



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	APC Storage Technology Pty Ltd		
Location	4 Hanwell Way, Bassendean WA 6054		
Verification from	5 June 2023	to	8 June 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	6
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	9
4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE.....	10
4.1 SALES COMPLETENESS AND RELEVANCE EXCEPTIONS	10
4.2 IMPORT SALES BY COMPANY	10
4.3 EXPORT SALES BY COMPANY	10
4.4 SALES COMPLETENESS AND RELEVANCE FINDING	10
5 VERIFICATION OF SALES ACCURACY.....	11
5.1 RELATED PARTY CUSTOMERS	11
5.2 SALES ACCURACY FINDING.....	11
6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE	12
6.1 EXCEPTIONS DURING VERIFICATION OF COMPLETENESS AND RELEVANCE OF CTMS DATA	12
6.2 CTMS COMPLETENESS AND RELEVANCE FINDING	12
7 VERIFICATION OF COST TO MAKE AND SELL ACCURACY	13
7.1 COST ALLOCATION METHOD	13
7.2 RELATED PARTY SUPPLIERS	13
7.3 COST TO MAKE AND SELL ACCURACY FINDING	13
8 ECONOMIC CONDITION	14
8.1 BACKGROUND	14
8.2 APPROACH TO INJURY ANALYSIS	14
8.3 VOLUME EFFECTS	15
8.4 PRICE EFFECTS	16
8.5 PROFIT AND PROFITABILITY	17
8.6 OTHER ECONOMIC FACTORS	18
9 IMPACT OF EXPIRY OF MEASURES	19
9.1 BACKGROUND AND APPROACH TO ANALYSIS	19
9.2 CONTINUATION OR RECURRENCE OF DUMPING AND MATERIAL INJURY.....	19
10 APPENDICES AND ATTACHMENTS.....	20

Introduction

APC Storage Technology Pty Ltd (APC Storage) 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 APC Storage 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 APC Storage 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

APC Storage is a wholly owned subsidiary of the APC Group Pty Ltd (APC Group).

APC Group are an Australian owned manufacturer based in Perth that has been providing storage solutions for industrial applications since 1972. APC Storage's current customisable warehouse storage solutions include racking of various types (pallet, satellite, and cantilever), storage cages and areas, and shelving systems. APC Storage's products cater to many industries throughout Australia and internationally.

1.2 Related parties

The team examined the relationships between APC Storage and parties involved in the production and sale of the goods.

1.2.1 Related customers

Rackmart Pty Ltd (Rackmart) is a wholly owned subsidiary of the APC Group that deals mostly with second hand steel pallet racking, shelving and office furniture.

Although APC Storage does sell the goods to Rackmart, the team has found that the proportion of sales volume between related and unrelated customers is immaterial.

2 Like goods manufactured in Australia

2.1 Manufacturing in Australia

During Investigation 441 (INV 441, the original investigation), the commission identified APC Storage as an Australian entity manufacturing and selling the goods. For this inquiry the commission has identified the following entities manufacturing and selling the goods:

- Dematic Pty Ltd (Dematic) - Applicant
- Macrack (Australia) Pty Ltd
- Spacerack Storage Centre (Brisbane) Pty Ltd
- Brownbuilt Pty Ltd
- 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 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 APC Storage's manufacturing process.

APC Storage manufactures pallet racking from purchased hot and cold rolled coil steel (HRC and CRC). This is the raw material for making beams and braces. They use galvanised steel for making uprights. It is steel that has been hot dipped with a zinc coating solution to prevent corrosion and rust.

For beams, HRC or CRC is passed through a roll forming machine and pressed together to form rectangular hollow tubes. End connectors with locking systems are then welded to each end to form a beam. The beam is then powder coated in spray booths as required.

For 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 then passes through a roll forming machine.

For braces, galvanised HRC is passed through a roll forming machine to form a pre-determined brace profile. During the installation phase, uprights are connected by beams and supported by braces.

The manufacturing process generates an insignificant amount of scrap, with most of the scrap resulting from punching holes into galvanised steel. Scrap is sold and recorded as '*other income*' in the accounts.

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

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

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 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 below provides the Model Control Codes (MCC) sub-categories that were proposed at the initiation of the investigation detailed in ADN 2023/21.:

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		

Table 1: MCC structure

The sales and costs data APC Storage submitted complies with the MCC structure.

2.3 Like goods

Like goods are defined under section 269T(1) of the Act 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 produced by APC Storage is identical to, or has characteristics closely resembling, the goods subject to the measures, as per the following factors:

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.

PUBLIC RECORD

- **Physical likeness:** Pallet racking produced by APC Storage has a physical likeness to the goods subject to the measures. The locally produced steel pallet racking is manufactured to meet the Australian Standard AS 4084-2012.
- **Production likeness:** APC Storage's locally produced pallet racking and imported pallet racking are manufactured in a similar manner and via similar production processes.
- **Commercial likeness:** 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. APC Storage's locally produced pallet racking competes directly with imported pallet racking from China and Malaysia.
- **Functional likeness:** The locally produced pallet racking and imported pallet racking have comparable or identical end-uses.

2.4 Like goods assessment

The team is satisfied that:

- steel pallet racking produced by APC Storage is like to the imported goods⁵
- at least one substantial process of manufacture of steel pallet racking is carried out in Australia by APC Storage⁶
- the like goods were, therefore, wholly, or partly manufactured in Australia by APC Storage⁷
- there is an Australian industry, consisting of APC Storage and any other Australian producers, which produce like goods in Australia.⁸

⁵ Section 269T(1) (definition of 'like goods').

⁶ Section 269T(3).

⁷ Section 269T(2).

⁸ Section 269T(4).

3 Australian market

3.1 Australian market background

The Australian market for steel pallet racking is supplied by APC Storage, several other manufacturers as discussed in Chapter 2 of this report, 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 2019.⁹

3.2 Australian market structure

3.2.1 Marketing segmentation and end uses

The goods produced and sold by APC Storage are steel pallet racking that when assembled, become a structure for storage of products on pallets. The pallets support a load, usually of cartons, that can be stored in an orderly manner and accessed efficiently for the next step in its supply chain.

The end use of selective pallet racking components is to combine them to form a selective pallet racking system, or structure, that enables pallets to be stored vertically. APC Storage's end users comprise any business that requires this type of storage system. This includes industrial warehousing, retail back of house, mining, manufacturing and government.

3.2.2 Supply and distribution arrangements

Most APC Storage's sales are direct to end users. There are price lists available for small to medium sized customers, however for larger sized customers, APC will engage using a tendering process. APC Storage supply standard pallet racking directly to the end user or their preferred warehouse building company under contractual arrangements.

Large sized customers are more likely to be serviced directly by the 'project-based' department of individual Australian industry members and Importers, rather than the national distribution network.

Small to medium sized customers would typically be supplied by the distributor networks of the Australian industry and importers. These distributors are located around Australia.

3.2.3 Demand

Pallet racking is normally purchased as a capital expense. Whilst seasonal factors may play a part in the short term (mining development, consumer confidence) they are not a major factor in the long term as racking lasts over several years/seasons.

APC Storage claimed that the recent pandemic created a realisation that more stock is needed to be held in Australia. This is to account for shutdowns of factories overseas and shipping delays. As a result, there has been a general uplift in the number of warehouses constructed and fitted out.

There are also significant changes taking place in the market with warehouse automation. This can have an adverse impact on the demand for selective pallet racking.

⁹ [Dumping Commodity Register](#).

3.3 Australian market pricing

APC Storage utilises price lists and a cost up approach to its pricing, maintaining a profit margin against standard costs. The sales price includes delivery and installation charges. APC Storage stated during onsite verification that the market price is set by large players in the market, including major importers.

4 Verification of sales completeness and relevance

The team conducts verification of relevance and completeness by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The team reconciles total sales value and quantity to management reports, with particular attention given to including all relevant transactions and excluding all irrelevant transactions. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The team would in most cases verify the completeness and relevance of the Australian sales listings submitted by reconciling these to audited financial statements in accordance with ADN 2016/30.

During onsite verification, APC Storage stated that it does not record the sales of steel pallet racking separately from its other businesses, therefore the records were not able to be reconciled to its audited financial statements. APC Storage stated that it only sells the goods directly to end-users and building contractors.

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

1. Selecting two project sales for upwards verification to its financial records.
2. APC Storage was able to demonstrate how the project sales contained in the project revenue sheet reconciled to the sales ledger and management reports in the corresponding period.

The team identified the following issue outlined below during this process. Details of the verification process are contained in the verification work program at **Confidential Attachment 1**.

4.1 Sales completeness and relevance exceptions

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

Description: The team identified that APC Storage had not included the MCC's or volume of each line item (transaction/invoice) in their sales listing.

Resolution: APC Storage added MCCs and the volume (weight), for each line item in their sales listing. These were then verified to source documents during the verification of sales accuracy (downwards verification).

4.2 Import sales by company

APC Storage ceased importing some key components and accessories from China when the measures subject to this continuation were implemented.

4.3 Export sales by company

APC Storage stated that it exported some steel pallet racking during the investigation period, with New Zealand being their largest export market. During the verification, the team noted that all exports and sales related to exports were separated from their Australian sales listing.

4.4 Sales completeness and relevance finding

The team considers that sales data provided by APC Storage in Appendix A4 is reasonably complete and relevant, including the revision outlined in the exception table 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 is satisfied the domestic sales listing provided by APC Storage is accurate, this was determined by reconciling data with source documents.

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

5.1 Related party customers

The team observed that APC Storage sold like goods to related customers.

In its application, APC Storage stated that it had sold a small volume of goods to its related entity. The team identified those sales transactions and compared them with sales to unrelated customers. It was found that the weighted average selling price to the related party were heavily discounted. However, while these sales are deemed to be non-arm's length, the volume of these sales is immaterial when comparing to the volume of unrelated sales.

The team is satisfied that APC Storage's selling prices for like goods to related customers can be relied upon in the assessment of the economic condition of the Australian industry.

5.2 Sales accuracy finding

The team is satisfied that the sales data APC Storage submitted is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the team considers APC Storage's sales data suitable for analysing the economic performance of its steel pallet racking operations from 1 January 2022 to 31 December 2022.

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.

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

During verification the team assessed the relevance and completeness of the CTM and SG&A data as follows:

1. APC Storage stated that it does not record the sales of steel pallet racking separately from its other businesses, therefore the records were not able to be reconciled to its audited financial statements. APC Storage stated that it only sells the goods directly to end-users and building contractors.
2. The team selected two project sales for upwards verification to its financial records. APC Storage was able to demonstrate how the project sales contained in the project revenue sheet reconciled to the sales ledger in the corresponding period and then into their management reports.
3. Obtained the SG&A data provided for the relevant period and reconciled to source documents within internal systems, including trial balance and profit and loss statement.

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**.

6.1 Exceptions during verification of completeness and relevance of CTMS data

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

Description: The team identified a minor error in the raw materials calculation formula.

Resolution: APC Storage were able to provide revised CTM with the correct raw materials calculation. The change to the final CTM was only minor.

Exception 3: Exceptions during verification of completeness and relevance of CTMS data

Description: The team noted that APC Storage had used a formula to calculate selling SG&A expenses based on the percentage of actual expenses of each component (beams/uprights and braces) during the inquiry period. The allocation to the goods was based on the estimated contribution the goods made to the overall business.

Resolution: APC Storage provided a revised SG&A calculation based on total SG&A as a percentage of revenue. This was then allocated to MCC's based on individual revenues of each MCC.

6.2 CTMS completeness and relevance finding

The team is satisfied that the CTMS data provided in the application by APC Storage, 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, costs and other key data in the CTM and SG&A listings down to source documents.

The team verified whether the CTM and SG&A listings APC Storage 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	Costs allocated directly to the goods based on actual consumption. Raw materials costs were reconciled directly to their online costing system.
Direct labour	Allocated based on the revenue of like goods as a proportion of total company revenue.
Manufacturing overheads	Allocated based on the revenue of like goods as a proportion of total company revenue.
Scrap	Scrap is sold and recorded as 'other income'. The production process generates only minimal scrap.
Depreciation	Allocated based on percentage of property, plant and equipment attributed to the production of the like goods.

Table 2: Cost allocation method

7.2 Related party suppliers

During onsite verification APC Storage stated that it is not related to any of its suppliers of raw materials used to manufacture steel pallet racking. The team found no evidence that suggest otherwise.

7.3 Cost to make and sell accuracy finding

The team is satisfied that the CTMS data submitted by APC Storage 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

The commission detailed in INV 441 final report, that APC Storage was an Australian industry member producing like goods that were subject to that investigation. At the initiation of this inquiry the commission requested APC Storage provide data to assist with the inquiry.

On 1 March 2023, an application for the continuation of the anti-dumping measures was received from Dematic. 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.¹⁰

8.1.2 APC Storage's injury claims

APC Storage provided their injury claims in their Australian Industry Questionnaire response and the verification. Details of their claims are provided in chapter 9.2.

8.2 Approach to injury analysis

The analysis detailed in this chapter is based on verified financial information submitted by APC Storage and data from the Australian Border Force (ABF) import database, noting that APC Storage'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 ending 31 December. This preliminary assessment is at **Confidential Appendix 1**.

¹⁰ EPR 617, no 001, [Attachment A](#).

8.3 Volume effects

8.3.1 Sales volume

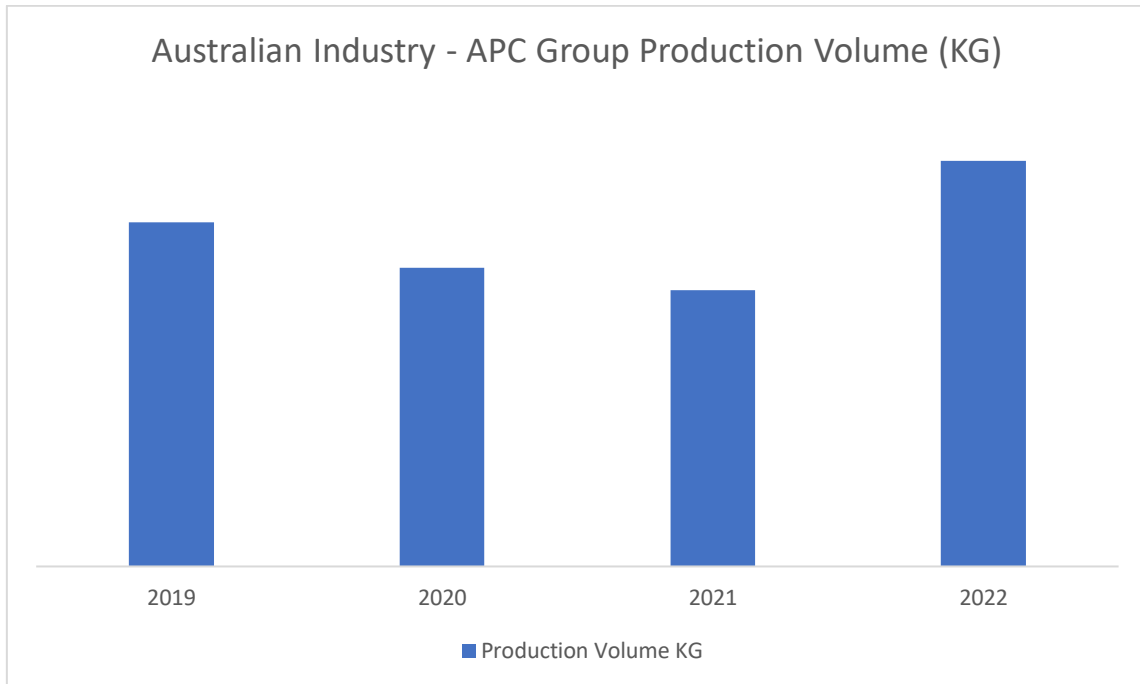


Figure 1: APC Group Production Volume

Over the period examined, APC Storage’s production volume showed a steady decline from 2019 to 2021. However, there was a marked increase in production volume during 2022 (inquiry period).

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.

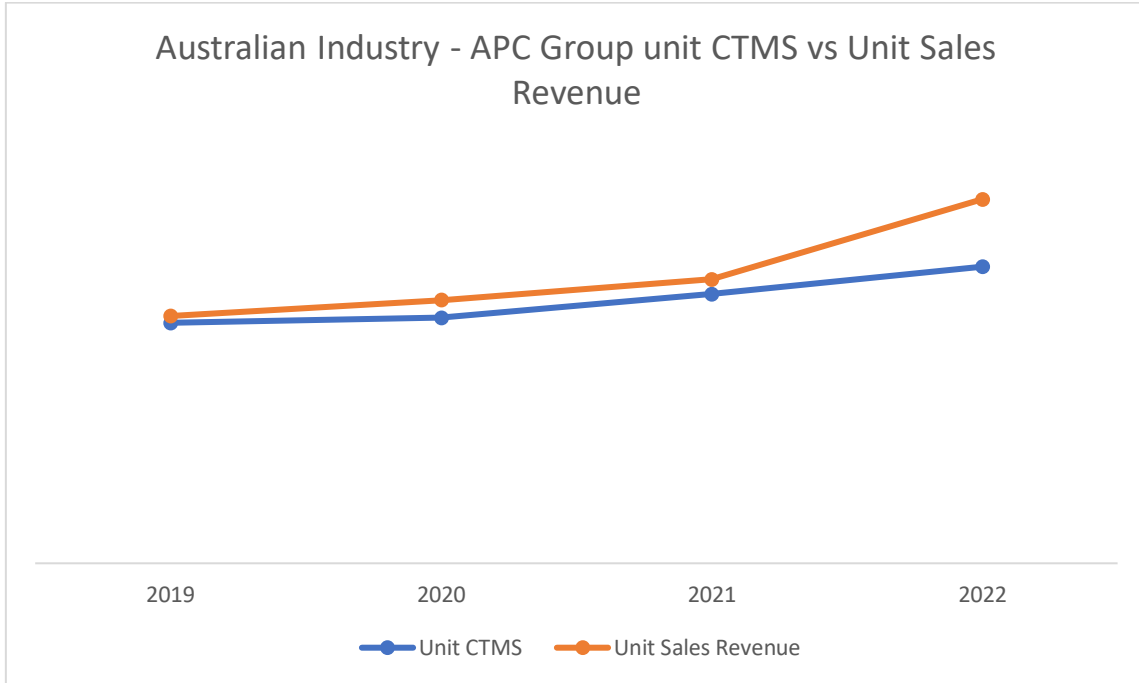


Figure 2: Unit price and CTMS

APC group has managed to maintain unit sales revenue above the unit CTMS throughout the period examined from 2019 to 2022. There doesn't appear to be any evidence of price suppression across this period.

Figure 2 shows that APC Storage managed to maintain a unit net profit each year from 2019. In 2022, APC Storage managed to increase their unit sales revenue considerably while incurring a lesser increase in unit CTMS.

Based on this analysis, the team considers that APC Storage does not appear to have experienced injury in the form of price suppression and price depression during the period examined.

8.5 Profit and profitability

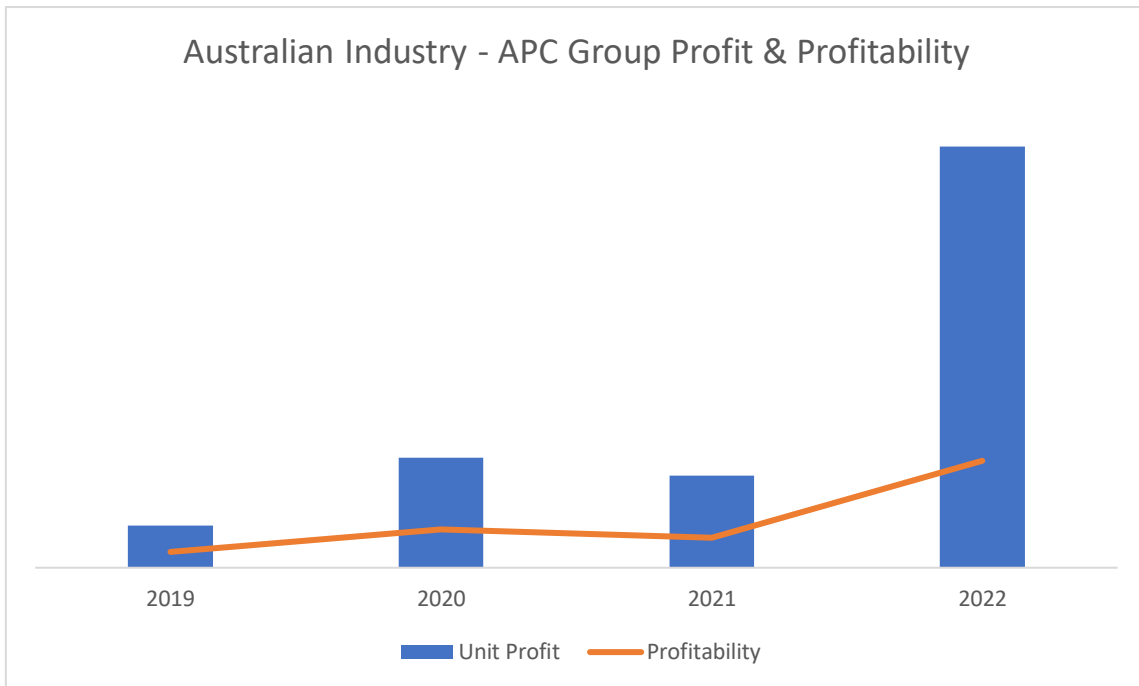


Figure 3: Profit and profitability

Figure 3 shows that profit and profitability has increased significantly in 2022. This also correlates with increases experienced in 2022 that were observed in Figure 1 and Figure 2. There has also been no discernible decline in unit profit or profitability over the period examined.

Based on this analysis, the team considers that APC Storage does not appear to have experienced injury in the form of loss of profits and reduced profitability during the period examined.

8.6 Other economic factors

At the request of the commission, APC Storage provided data in relation to a range of other economic factors that may also be indicative of injury to the Australian industry. This data covers the period 1 January 2018 to 31 December 2022:

- the value of assets employed in production of like goods and at a company level
- Capital investment relating to the sales of like goods and at a company level
- R&D expense relating to the sales of like goods and at a company level
- revenue relating to the sales of like goods and at a company level
- production capacity
- productivity

APC Storage did not make any specific claims in relation to the above factors. However, the commission observes the following in regards to like goods:

- the value of assets employed in the production of steel pallet racking has decreased
- capital investment saw increases in 2020 and 2022, with a decrease in 2021
- R&D expenses on pallet racking saw a decrease over the period 2019 to 2022
- revenue from pallet racking saw a slight decrease from 2019 to 2020, before marked increases in 2021 and again in 2022
- production capacity and utilisation remained steady.

9 Impact of expiry of measures

9.1 Background and approach to analysis

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
- the material injury

that the anti-dumping measure is intended to prevent.

Accordingly, the team sought APC Storage's views on these matters, and collected evidence to support those claims. The team also advised APC Storage that following the verification, it 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 course of the inquiry.

9.2 Continuation or recurrence of dumping and material injury

APC Storage claims that dumping of exported goods from China reduced after the imposition of measures, while Malaysian exporters have continued exporting at dumped prices.

APC Storage make further claims that Chinese exporters changed supply from their factories in China to Malaysia, which has increased the volume of exports from Malaysia. They assert that if the measures were to expire, there is a likelihood of recurrence of dumping from China, with exporters reverting to using their Chinese based factories, and importers reverting to Chinese suppliers. This would result in reduced sales and market share.

APC Storage also stated that they had missed on sales/tenders on price and provided evidence to support their statement. They make further claims that some suppliers are setting up production facilities in countries not subject to the measures to support their export sales.

9.2.1 Injury caused by factors other than dumping

APC Storage claims that Australian industry members have been impacted by raw material cost increases, raw material supply constraints, increased labour costs and a shortage of skilled labour.

While APC Storage state that Australian industry as a whole initially benefited from delays and increases in shipping costs of exports to Australia due to Covid-19 pandemic, any benefit has since abated, and APC Storage now face significant price pressures from exports.

10 Appendices and attachments

Confidential attachment 1	Verification work program
Confidential appendix 1	Australian market and economic condition