to stay modest, weigh on steel demand*. P. 7.

ii. Will material injury recur?

- **Volume and value of imports, and sources of imports**

Refer above at i as to whether exports have continued post the imposition of measures, and estimates of export price.

- **Sales and market shares of all suppliers**

Dematic has provided this detail at Confidential Chart 1.

- **Performance of the local industry (profits, price trends, investment and employment)**

Dematic has provided Confidential Appendix A-6 and Confidential Appendix A-7 as part of this application.

- **Likelihood of material injury in the absence of anti-dumping measures**

Summary

Dematic submits that in the event the anti-dumping measures applicable to Steel Pallet Racking exports from China and Malaysia are allowed to expire on 6 May 2024, the Australian industry will suffer, and be threatened with a recurrence of, material injury that the measures are intended to prevent.

The Likely Volume of Imports Would be Significant

In evaluating the likely effects of subject imports, the Commission looks to assess whether the likely volume of the subject goods would be significant if the measures were to expire. The Commission also considers all economic factors relevant to the inquiry in making this assessment, such as production capacities (and existing unused capacity), market size and share, and changes in the structure and operation of the market since the measures were imposed.⁴⁷ Another important factor that the Commission considers is the extent to which subject producers are export oriented. As shown below and above, taken together, these factors indicate that the likely volume of Steel Pallet Racking exports from China and Malaysia would be significant if the measures lapse.

Investigation 441

The Commission's market share assessment over the 2013 to 2017 period found that the size of the Steel Pallet Racking market in Australia increased from the year ending September 2016 to the year ending September 2017. Over that period, the sales from China and Malaysia increased significantly, to a point where the goods from China and Malaysia accounted for approximately two thirds of the Australian market in the investigation period. The growth in sales of the goods from China and Malaysia displaced the Australian industry's sales, which fell from 44 percent to 26 percent of the total market share from the year ended September 2016 to the year ended September 2017.⁴⁸

Further:⁴⁹

Evidence pertaining to the tenders and awarding of supply contracts shows that the Australian industry lost sales in the investigation period to the goods imported from China and Malaysia at dumped prices.

⁴⁷ Dumping and Subsidy Manual, November 2018, p. 176.

⁴⁸ REP 441, section 8.6, p. 75.

⁴⁹ Ibid.

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The Commission considers that the magnitude of dumping provided exporters from China and Malaysia with the ability to offer steel pallet racking to the Australian importers and/or end users at significantly lower prices than would otherwise have been the case. This provided a significant competitive advantage on price when competing with the Australian industry to secure contracts for the supply of steel pallet racking.

The Commissioner considers that dumping of steel pallet racking from China and Malaysia has caused injury to the Australian industry in the investigation period in the form of lost sales volume and lost market share.

The Commission's view in INV 441 was that the dumping of Steel Pallet Racking from China and Malaysia caused injury to the Australian industry in the investigation period in the form of lost sales volume and lost market share.⁵⁰

Current Inquiry

Dematic considers that the expiration of measures would likely lead to material injury to the Australian industry in the form of reduced sales and reduced market share. In the absence of measures, exporters from the subject countries are likely to increase export volumes to Australia.

As documented above, imports of Steel Pallet Racking from China and Malaysia increased rapidly over the original investigation period. The subject imports rose much more rapidly than demand over that time, as both countries aggressively acquired market share causing material injury via material margins of dumping.

Absent of the continuation of the trade measures, the domestic industry will once again be forced to compete with rising volumes of low-priced subject imports. Any projected future growth in demand will not shield the domestic industry from the injurious effects of imports that have demonstrated their ability to be at materially dumped levels, and to outpace demand.

A further consideration during the proposed CY2022 continuation inquiry period is that the SARS-CoV-2 (**COVID-19**) global pandemic, that commenced in late 2019, has disrupted global demand and the supply of many products including steel, and the raw materials to produce it. Dematic submits that had the COVID-19 not disrupted global supply chains, export volumes from China and Malaysia would have been higher. As supply chains stabilise, Australian industry sales volumes will become vulnerable to exports as a result of an increase in volumes.

The Commission has recently assessed the impact of COVID-19 on supply chains in HSS CON 590, noting:⁵¹

While the economic uncertainty driven by the COVID-19 pandemic is likely to continue in the short term, the commission does not consider that the growth in the Australian market experienced during the inquiry period is likely to be replicated on an ongoing basis.

...

The commission considers that the growth in the Australian market during the inquiry period was anomalous when assessed against the longer term trend. The commission expects that as the impacts associated with the pandemic recede, the Australian market will return to more normalised conditions, characterised by gradual growth over the long term, within the context of the shorter time variability inherent to the business cycle (i.e. variance within shorter time periods).

⁵⁰ Ibid.

⁵¹ CON 590 Statement of Essential Facts, p. 107-108, 109.

...

The commission considers the Australian industry remains susceptible to injury from dumping and subsidisation as those favourable conditions evident during the inquiry period likely dissipate over coming years.

These above conclusions can be similarly applied to Steel Pallet Racking exports to Australia; logistical bottlenecks that had been contributing to rapidly rising inventory levels in countries such as China and across Asia will eventually unwind, resulting in increased exports of the subject goods to Australia at materially injurious levels.

As evidenced above, subject producers maintain extensive production capacity, and have the means, existing supply channels, and motive to export substantial volumes of Steel Pallet Racking to Australia. Given the attractiveness of the Australian market and its geographic proximity, they would not hesitate to do so without the discipline of the measures.

The Likely Price Effects Would be Significant

In considering the likely price effects of subject imports, the Commission considers whether there is likely to be significant underselling by the subject imports, and whether the subject imports are likely to enter the Australian market at prices that otherwise would have a significant depressing or suppressing effect on domestic like product prices. In this continuation review, the evidence relating to these factors demonstrates that the likely price effects of the subject imports on the domestic like product would be significant.

Investigation 441

The Commission's consideration of its injury determinations in the original investigation, reflecting the industry's condition prior to the imposition of measures, is important because that period was the most recent time during which imports of Chinese and Malaysia goods competed in the Australian market free of the discipline of interim dumping duties.

In INV 441, the Commission noted that Dematic's prices of steel pallet racking were undercut by between 7 percent and 26 percent by suppliers importing the goods from China and Malaysia.⁵² Further:⁵³

The Commissioner considers that the magnitude of dumping allowed the goods imported from China and Malaysia to be significantly cheaper than otherwise would have been the case. This has allowed the goods imported from China and Malaysia to be supplied at dumped prices that regularly undercut the prices of the Australian industry when tendering for the supply of steel pallet racking in the investigation period.

Furthermore, the Commissioner considers that the Australian industry responded to the pricing pressure from a significant volume and market share of dumped goods from China and Malaysia by maintaining or reducing prices at a time when it was experiencing rising unit costs. APC Storage provided evidence in the form of emails to demonstrate that the price of goods imported from China was used when negotiating the price for supply of the APC Storage goods.

The Commission's view in INV 441 was that the dumping of steel pallet racking from China and Malaysia caused injury to the Australian industry in the form of price depression and price suppression.⁵⁴

⁵² REP 441, section 8.7, p. 75.

⁵³ Ibid, p. 76.

⁵⁴ REP 441, section 8.7, p. 76.

Current Inquiry

Given the substitutability of the domestic like goods and subject imports and price-based competition for Steel Pallet Racking in the Australian market, if the measures expire, a significant volume of dumped subject goods from China and Malaysia would again substantially undersell the domestic like product to gain market share. In turn, this would depress and suppress domestic like product prices to a significant degree. With subject country exporters no longer bound by the measures, a recurrence of the price injury experienced by the Australian industry in the original investigation period is highly likely.

The Australian market for Steel Pallet Racking remains highly price sensitive as a result of the substitutable nature of the domestic like product and the subject goods. Expiration of the measures would likely lead to a recurrence of injury to the domestic industry by negatively impacting both sales and prices. Dematic submits that the excess capacity in subject country markets, and the close proximity of the Australian market, provides a strong incentive for subject exporters to adopt a lower export market profit strategy or a marginal cost pricing strategy in order to obtain market share in the Australian market.

Without the discipline of trade relief, unfairly traded Steel Pallet Racking imports would again be free to enter the Australian market unrestrained, and they would regain market share through underselling. This would suppress and depress prices, causing subject imports to adversely affect the profitability and stability of the domestic industry, just as they did prior to the imposition of the measures.

iii. Conclusion

The Commission needs to appropriately consider the period beyond the life of the current measures to determine if it is likely that dumped and injurious Steel Pallet Racking exports from China and Malaysia will likely recommence.

In INV 441, the Commission considered that the continuation of price competition from dumped imports from China and Malaysia was likely to have a continuing adverse impact on the Australian industry, particularly if volumes from China and Malaysia were maintained or increased; and that continued dumping was likely to cause further material injury to the Australian industry.

This application indicates that the likely impact of Steel Pallet Racking imports from the subject countries on the domestic industry would be significant if the measures were discontinued. As shown above, should the discipline of the measures be removed, subject producers will likely export a significant volume of the goods to the Australian market. Those unfairly traded imports would likely take sales from the Australian industry and depress and/or suppress Australian prices. These developments would then likely cause Australian industry's output, sales, market share, profits, productivity, return on investments, and capacity utilisation to decline. They would also likely have significant negative effects on other aspects of the industry's performance, such as employment, wages, growth, and investment.

Accordingly, the likely adverse impact of the subject imports would be significant if the measures expire in May 2024. The Australian industry therefore remains vulnerable to material injury in the event of expiration. Should trade relief be terminated, the Australian Steel Pallet Racking industry will experience a continuation or recurrence of material injury, as it did prior to the imposition of the measures. Given the Commission's previous determinations with respect to the volumes and injurious price effects of subject imports, as well as the importance of price to Dematic, a substantial volume of dumped subject imports will inevitably result in the decline of Australian prices and the overall financial performance of the domestic industry. The history and findings of the original investigation indicate that dumped subject imports can cause material injury to the Australian industry within a short period of time.