



## **Australian Industry Questionnaire**

**Case number:** 617

**Product:** Steel Pallet Racking

**From:** China and Malaysia

**Inquiry period:** 1 January 2022 to 31 December 2022

**Response due by:** ~~24 April 2023~~ 8 May 2023 (by granted extension)

**Return completed questionnaire to:** [investigations2@adcommission.gov.au](mailto:investigations2@adcommission.gov.au).

### **Why you have been asked to complete this questionnaire?**

The Anti-Dumping Commission (the commission) is currently undertaking an inquiry into whether anti-dumping measures applying to exports of Steel Pallet Racking (the goods) from the People's Republic of China (China) and Malaysia should be continued.

Australian Dumping Notice No. 2023/021 provides details of the goods under consideration, the application and the inquiry procedures.

The commission is seeking further information from Australian industry for the goods to inform its:

- understanding of the dynamics of the Australian market, including factors that may be impacting the economic condition of the Australian industry producing the goods; and
- assessment of whether the expiration of the anti-dumping measures applying to the goods would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and subsidisation, and the material injury that the anti-dumping measures are intended to prevent.

The commission will collect and use information in accordance with the commission's Collection and Use of Information Policy.

The timeliness of your response is important. If you are unable to meet the due date specified above, please contact the commission.

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### **Confidential and non-confidential versions**

If you elect to respond to this questionnaire, you are required to lodge a confidential and a non-confidential version of your submission by the due date.

In submitting these versions, please ensure that each page of the information you provide is clearly marked either “**IN-CONFIDENCE**” or “**NON-CONFIDENTIAL**” in the header and footer.

All information provided to the commission in confidence will be treated accordingly. The non-confidential version of your submission will be placed on the Public Record, which all interested parties can access.

Your non-confidential submission must contain sufficient detail to allow a reasonable understanding of the substance of the confidential version. If, for some reason, you cannot produce a non-confidential summary, contact the investigation case officer (see contact details on Page 1 of this questionnaire).

### **Declaration**

You are required to make a declaration that the information contained in your response is complete and correct. You must return the signed declaration of an authorised person at end of this questionnaire with your response.

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### A-1 Company information

1. Please provide details of any other business names you use to manufacture/produce/sell the goods that are the subject of this inquiry.

Dematic Pty Limited (**Dematic**) does not use any other business name to manufacture/produce/sell the goods that are the subject of this inquiry.

2. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Please refer Confidential Attachment A-1(2).

3. List the major shareholders of your company. Provide the shareholding percentages for joint owners and/or major shareholders.

Dematic Pty Ltd is [*commercial-in-confidence ownership details*].

4. If your company is a subsidiary of another company list the major shareholders of that company.

Dematic Holdings Pty Ltd [*commercial-in-confidence ownership details*].

5. If your parent company is a subsidiary of another company, list the major shareholders of that company.

[*commercial-in-confidence ownership details*].

6. Provide an outline diagram showing major associated or affiliated companies and your company's place within that structure (include the ABNs of each company).

An overview of Dematic's organisational structure is provided at Confidential Attachment A-1(6).

7. Are any management fees/corporate allocations charged to your company by your parent or related company?

[*commercial-in-confidence related party arrangements*] as provided at A-1(9) below.

8. Identify and provide details of any relationship you have with an exporter to Australia or Australian importer of the goods.

Dematic does not have a relationship with foreign exporters or Australian importers of the goods.

9. Provide a copy of the two most recent annual reports (if relevant). Also provide copies of relevant brochures or pamphlets on your business activities.

Refer Confidential Attachment A-1(9)(1) and Confidential Attachment A-1(9)(2).

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10. Provide details of any relevant industry association.

Dematic Pty Ltd is a member of the following industry associations:

- Supplier Chain and Logistics Association of Australia;
- Refrigerated Warehouse and Transport Association of Australia;
- European Materials Handling Federation (FEM);
- Australian Steel Institute (ASI);
- Australian Industry Group (AIG);
- Chartered Institute of Logistics and Transport (New Zealand) (CILT);
- Australian Food and Grocery Council (AFGC); and
- New Zealand Cold Storage Association (NZCSA).

### A-2 The imported and locally produced goods

#### Model Control Code (MCC)

Item	Category	Sub-category		Sales Data	Cost data
1	Form	B	Beam	Mandatory	Mandatory
		U	Upright		
		BR	Brace		
2	Finish	G	Galvanized	Mandatory	Mandatory
		PC	Powder coated		
		P	Painted		

1. Fully describe your product(s) that are 'like' to the imported product:
- Include physical, technical or other properties.
  - List this information for each make and model in the range.
  - Supply technical documentation where appropriate.
  - Indicate which of your product types or models are comparable to each of the imported product types or models. If appropriate, the comparison can be done in a table.

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Dematic's locally manufactured steel pallet racking is like to the goods the subject of this continuation inquiry:

### 1. *Physical likeness*

The steel pallet racking Dematic manufactures has a physical likeness to the goods exported to Australia from China and Malaysia. The locally produced steel pallet racking is manufactured to meet the Australian Standard AS 4084-2012 once it is assembled.

Imported and locally produced steel pallet racking, have physical characteristics that are similar. These similar physical characteristics include size, appearance, structure, stated standards, strength and the ability to provide storage for standard sized pallets.

### 2. *Commercial likeness*

Locally produced steel pallet racking competes directly with imported steel pallet racking from China and Malaysia. Steel pallet racking buyers are willing to switch between Australian made and imported steel pallet racking.

### 3. *Functional likeness*

Locally produced steel pallet racking and imported steel pallet racking has comparable or identical end-uses. Steel pallet racking is used primarily for the storage of palletised goods. However, as is the case with heavy duty store shelving (**HDSS**), it can also be used to store or display other goods in a range of configurations.

### 4. *Production likeness*

Locally produced steel pallet racking and imported steel pallet racking are manufactured in a similar manner and via similar production processes. Australian producers and the Chinese and Malaysian exporters also use similar raw materials in the production process.

## 2. Provide a summary and a diagram of your production process.

Dematic purchases slit/narrow hot rolled coil (**HRC**) and galvanised steel from an unrelated Australian supplier. Dematic uses HRC to manufacture beams and galvanised steel to manufacture uprights and braces:

- Beams: HRC is passed through a roll forming machine and welded together to form hollow tubes. End connectors with locking systems, which are purchased by Dematic from another unrelated domestic supplier, are then welded to each end of the tube to form a beam. The beam is then powder coated in spray booths as required.
- Uprights: Galvanised steel first goes through a 'punching machine' where holes are punched in accordance with a pre-determined profile to connect the uprights to the beams and braces. It is then passed through a roll forming machine.

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- Braces: Galvanised HRC is passed through a roll forming machine to form a pre-determined brace profile. It is welded on the edge to form hollow 'square' tubes. During the installation phase, uprights are connected by beams and supported by braces.

3. If your product is manufactured from both Australian and imported inputs:
  - describe the use of the imported inputs; and
  - identify that at least one substantial process of manufacture occurs in Australia (for example by reference to the value added, complexity of process, or investment in capital).

Not applicable.

### A-3 The Australian market

#### Products in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. Your description could include information about:
  - quality differences
  - price differences
  - supply/availability differences
  - technical support differences
  - product segmentation.

The basic elements of steel pallet racking are the Upright, Beam and Brace components, and are available in the Australian market-place from multiple suppliers. These core components are similar in design, form, fit and function.

Dematic's Colby pallet racking product (<https://www.colby.com.au/>) uses a consistent steel grade supplied by BlueScope Steel and is manufactured in Australia. Imported products can be the subject of varying grades of steel to reduce cost.

The Colby product is made to order. However, Colby [*commercial-in-confidence forecasting and lead time details*]. Some suppliers will keep stock on hand to provide competitive lead times.

2. Describe the end uses of the goods in the Australian market from all sources.

The goods produced and sold by Dematic are pallet racking that when assembled, become a structure for storage of products including pallets in a warehouse. The pallets support a load, usually of cartons, that can then be stored in an orderly manner. The reason for storing goods in this way is efficient use of space and access to the product when it is required for the next step in the supply chain.

Pallet racking is typically used in warehouses, manufacturing plants, and commercial offices.

3. Describe the different sales channels you supply the goods (for example, retail, wholesale, direct installation etc.), and the types of customers in each sales channel.

Supply of the goods by Dematic is via [*commercial-in-confidence sales channel details*].

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4. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influences in order of importance.

Key product attributes are:

1. Price; followed by
2. Product consistency (i.e. ensuring interchangeability between old and new steel racking within the same warehouse space).

The product does not have any other attributes that ultimately impact purchasing decisions as racking is consistent with Fit, Form and Function.

5. Describe the process by which your customers select your goods and the key factors that informed that decision.

The process can be described as follows:

- A site layout or bay quantity is determined;
- Load carrying characteristics and product delivery requirements are determined;
- The customer then either seeks competing quotations and makes a decision based on price; and
- The customer may consider existing racking configuration and brand if it is an existing structure.

6. What are the key differences between locally made goods and imported goods? How do these factors impact the purchasing decisions of your customers?

The product has limited attributes that ultimately impact purchasing decisions as the racking is consistent with Fit, Form and Function to the Australian racking standard.

The product components (Upright, Beam and Brace) are designed to fit together and therefore cannot readily be used as interchangeable components with another competitor's racking solution. As a result, if the pallet racking is being sourced to add to existing pallet racking, then it is more likely that the same brand of pallet racking would be procured.

7. How easily can your customers change suppliers? Provide a description of factors that may cause a re-evaluation of your supply arrangements.

Customers can change very easily. Racking is a once-off capital purchase.

A re-evaluation of supply arrangements will be triggered where the customer is able to source cheaper import alternatives which undercut the price of Australian manufactured pallet racking.

Given that there is little differentiation between the locally made and imported goods, and the fact that price drives the purchasing decision, customers willingly change suppliers to secure the lowest cost.

8. Identify if there are any commercially significant market substitutes in the market for the goods in Australia.

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Pallet racking may be supplied from the second-hand market as opposed to the supply of new pallet racking. Dematic is not aware of any fit-for-purpose substitutes to the goods the subject of this continuation.

9. Have there been any changes in market or consumer preferences for the goods in Australia in the last five years? Do you anticipate any change in preference in the coming five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

There have been impacts on availability due to supply chain impacts associated with the COVID-19 pandemic. Dematic understand [*commercial-in-confidence availability and supply details*].

### Prevailing conditions of competition in the Australian market

10. In respect of the Australian market for the goods and the prevailing conditions of competition within the market:

- (a) Provide an overall description of the market for the goods in Australia which explains its main characteristics and trends over the past five years.

The market continues to grow as demand for warehouse storage increases. The impact of the COVID-19 pandemic has made Australian companies re-assess their inventory levels – in most cases seeking to increase inventory holdings over the past few years and move away from the traditional “Just-In-Time” philosophy of the past 10 years.

Additionally, Dematic has witnessed an increase in e-commerce sales during the same period, which drove a demand for storage equipment.

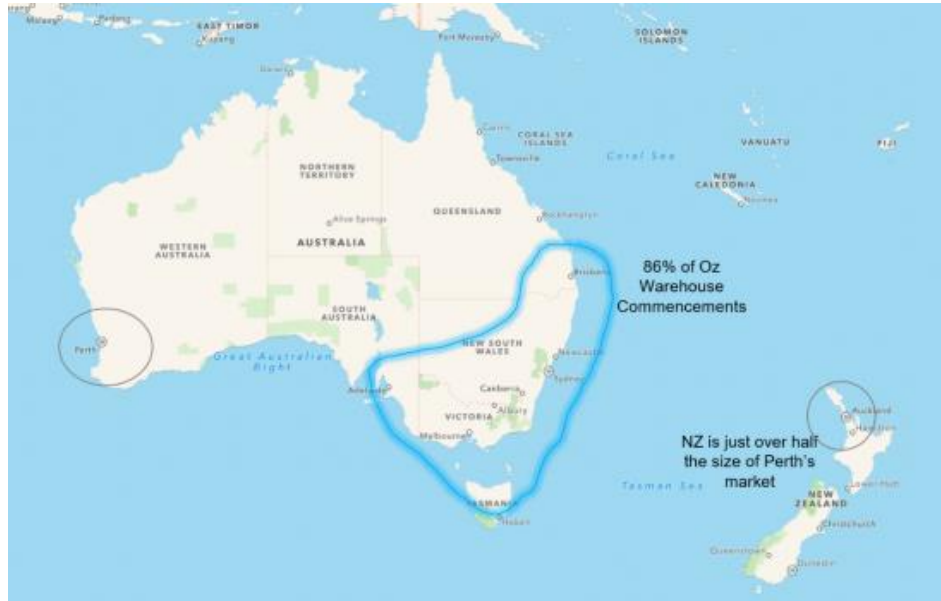
Both of these market drivers are beginning to normalise as the Australian economy heads into more uncertain economic times.

- (b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product.

Use of pallet racking in Australia occurs predominantly in warehouses. The warehouse(s) are either newly developed or existing – refer below the geographic split of new warehouse commencements throughout Australia. It is demonstrated that approximately [XX]% per cent of recent warehouse commencements have been in South-Eastern Australia:



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Pallet racking used in warehouses is an industrial product and its main required characteristics are economy, functionality, availability and safe use. It is a “configured” product; its individual components, once bolted and clipped together, form a system that should be designed to Australian Standard AS 4084 (2012). Competition is extensive with many participants supplying pallet racking in a transparent market.

- (c) Provide your estimate of the proportion (%) of the market that each of those sources of demand listed in (b) represents.

Based on a review of supply through Dematic’s direct and distributor channels, the proportional split for new buildings is estimated at [XX]%, and for existing buildings at [XX]%.

- (d) Describe the factors that influence consumption/demand in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production.

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Demand is related to warehouse construction, customer investment plans, volume of the goods in a supply chain, and efficient use of space in a warehouse where optimization is continually sought.

Sales methods vary from “price per component”, particularly in the low-end of the market where configuration standards are little understood, to the “consultative project-based approach” where design detail and product performance are critical. Price is equally as important under both these methods as the product is “industrial” in nature and capital expenditure process related.

Products that comply to Australian Standards must undergo a rigorous process of manufacture, testing and assimilation of the outcomes of such testing, so the product can be configured economically and safely. Steel pallet racking manufacturers have a duty of care to make a product that is fit for purpose. Importers, similarly, must take on the same responsibility, yet some rely on a foreign company’s statement that the product meets the Australian Standard.

- (e) Describe any market segmentations in Australia; such as geographic or product segmentations.

*[commercial-in-confidence market assessments]*.

- (f) Provide your estimate of the proportion (%) of the market that each of the market segments listed in e represents.

Based on a review of *[commercial-in-confidence estimated proportions]*.

- (g) Describe the way in which Australian manufactured and other imported goods compete in the Australian market.

The goods compete head-to-head; meaning that there is little by way of differentiation and ultimately price becomes the driving factor.

- (h) Describe the ways that the goods are marketed and distributed in the Australian market.

Marketing consists of written articles in trade magazines, competing company websites, and interactions with the respective company sale’s personnel.

The product is either directly shipped to the end users’ site or to a distributor who co-ordinates transport. Importers operate a mix of storage and direct shipment methods, dependent on the size of the transaction.

Physical distribution is undertaken by road, rail, or marine transportation.

- (i) Describe any other factors that are relevant to characteristics or influences on the market for the goods in Australia.

The ability to supply and install the goods for large installations (i.e. customers are risk averse and prefer dealing with a larger company with a history of successful implementation).

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11. Describe the commercially significant market participants in the market for the goods in Australia at each level of trade over the inquiry period. Include in your description:
- names of the participants;
  - the level of trade for each market participant (e.g., manufacturer, reseller, original equipment manufacturer (EOM), end-user etc.);
  - a description of the degree of integration (either vertical or horizontal) for each market participant; and
  - an estimate of the market share of each participant.

*[commercial-in-confidence market participant details]*

12. Identify the names of commercially significant importers in the market for the goods in Australia over the investigation period and estimate their market share. Specify the country each importer imports from and their level of trade in the Australian market, if known.

*[commercial-in-confidence importer details]*

13. Describe any entry restrictions for new participants into the market for the goods in Australia. Your response could include information on:
- patents and copyrights;
  - licenses;
  - barriers to entry;
  - import restrictions; and
  - government regulations (including the effect of those government regulations).

*In responding to this question ensure that relevant regulations are referenced.*

There are no restrictions for new participants to enter the market for steel pallet racking goods in Australia.

14. Do you anticipate any changes in patterns of supply and demand in the Australian market over the next 1 to 5 years? What are your expectations for your own sales/purchases of the goods over that period? Provide any relevant commentary to support your answers.

As import transportation prices normalise, Dematic expects *[commercial-in-confidence supply and demand assessment]*.

### **Relationship between price and cost in Australia**

15. Is your organisation/business entity the price leader of the goods in the Australian market? If no, please explain the reasons behind your response and specify the name(s) of the price leaders.

Dematic does not consider itself a price leader for the goods in the Australian market. Net prices are set *[commercial-in-confidence price setting process]*. Refer also 16 and 17 below.

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16. Describe the nature of your pricing for the goods (e.g. market penetration, inventory clearance, product positioning, price taker, price maker, etc.) and your price strategies (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing, etc.) in Australia. If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these. Provide copies of internal documents which support the nature of your product pricing.

Dematic utilise a [*commercial-in-confidence pricing approach*] to pricing.

17. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review.

Prices are [*commercial-in-confidence pricing approach*].

18. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

Dematic has ranked the factors in the following order:

[*commercial-in-confidence factor rankings*].

### **A-4 Company sales**

1. Please update appendix A4.1 (sales).
- if any of the customers listed at appendix A4.1 (sales) are associated with your business, provide details of the association. Describe the price effect of the association. For example, is there preferential pricing for related parties?

Refer updated Confidential Appendix A4 (attached). Dematic has included two additional data fields as to whether any sales were made to related/associated parties. Dematic has not made sales of the goods to such parties.

2. Please identify in appendix A4.1 (sales) any transactions that are:
- internal transfers; or
  - sales of like goods that you have not produced, for example if you have imported the product or on-sold purchases from another Australian manufacturer or importer.

Not applicable.

3. Attach a copy of distributor or agency agreements/contracts.

Refer Confidential Attachments A-4(3)(1) and A-4(3)(2).

4. Provide copies of any price lists.

Refer Confidential Attachment A-4(4).

Please complete appendix A4.4 contracts and tenders. Please provide two contracts that had the highest monetary value.

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Refer Appendix A-4.4.

5. If any price reductions (for example commissions, discounts, rebates, allowances and credit notes) have been made on your Australian sales of like goods provide a description and explain the terms and conditions that must be met by the customer to qualify.
  - where the reduction is not identified on the sales invoice, explain how you calculated the amounts shown in appendix A4.1 (sales).
  - if you have issued credit notes (directly or indirectly) provide details if the credited amount has **not** been reported appendix A4.1 (sales) as a discount or rebate.

The list price figure [*commercial-in-confidence price reduction details*].

6. Select the two highest domestic sales invoices from the data supplied in appendix A4.1 (sales). Provide a complete set of commercial documentation for these sales. Include purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, and bank documentation showing proof of payment.

Dematic has provided these details at Confidential Folder A-4(6).

### **Projects and additional services**

7. Do you offer additional services alongside sales of the goods (for example, assembly or installation services)? If yes, provide details about:
  - (a) The different types of services offered
  - (b) What activities are involved in the delivery of each service
  - (c) The percentage of domestic sales where associated sales are provided
  - (d) The factors that influence the price of each associated service

Installation services are offered to accompany racking sales for direct business (i.e. not through distributor channel). The installation is managed by Dematic but in most cases is subcontracted to an installation company to carry out the works.

8. Do you offer to supply the goods as a part of tenders for larger projects (for example, development or installation of a new warehousing solution, or integration with an existing solution)? If yes, please complete the worksheet named "A-4.1 Projects and tenders", which details information about any tender bids and completed projects that include the sale of the goods.

Refer Appendix A-4.4.

9. For each of the 2 largest successful tender bids (by value) in "A-4.1 Projects and tenders", provide relevant documents including the request for tender, and your winning bid.

Provided at A-4(3) above.

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### A-5 General accounting/administration information

1. Specify your accounting period.

Dematic has historically operated a 1 October to 30 September financial year. However, with effect from 1 January 2017, Dematic now reports a 1 January to 31 December financial period.

2. Provide details of the address(es) where your financial and production records are held.

Dematic's financial records are located at: 24 Narabang Way Belrose, NSW 2085, Australia.

3. Please provide the following financial documents for the two most recently completed financial years plus any subsequent statements:

- chart of accounts;

Refer Confidential Attachment A-5(3.1).

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);

Refer Confidential Attachment A-1(9)(1) and Confidential Attachment A-1(9)(2).

- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.

*These documents should relate to:*

- a. the division or section/s of your business responsible for the production and sale of the goods covered by the investigation, and
- b. the company overall.

Refer Confidential Attachment A-5(3.2).

4. If your accounts are **not** audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable as Dematic's accounts are audited. Refer A-1(9).

5. Describe your accounting methodology, where applicable, for:

- the recognition/timing of income, and the impact of discounts, rebates, sales returns warranty claims and intercompany transfers

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For construction contracts, income is recognised based on the Percentage of Completion Method. This is based on the proportion of costs incurred to date compared to the total estimated costs for the relevant contract, as a percentage of the total income for that contract.

For sales of spare parts and manufactured goods, income is recognised on the completed contract method when:

1. the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
2. it is probable that the economic benefits associated with the transaction will flow to the entity; and
3. the revenue and costs incurred in respect of the transaction can be measured reliably.

Where any rebates/discounts apply to the sales of goods, then this is recognised as a reduction of income as the sales are recognised.

Some maintenance and support contract income is recognised on a straight-line basis on a recurring monthly/quarterly basis where deferred income is collected in advance of the life of the contract.

For construction contracts a provision for warranty is recognised in proportion to the income over the construction phase. Upon completion of the contract, the warranty provision is reduced on a straight-line basis over the course of the warranty period.

For warranty repairs, Dematic and/or Dematic's vendor may send a technician to repair the equipment at a customer site. The cost will be incurred as a warranty expense by Dematic net of any warranty recoverable from the third-party vendor/manufacturer.

A return is issued when a faulty/non-conforming item is received by Dematic, and then issues a credit memo to the customer (less re-stocking fee if applicable). Dematic determines if the item is returned to stock, returned to the vendor if it is under the manufacturer's warranty, goes to scrap or disposed as warranty cost.

- provisions for bad or doubtful debts

The provision for bad and doubtful debts is generally made up of the following components:

- General ratings-based allowance: This is a percentage allowance applied to certain business group of customer accounts which have been identified as higher risk along with their associated aged balances. The percentage applied (reviewed annually) is based on historically reviewed write offs for bad debts and credit note issuance for certain aged buckets for over 90 days overdue.
- Individual customer allowance: This is an allowance generally taken up for a specific customer balance where there is significant doubt as to the ability to collect the debt due to specific written/verbal correspondence received either from the customer or a third party concerning the affairs of the customer.

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- the accounting treatment of general expenses and/or interest and the extent to which these are allocated to the cost of goods

Expenses are generally allocated to the cost centre which incurred the expense. A cost centre will be mapped to the cost of goods function if it's associated with a production activity or customer construction project delivery or customer service delivery.

Further, a portion of shared support administration services is allocated to cost of goods cost centres based on an appropriate driver for the nature of the service, including a percentage of headcount, occupancy and resource utilisation. Interest expense is generally not allocated to cost of goods.

- costing methods – standard or actual costs (e.g. by tonnes, units, revenue, activity, direct costs etc) and allocation of costs shared with other goods or processes

Cost of goods sold incorporate direct inventory and project purchase costs along with hourly labour and manufacturing overhead rates. The labour and manufacturing overhead rates include both direct and indirect production and/or conversion costs, including employee costs, occupancy costs, material consumables, third party services, freight & warehousing costs, depreciation & amortisation and an allocation of shared support administration services, are included in the standard costs.

The allocation of shared support administration services is allocated based on an appropriate driver for the nature of the service including headcount, occupancy and resource utilisation percentage for the particular cost centre associated with a production and / or selling activity.

Any absorption efficiency/inefficiency gains/losses respectively are charged to profit and loss within the appropriate function in which they were generated or in the same percentage portion if relating to shared administration services.

- the method of valuation for inventories of raw material, work-in-process, and finished goods (e.g. FIFO, weighted average cost)

All inventory is valued at the lower of acquisition, production cost or net realisable value. Cost includes both direct and indirect acquisition and production costs that are incurred to bring the inventory to its present condition and location. Production costs comprise direct material, labour and applicable manufacturing overheads including depreciation charges.

Inventory is valued at both standard and average costing methodologies depending on the items. A valuation adjustment is made to any standard costed item where the cost is lower than the allocated standard rate at the balance period end.

- valuation methods for scrap, by-products, or joint products

Scrap is written off either during a particular production run, or during stock checks.

- valuation methods for damaged or sub-standard goods generated at the various stages of production



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Damaged stock is generally written off and discarded, unless it can be reworked, if reworked the item will be valued at normal standard cost, in accordance with the above inventory valuation principles.

- valuation and revaluation of fixed assets

Generally owned fixed assets are recorded at cost, including all costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

After initial recognition, a fixed asset is carried at its cost less any accumulated depreciation and/or impairment losses. Depreciation to the profit and loss statement is systematically charged based on the determined effective life of the asset on a straight-line basis, starting when the asset is available for use. If certain events arise which may indicate the existence of impairment at balance sheet date, the effect on material assets would be assessed for any required recognition of an impaired loss or re-assessment of effective life if the carrying value of the assets exceeds its recoverable amount.

Generally fixed assets would not be revalued in the normal course of business.

- Average useful life for each class of production equipment, the depreciation method and depreciation rate used for each

Most equipment used in the manufacturing and production process has an effective life of between 5 to 10 years, with a smaller number of fixed production assets having an effective life of beyond 10 years.

Depreciation is based on the effective life of the asset calculated on a straight-line basis. For example, an asset with a deemed effective life of 5 years would be depreciated at a rate of 20% per year against its original cost.

- treatment of foreign exchange gains and losses arising from transactions and from the translation of balance sheet items

For initial measurement foreign currency transactions are recorded at either the spot rate at the date of the transaction, or the monthly average rate provided the exchange rates do not fluctuate significantly within a month, say 10% as a guide.

Where a qualifying cash flow hedge has been designated to a foreign currency commitment prior to the transaction occurring, the 'effective' portion of the hedge will be included in the carrying value of the value of the asset or liability created as a result of the foreign currency transaction.

At the reporting / balance sheet date for monetary items, assets and liabilities denominated in foreign currency are translated at the spot rate as of the balance sheet date (closing rate). Foreign exchange gains and losses are generally recognised in profit and loss with the exception of hedging instruments in a qualifying cash flow hedge for which elements are recognised in equity upon assessment of the effectiveness of the cash flow hedge.

- Restructuring costs, costs of plant closure, expenses for idle equipment and/or plant shut-downs.

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Costs will be allocated to either restructuring costs or non-recurring costs (for internal reporting purposes) where certain criteria are met. Significant events the Company will assess for qualification to be allocated as Restructuring include but are not limited to:

- Sale/termination of a business line;
- Closure of a business location;
- Significant management structure change; and/or
- Other material reorganisations.

If the event meets the definition of a restructuring (as per the above examples), Dematic records a liability for one-time involuntary termination expenses when all the following criteria are met:

- Management, having the authority to approve the action, commits to a plan of termination;
- The plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date;
- The plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination (including but not limited to cash payments), in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated;
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; Communication to the impacted employees has occurred.

Generally, if the above factors are met, an estimate of the associated costs of the committed restructuring event are only recorded when they can be determined.

6. If the accounting methods used by your company have changed over the period covered by the inquiry please provide an explanation of the changes, the date of change, and the reasons.

The accounting methodology followed by Dematic has not changed over the periods covered by this continuation inquiry.

### **A-6 Cost information**

1. Complete appendices A6.1 and A6.2 (cost to make) for domestic and export sales.

As provided with Dematic's continuation application.

2. Please complete appendix A6.3 (SG&A list) for domestic selling general and administration expenses.

As attached to this questionnaire response.

### **A-7 Upwards sales, costs and SG&A reconciliation**

1. Please complete the reconciliation templates for appendix A7.1 upwards sales.
2. Please complete the reconciliation templates for appendix A7.2 upwards costs.

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3. Please complete the reconciliation templates for appendix A7.3 upwards SG&A.  
As attached to this questionnaire response.

### **A-8 Other Factors**

1. Complete appendix A8 (other factors).

Confidential Appendix A7 was provided with Dematic's continuation application.

### **A-9 Injury Claims**

1. Please provide any additional information (not already provided in your application) or elaborate on your application claims, addressing the likelihood of material injury occurring to the Australian industry in the absence of the anti-dumping measures.

Dematic provided a comprehensive response in its continuation application.

2. Discuss factors other than dumped imports that may have caused injury to the industry. This may be relevant to the inquiry in that an industry weakened by other events may be more susceptible to injury from dumping.

*[commercial-in-confidence factors]*

3. What impact did the covid-19 pandemic have or be likely to have on the economic condition of the Australian industry?

*[commercial-in-confidence COVID-19 considerations]*

Responses should be made as accurately and as comprehensively as possible. Supporting evidence should be attached wherever possible. It will not be sufficient to simply assert that the measure should remain in force.