



Australian Government
Department of Industry,
Science and Resources

Anti-Dumping
Commission

Australian industry verification report

Verification and case details

Initiation date	3 April 2023	ADN	2023/021
Case number	617		
The goods under consideration	Steel Pallet Racking		
Case type	Continuation Inquiry		
Australian industry	Dematic Pty Ltd		
Location	24 Narabang Way, Belrose NSW 2085		
Verification from	24 May 2023	to	26 May 2023
Inquiry period	1 January 2022	to	31 December 2022

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

Contents

INTRODUCTION	3
1 COMPANY BACKGROUND.....	4
1.1 CORPORATE STRUCTURE AND OWNERSHIP	4
1.2 RELATED PARTIES	4
2 LIKE GOODS MANUFACTURED IN AUSTRALIA.....	5
2.1 MANUFACTURING IN AUSTRALIA	5
2.2 VERIFICATION OF MODEL CONTROL CODES.....	5
2.3 LIKE GOODS.....	6
2.4 LIKE GOODS ASSESSMENT	7
3 AUSTRALIAN MARKET.....	8
3.1 AUSTRALIAN MARKET BACKGROUND.....	8
3.2 AUSTRALIAN MARKET STRUCTURE	8
3.3 AUSTRALIAN MARKET PRICING.....	8
4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE.....	9
4.1 SALES COMPLETENESS AND RELEVANCE EXCEPTIONS	9
4.2 IMPORT SALES BY DEMATIC	9
4.3 EXPORT SALES BY DEMATIC	9
4.4 SALES COMPLETENESS AND RELEVANCE FINDING	9
5 VERIFICATION OF SALES ACCURACY.....	10
5.1 RELATED PARTY CUSTOMERS.....	10
5.2 SALES ACCURACY FINDING	10
6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE	11
6.1 CTMS COMPLETENESS AND RELEVANCE FINDING.....	11
7 VERIFICATION OF COST TO MAKE AND SELL ACCURACY	12
7.1 COST ALLOCATION METHOD.....	12
7.2 RELATED PARTY SUPPLIERS	12
7.3 COST TO MAKE AND SELL ACCURACY FINDING	12
8 ECONOMIC CONDITION	13
8.1 BACKGROUND	13
8.2 APPROACH TO INJURY ANALYSIS	13
8.3 VOLUME EFFECTS	13
8.4 PRICE EFFECTS	14
8.5 PROFIT AND PROFITABILITY	15
8.6 OTHER ECONOMIC FACTORS	15
9 IMPACT OF EXPIRY OF MEASURES	16
10 APPENDICES AND ATTACHMENTS	17

Introduction

Dematic Pty Ltd (Dematic) provided data to the Anti-Dumping Commission (the commission) in relation to Continuation Inquiry 617 (CON 617) into Steel Pallet Racking from the People's Republic of China (China) and Malaysia.

A verification team (the team) has verified whether the data Dematic submitted is complete, relevant and accurate for use in CON 617. [Anti-Dumping Notice \(ADN\) 2016/30](#) describes the commission's verification procedure.

This report explains the team's key findings, including the evidence considered and material issues identified. Where Dematic or the team materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for CON 617. The assessments and findings in this verification report are preliminary assessments by the team. The matters in this report will be further considered in the commission's statement of essential facts (SEF).

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).¹

¹ All legal citations in this report are to the Act unless otherwise stated.

1 Company background

1.1 Corporate structure and ownership

Dematic is a wholly owned subsidiary of Dematic Holdings Pty Ltd, which is a wholly owned subsidiary of Dematic Holdings UK Ltd. Dematic Holdings UK Ltd is an indirect 100% owned subsidiary of KION Group AG, a multinational manufacturer of materials handling equipment with its headquarters in Germany.

Dematic was initially founded as Colby, with products still designed, engineered, manufactured, and sold by Dematic under the registered trademarks of “Colby” and the “Colby Chevron mark”, generally via distributors. KION Group AG has over 100 operations sites globally, providing supply chain solutions and industrial trucks and services.

1.2 Related parties

The team examined Dematic’s operations and financial records to assess the extent of linkages and relationships in production, procurement, and parties involved in the sale of steel pallet racking.

The team found no related party customers or suppliers involved in Dematic’s production or sale of like goods during the inquiry period.

2 Like goods manufactured in Australia

2.1 Manufacturing in Australia

During Investigation 441 (INV 441, the original investigation), Dematic claimed to be the major Australian manufacturer of steel pallet racking, representing more than half of the Australian industry. For this inquiry the commission has identified the following entities manufacturing and selling the goods:

- APC Storage Solutions Pty Ltd (APC Storage)
- Macrack (Australia) Pty Ltd (Mackrack)
- Spacerack Storage Centre (Brisbane) Pty Ltd (Spacerack)
- Brownbuilt Pty Ltd (Brownbuilt)
- Noble Trading Manufacturing Pty Ltd
- Safer Storage Systems

Following the initiation of the continuation inquiry, the commission issued questionnaires to APC Storage, Macrack, Spacerack, and Brownbuilt.² APC Storage responded to participate in the inquiry as one of the local manufacturers of steel pallet racking in Australia. The commission visited both participating members of the Australian industry, Dematic and APC Storage.

2.1.1 Production process

During the verification, the commission observed Dematic's manufacturing process.

Dematic manufactures pallet racking from purchased hot rolled coil (HRC) steel that is either black or galvanised and passed through a rolling mill for predetermined post and beam profiles. The finished goods are then packed for despatch.

For beams, black 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. Beams are then powder coated.

For uprights, galvanised HRC first goes through a 'punching machine' where holes are punched in accordance with a predetermined profile for connecting beams and braces. It is then passed through a roll forming machine to form a standard or rear flange upright profile.

For braces, galvanised HRC is passed through a roll forming machine to form a predetermined brace profile.

During the installation phase, uprights are connected by beams and supported by braces.

The team was satisfied during the onsite visit and plant tour that Dematic carries out at least one substantial process in the manufacture of steel pallet racking.

2.2 Verification of model control codes

2.2.1 The goods

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

Steel pallet racking, or parts thereof, assembled or unassembled, of dimensions that can be adjusted as required (with or without locking tabs and/or slots, and/or bolted

² The commission issued Safer Storage Systems a supplementary questionnaire response.

PUBLIC RECORD

or clamped connections), including any of the following - beams, uprights (up to 12m) and brace (with or without nuts and bolts).

The goods are adjustable static racking structures capable of carrying and storing product loads, and components used to make static racking structures. The applicable Australian Standard is AS4084-2012.³

The goods are generally, but not exclusively, classified to the tariff subheading 7308.90.00 (statistical code 58) in Schedule 3 to the *Customs Tariff Act 1995* (Cth).⁴

2.2.2 Model control codes

Table 1: MCC structure

provides details of the model control code (MCC) sub-categories that were proposed at the initiation of the investigation detailed in ADN 2023/21.

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

Table 1: MCC structure

The sales and costs data Dematic submitted complies with the MCC structure. After comparing prices of different models of the goods, the team does not recommend amending the MCC structure.

2.3 Like goods

Like goods are defined under section 269T(1) of the *Customs Act 1901* (Cth) (the Act)⁵ as:

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

The team considers that steel pallet racking manufactured by Dematic is identical to, or has characteristics closely resembling, the goods subject to the measures, as per the following factors:

- **Physical likeness:** Dematic's locally produced pallet racking is manufactured to Australian Standard AS4084-2012. It is understood that the imported goods are represented as AS4084-2012 compliant.

³ [Dumping Commodity Register](#).

⁴ The tariff classification and statistical code may include goods that are both subject and not subject to this inquiry. The listing of this tariff classification and statistical code is for convenience or reference only and does not form part of the goods description. Please refer to the goods description for authoritative detail regarding the goods the subject of this inquiry.

⁵ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

- **Production likeness:** Dematic’s locally produced pallet racking and imported pallet racking are manufactured in a similar manner and via similar production processes.
- **Commercial likeness:** Dematic’s locally produced pallet racking competes directly with imported pallet racking from China and Malaysia. The locally produced pallet racking systems and the imported goods are offered for sale to the Australian market via similar supply channels and on similar commercial terms and conditions.
- **Functional likeness:** The locally produced pallet racking and imported pallet racking have comparable or identical end-uses, predominantly being warehouse storage.

2.4 Like goods assessment

The team is satisfied that:

- steel pallet racking produced by Dematic is like to the imported goods.⁶
- at least one substantial process of manufacture of steel pallet racking is carried out in Australia by Dematic.⁷
- the like goods were, therefore, wholly or partly manufactured in Australia by Dematic.⁸
- there is an Australian industry, consisting of Dematic and any other Australian producers, which produce like goods in Australia.⁹

⁶ Section 269T(1).

⁷ Section 269T(3).

⁸ Section 269T(2).

⁹ Section 269T(4).

3 Australian market

3.1 Australian market background

The Australian market for steel pallet racking is supplied by Dematic, other industry members as discussed above, and imports from China, Malaysia and other countries not subject to measures. Exports of the goods from China and Malaysia have been subject to measures since 8 May 2019.¹⁰

3.2 Australian market structure

3.2.1 Marketing segmentation and end uses

Dematic is a materials handling company that, among other goods and services, fits out company warehouses. The client base includes manufacturers, wholesale and freight, and retail distribution centres.

The goods produced and sold by Dematic are steel pallet racking that when assembled, become a structure for storage of palletised goods including in a warehouse. The pallets support a load, usually of cartons, that can be stored in an orderly manner and accessed efficiently for the next step in the supply chain. Steel pallet racking is typically used in warehouses, manufacturing plants and commercial offices.

3.2.2 Supply and distribution arrangements

Dematic supplies independent distribution centres across New South Wales, Queensland, South Australia, Western Australia, and Victoria, stocking Colby branded racking. The product is made to order rather than to stock. Distributors generally supply small to medium sized businesses, while Dematic will also provide direct supply for larger projects.

3.2.3 Demand

Demand for steel pallet racking is predominantly driven by the industrial sector involving warehouse fit outs. These can be existing warehouse upgrades or new developments, either as pallet racking only or as an integrated solution. Integrated warehouse/distribution solutions can include other shelving and racking types and automation.

End consumers of steel pallet racking requiring large storage capability include retail, wholesale, and third-party logistic industries. Other related services, such as installation, customer servicing, replacement of parts, and project management may also be provided by Australian industry members or importers selling steel pallet racking.

3.3 Australian market pricing

Dematic utilises price lists and a cost up approach in its pricing, maintaining a profit margin against standard costs. Raw material prices and other costs are considered in determining prices.

¹⁰ [Dumping Commodity Register](#).

4 Verification of sales completeness and relevance

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the sales listings Dematic submitted are complete and relevant by reconciling them to the audited financial statements, consistent with ADN 2016/30.

The team verified the relevance and completeness of the sales data as follows:

1. Reconciled the data provided in the A3 to A4 (and A6) spreadsheets provided by Dematic prior to the verification visit.
2. Reconciled the A4 data with Dematic's audited financial reports provided prior to the verification visit.
3. Addressed any discrepancies during the onsite verification with Dematic by viewing the values in Dematic's accounting systems.

The team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4.1 Sales completeness and relevance exceptions

Exception 1: Exceptions during verification of completeness and relevance of sales data

Description: Quantity in tonnage was not provided in the sales listing.

Resolution: Dematic provided a revised sales listing including these amounts.

Exception 2: Exceptions during verification of completeness and relevance of sales data

Description: Project sales were not included in the sales listing.

Resolution: Dematic provided additional data and source documents for project sales.

4.2 Import sales by Dematic

Dematic claims that it has not imported any of the three major components (being beams, uprights, and braces) of steel pallet racking during the inquiry period, and only imports some steel pallet racking accessories.

The team has not found any evidence that indicates that Dematic imported the goods during the inquiry period.

4.3 Export sales by Dematic

Dematic claims that it had some exports of the goods during the inquiry period. The data Dematic provided separated out the domestic sales from export sales and was verified by the team during the verification visit.

4.4 Sales completeness and relevance finding

The team is satisfied that the sales data Dematic submitted is complete and relevant, including any revision outlined in the exceptions above.

5 Verification of sales accuracy

The commission typically verifies sales as accurate by reconciling a selection of volume, revenue and other key data in the sales listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the domestic sales listing Dematic submitted is accurate by reconciling it to source documents, consistent with ADN 2016/30.

The team identified the issues outlined below. The team detailed this process in the verification work program and its relevant attachments in **Confidential Attachment 1**.

5.1 Related party customers

Dematic claims that it does not sell the goods to any related parties. The team did not find any evidence during verification that suggested otherwise.

5.2 Sales accuracy finding

The team is satisfied that the sales data Dematic submitted in its application and questionnaire response is accurate, including any revision outlined in an exception above. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the team considers Dematic's sales data suitable for analysing the economic performance of its steel pallet racking operations during the inquiry period.

6 Verification of CTMS completeness and relevance

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and selling, general and administrative (SG&A) expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings Dematic submitted are complete and relevant by reconciling them to audited financial statements, consistent with ADN 2016/30.

The team verified the relevance and completeness of the CTM and SG&A data as follows:

1. Obtained the CTM data from the standard costs and variances for like goods and non-like goods manufactured over the period.
2. Reconciled the total CTM figures to the cost of goods sold figures in the audited financial statements after factoring in accounting adjustments.
3. Obtained the SG&A data provided for the relevant period and division and reconciled to source documents within internal systems, including trial balance and profit and loss statement.

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

6.1 CTMS completeness and relevance finding

The team is satisfied that the CTMS data provided in the application by Dematic, including any required amendments as outlined in the exception table above, is complete and relevant.

7 Verification of cost to make and sell accuracy

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings Dematic submitted are accurate by reconciling them to source documents, consistent with ADN 2016/30.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **Confidential Attachment 1**.

7.1 Cost allocation method

Table 2 outlines how the team allocated each cost component.

Cost component	Method applied
Raw Materials	HRC, locks and clips allocated based on unit standard cost and quantity consumed in the production of each product type (beams, uprights, braces). Revenue from scrap sales to offset HRC cost allocated based on proportion of like goods manufactured.
Direct labour	Allocated based on estimated proportion of the standard cost represented by direct labour. Calculated using the quarterly standard costs for each product line from the management accounts.
Variable overheads	Allocated based on estimated proportion of the standard cost represented by variable overheads. Calculated using the quarterly standard costs for each product line from the management accounts.
Other consumables	Allocated based on estimated proportion of the standard cost represented by other consumables. Calculated using the quarterly standard costs for each product line from the management accounts.
Fixed overheads	Allocated based on estimated proportion of the standard cost represented by fixed overheads. Calculated using the quarterly standard costs for each product line from the management accounts.
Manufacturing under/over recovery	Allocated to like goods based on the proportion of the COGS. Calculated using the quarterly difference between actual and standard costs for all rack products from the management accounts.

Table 2: Cost allocation method

7.2 Related party suppliers

Dematic claims that it is not related to any of its suppliers of the raw materials used to manufacture steel pallet racking. The team did not find any evidence during verification that suggested otherwise.

7.3 Cost to make and sell accuracy finding

The team is satisfied that the CTMS data Dematic submitted is accurate and reasonably reflects the costs associated with the manufacture and sale of the goods.

8 Economic condition

8.1 Background

Anti-dumping measures were first applied to steel pallet racking exported to Australia from China and Malaysia on 8 May 2019 (ADN No 2019/045 refers).

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measures are intended to prevent involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 1 January 2019.

8.1.1 Applicant's injury claims

In its application and questionnaire response, Dematic claims that the expiration of measures might lead, or might be likely to lead, to a recurrence of the material injury that the measures are intended to prevent. Dematic claims that this material injury would be in the form of:

- reduced sales
- reduced market share
- price suppression
- price depression
- reduced profits and profitability.¹¹

8.2 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by Dematic and data from the Australian Border Force (ABF) import database, noting that Dematic's information does not reflect the whole of the Australian industry.

The commission has compiled the figures presented on an annual basis for calendar years (CY) ending 31 December. This preliminary assessment is at **Confidential Appendix 1**.

8.3 Volume effects

8.3.1 Sales volume

Figure 1 below shows Dematic's sales volume of steel pallet racking from CY2019 to CY2022.

¹¹ EPR 617, no 001, [Attachment A](#).

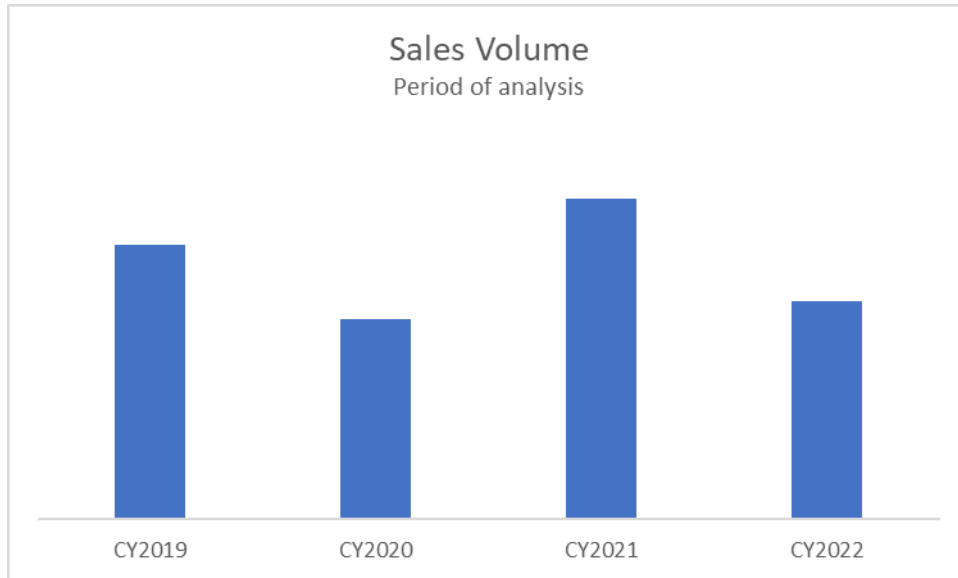


Figure 1: Dematic sales volume

This indicates that there has been some fluctuation from year to year, with a decline in the inquiry period following higher sales volumes the previous year.

8.3.2 Market share

Due to the nature of the goods resulting in variations in the quantity unit used by different manufacturers of steel pallet racking, as well as the impact of measures on ABF data, the team determined it was not appropriate to do a market share analysis in this report.

8.4 Price effects

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

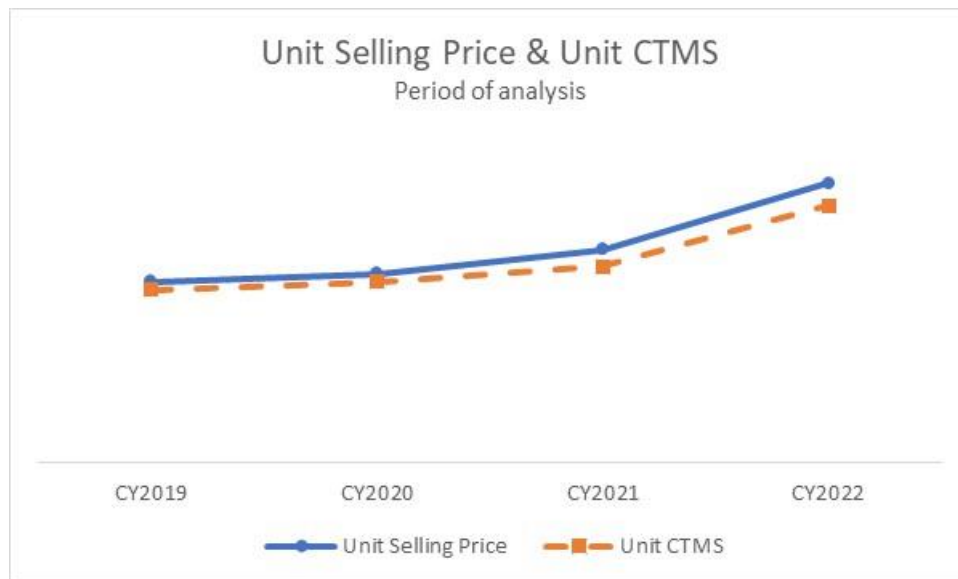


Figure 2: Dematic unit selling price and unit CTMS

Figure 2 above show's Dematic's unit selling price and unit CTMS from CY2019 to CY2022. This figure indicates that Dematic's prices have trended upwards, seemingly driven by similar increases in costs, but there has been some widening of the gap between price and CTMS towards the end of the analysis period.

8.5 Profit and profitability

Figure 3 shows Dematic's profit and profitability from CY2019 to CY2022.

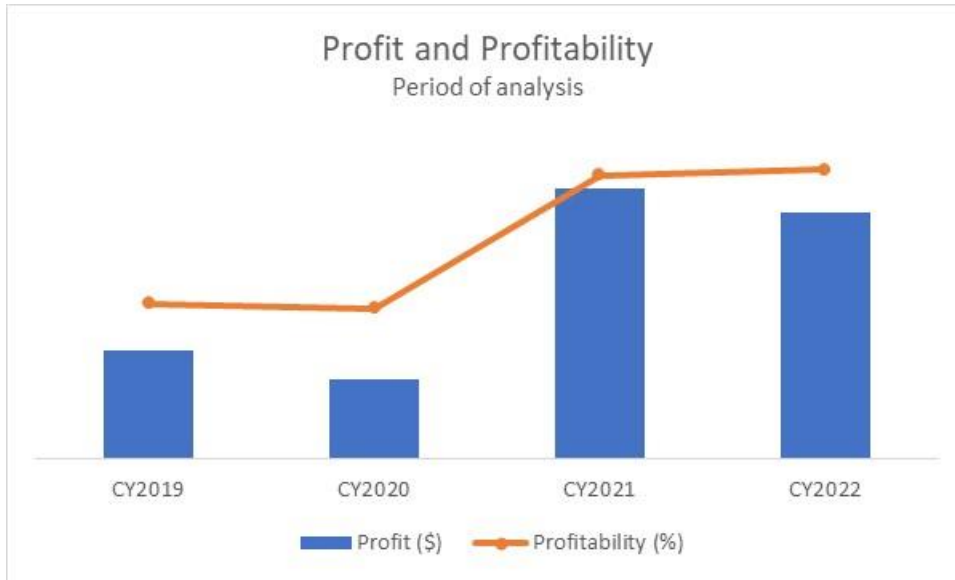


Figure 3: Dematic profit and profitability

Dematic's profit and profitability has significantly improved in the latter half of the analysis period, with a slight dip in profit in the inquiry period.

8.6 Other economic factors

Dematic did not claim any other injury factors in the application. The team verified the other economic data provided by Dematic in relation to assets, capital investment, revenue, return on investment, capacity and capacity utilisation, employment, wages, productivity, stocks, and cash flow measures.

The verification team is satisfied that, after some minor amendments the other economic factor data provided by Dematic is accurate.

9 Impact of expiry of measures

Under the terms of section 269ZHF(2), in order to recommend that the Minister take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping and/or subsidisation, and
- the material injury

that the anti-dumping measure is intended to prevent.

The team noted the claims made in Dematic's application and advised that following the verification, Dematic has the option to gather further evidence in relation to injury and the impact of the expiry of measures and provide that to the commission in the form of submissions. The commission will consider any evidence provided during the inquiry.

10 Appendices and attachments

Confidential Attachment 1	Australian industry verification work program
Confidential Appendix 1	Australian market and economic condition