



*CUSTOMS ACT 1901 - PART XVB*

**STATEMENT OF ESSENTIAL FACTS**  
**NO 617**

**INQUIRY INTO THE CONTINUATION  
OF ANTI-DUMPING MEASURES ON  
STEEL PALLET RACKING  
EXPORTED TO AUSTRALIA FROM  
THE PEOPLE'S REPUBLIC OF CHINA AND MALAYSIA**

**30 October 2023**

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## ABBREVIATIONS

\$	Australian dollars
ABF	Australian Border Force
the Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Alpha Storage	Alpha Storage & Equipment Pty Ltd
APC Storage	APC Storage Solutions Pty Ltd
Brownbuilt	Brownbuilt Pty Ltd
Bunnings	Bunnings Group Ltd
the commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
Dematic	Dematic Pty Ltd
Dexion Australia	Dexion Australia Pty Ltd
Dexion China	Dexion (Shanghai) Logistics Equipment Co. Ltd
Dexion Malaysia	Dexion Asia Sdn Bhd
Eonmetall	Eonmetall Systems Sdn Bhd
EMT Systems	EMT Systems Sdn Bhd
GOC	Government of China
the goods	steel pallet racking, being the goods the subject of the application (also referred to as the goods under consideration)
the Guidelines	the commission's <i>Guidelines on the Application of Forms of Dumping Duty</i>
HRC	hot rolled coil
IDD	interim dumping duty
Macrack	Macrack (Australia) Pty Ltd
the Manual	the commission's <i>Dumping and Subsidy Manual</i>
Maxrac	Shanghai Maxrac Storage Equipment Engineering Co., Ltd
the Minister	Minister for Industry, Science and Resources
R&D	research and development
REQ	response to the exporter questionnaire
Schaefer Australia	Schaefer Systems International Pty Ltd
Schaefer Kunshan	SSI Schaefer System International (Kunshan) Co. Ltd
Schaefer Malaysia	Schaefer Systems International Sdn Bhd
SEF	Statement of Essential Facts
ShangHong and Yuhua	Zhejiang ShangHong Shelf Co., Ltd (ShangHong) and Yuhua Trading (HK) Limited
Spacerack	Spacerack Storage Centre (Brisbane) Pty Ltd
SSS	Safer Storage Systems Pty Ltd

### SEF 617 Steel pallet racking – China, Malaysia

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Stow China	Shanghai Stow Storage Equipment Co., Ltd
Stow Australia	Stow Storage Solutions Australia

# 1 SUMMARY AND RECOMMENDATIONS

## 1.1 Introduction

This statement of essential facts (SEF) concerns an inquiry into whether to continue the anti-dumping measures (the measures) on steel pallet racking (the goods) exported to Australia from People's Republic of China (China) and Malaysia (the subject countries). The measures are in the form of a dumping duty notice declaring *ad valorem* interim dumping duty (IDD) applies to exports of the goods to Australia.<sup>1</sup> The measures are due to expire on 8 May 2024.<sup>2</sup>

This SEF sets out the facts on which the Commissioner of the Anti-Dumping Commission (the Commissioner) proposes to base their recommendations to the Minister for Industry and Science (the Minister).

The Commissioner's final recommendations to the Minister will be contained in a report due by **15 December 2023**.

Interested parties should note that the SEF may not represent the final views of the Commissioner. The Commissioner invites interested parties to make submissions in response to the SEF (see section 1.5).

## 1.2 Proposed recommendations

The Commissioner is preliminarily satisfied that the expiry of the measures on steel pallet racking exported to Australia from the subject countries would be likely to lead to a continuation and or recurrence of dumping and the material injury that the measures are intended to prevent. The findings in this report are based on evidence currently available to the Anti-Dumping Commission (the commission).

The Commissioner proposes to recommend that the measures remain unaltered.<sup>3</sup>

Chapters 3 to 8 of this SEF detail the Commissioner's preliminary findings.

## 1.3 Background to the inquiry (chapter 2)

The Commissioner initiated this inquiry on 3 April 2023 and established an inquiry period of 1 January 2022 to 31 December 2022 (the inquiry period).<sup>4</sup>

Dematic Pty Ltd (Dematic) is the applicant seeking to continue the measures.<sup>5</sup>

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<sup>1</sup> The total IDD liability is calculated by multiplying the dumping export price (DXP) by the applicable IDD *ad valorem* duty rate. See the commission's [Guidelines on Application of Forms of Dumping Duty](#)

<sup>2</sup> Section 269TM of the *Customs Act 1901* (the Act). All legislative references are to the *Customs Act 1901*, unless otherwise specified.

<sup>3</sup> Section 269ZHF(1)(a)(i). The anti-dumping measures were initially imposed by public notice on 8 May 2019 by the then Minister for Industry, Science and Technology following consideration of the Commissioner's recommendation in Anti-Dumping Commission Report No. 441 (REP 441) as a result of Investigation No 441 (the original investigation).

<sup>4</sup> ADN No 2023/021 on the electronic public record (EPR) for case 617: EPR 617, document no 2.

<sup>5</sup> EPR 617, document no 1.

### **1.3.1 Conduct of the inquiry**

The initiation notice advised that the SEF was initially due on or before 22 July 2023 and the final report due to be provided to the Minister by 5 September 2023. The commission obtained an extension of time to these due dates, resulting in its current due dates.<sup>6</sup>

The commission invited interested parties, exporters and importers of steel pallet racking to participate and provide information relevant to the inquiry period.

## **1.4 Summary of key preliminary findings**

The Commissioner's preliminary findings and conclusions in this SEF rely on the information available at this stage of the inquiry. Based on the evidence currently available, the Commissioner is preliminary satisfied that, in summary:

- exports from China and Malaysia would likely continue if the measures expire
- dumping by exporters from China and Malaysia would likely continue or recur if the measures expire, and
- material injury to the Australian industry would likely recur if the measures expire.

The paragraphs below provide a summary of these findings, which are set out in further detail throughout the SEF.

### **1.4.1 The goods, like goods and the Australian industry (chapter 3)**

The Commissioner finds locally produced steel pallet racking are 'like' to the goods the subject of the application. The Commissioner is satisfied that there is an Australian industry, comprised of six Australian industry members producing those like goods.

- APC Storage Solutions Pty Ltd (APC Storage)
- Brownbuilt Pty Ltd (Brownbuilt)
- Dematic
- Macrack (Australia) Pty Ltd (Macrack)
- Spacerack Storage Centre (Brisbane) Pty Ltd (Spacerack), and
- Safer Storage Systems Pty Ltd (SSS).

### **1.4.2 Australian market (chapter 4)**

The Australian steel pallet racking market is supplied locally by Dematic and the other Australian industry members outlined above and by imported goods, predominately from China and Malaysia.

### **1.4.3 Economic condition of the Australian industry (chapter 5)**

The Commissioner assessed the economic condition of the Australian industry from 1 January 2019 to analyse trends in the market for steel pallet racking and assess potential injury factors. The Commissioner found that Australian industry has:

- decreased its market share
- increased prices at a greater rate than cost increases
- increased profit and profitability

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<sup>6</sup> ADN No. 2022/076. EPR 604, document no 6.

- had fluctuating sales volumes

#### **1.4.4 Likelihood of dumping and material injury continuing or recurring (chapter 6)**

The Commissioner's preliminary view is that the expiry of the measures would lead, or would be likely to lead, to a continuation or recurrence of the dumping and material injury that the measures are intended to prevent.

The Commissioner has reached this view based on significant factors including:

- Steel pallet racking continues to be exported from China and Malaysia.
- Chinese and Malaysian exporters have either maintained or are able to re-establish distribution links with Australian importers.
- Chinese and Malaysian exporters have excess capacity, which would provide them with the ability and incentive to continue to supply or recommence supplying the Australian market should the measures expire.
- Trade measures on China in other jurisdictions restrict alternative export markets, making Australia a comparatively more attractive and accessible market for exports from China should the measures expire.
- The original investigation found dumping by all exporters from the subject countries, at margins ranging between 4.6% and 110.3%. There is no evidence before the commission that dumping has ceased or is not likely to continue in the future (noting that the variable factors were not reviewed – see Chapter 7).
- No duty assessments have been lodged by importers of goods exported from the subject countries. This is prima facie evidence that the importers did not have a claim to a refund of duties (ie, that the goods were still being exported at dumped prices).
- Price is a major factor in purchasing decisions for steel pallet racking. There is evidence that that Australian industry has lost tenders based on price. It is likely that the Australian industry will come under increased pricing pressure from Chinese and Malaysian exporters if the measures expire.
- If measures were to expire and there were reduced prices from dumped exports, the Australian industry's sales volumes, market share, profits and profitability would likely be reduced.

#### **1.4.5 Variable factors (chapter 7)**

The Commissioner is not recommending a change to the variable factors relevant to the notice as part of this inquiry. There is no requirement for the Commissioner to recommend that the Minister change the variable factors in a continuation inquiry.

#### **1.4.1 Proposed measures (chapter 8)**

The Commissioner recommends that the method for working out the amount of IDD on exports remains unaltered. The Commissioner considers the current *ad valorem* duty method is the most appropriate form of duty.



## 1.5 Responding to this SEF

The SEF may not represent the Commissioner's final views. The commission invites interested parties to make written submissions in response to this SEF for the Commissioner's consideration.

Interested parties who wish to make written submissions in response to this SEF must do so no later than **20 November 2023**, which is within 20 days after the SEF being placed on the public record.<sup>7</sup>

The Commissioner is not obliged to have regard to any submission made in response to the SEF received after this date if to do so would, in the opinion of the Commissioner, prevent the timely preparation of the report to the Minister.<sup>8</sup>

Submissions may be lodged by email to [investigations2@adcommission.gov.au](mailto:investigations2@adcommission.gov.au)

Alternatively, interested parties may post submissions to:

Director, Investigations 2  
Anti-Dumping Commission  
GPO Box 2013  
CANBERRA ACT 2601  
AUSTRALIA

Confidential submissions must be clearly marked as 'OFFICIAL: Sensitive'. A non-confidential version of the submission, marked 'PUBLIC RECORD', is required for the public record. A guide for making submissions is available on the commission's website.<sup>9</sup>

The electronic public record (EPR) contains non-confidential submissions from interested parties, non-confidential versions of the commission's verification reports and other publicly available documents.

Interested parties should read this SEF in conjunction with other documents on the EPR.

## 1.6 Final report to the Minister

The Commissioner must report to the Minister by no later than **15 December 2023**.<sup>10</sup> The final report will contain the Commissioner's final recommendations about the continuation of the measures.

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<sup>7</sup> Section 269ZHE(3).

<sup>8</sup> Section 269ZHE(4).

<sup>9</sup> A guide for making submissions is available [here](#).

<sup>10</sup> The Commissioner's final report and recommendations must be provided to the Minister within 155 days after the publication of a notice under section 269ZHD(4) or such longer period as allowed.

## 2 BACKGROUND

### 2.1 Legislative framework

The procedures to be followed by the Commissioner in an application for the continuation of anti-dumping measures are set out in Division 6A of Part XVB of the *Customs Act 1901*.

#### 2.1.1 Legislative test

Under section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the anti-dumping measures unless the Commissioner is satisfied that the expiration of the anti-dumping measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measure is intended to prevent.

#### 2.1.2 Statement of essential facts (SEF)

Section 269ZHE(1) requires the Commissioner to publish a statement of the facts on which they propose to base their recommendations to the Minister about the continuation of the measures. This is referred to as the SEF.

Section 269ZHE(2) requires the Commissioner, in formulating the SEF, to have regard to the application and any submissions received within 37 days of the initiation of the inquiry. Under section 269ZHE(3), the Commissioner is not obliged to have regard to any submissions relating generally to the inquiry that are received by the Commissioner after the 37 days if to do so would, in the Commissioner's opinion, prevent the timely placement of this SEF on the EPR.

The Commissioner may also have regard to any other matters they consider relevant.

#### 2.1.3 Final report

Section 269ZHF(1) requires the Commissioner, after conducting an inquiry, to give the Minister a report which recommends that the relevant notice:

- remain unaltered
- cease to apply to a particular exporter or to a particular kind of goods
- have effect in relation to a particular exporter or to exporters generally as if different variable factors had been ascertained, or
- expire on the specified expiry day.

### 2.2 Application and initiation

On 3 April 2023,<sup>11</sup> the Commissioner published a notice on the commission's website inviting the following persons to apply for the continuation of the anti-dumping measures:<sup>12</sup>

- the person whose application under section 269TB resulted in the anti-dumping measures,<sup>13</sup> or

<sup>11</sup> ADN 2023/2021, EPR 617, document no 2.

<sup>12</sup> In accordance with section 269ZHB(1).

<sup>13</sup> Section 269ZHB(1)(b)(i)

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- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the anti-dumping measures.<sup>14</sup>

On 1 March 2023, the commission received an application lodged by Dematic for the continuation of the anti-dumping measures on the goods exported to Australia from the subject countries.<sup>15</sup>

The Commissioner was satisfied that:

- the application complied with section 269ZHC (content and lodgement requirements),<sup>16</sup> and
- there appeared to be reasonable grounds for asserting that the expiry of the anti-dumping measures might lead, or might be likely to lead, to a continuation of, or a recurrence of, the material injury that the measures are intended to prevent.<sup>17</sup>

The Commissioner therefore decided not to reject the application and published ADN No 2023/021 initiating the present inquiry on 3 April 2023.<sup>18</sup>

### 2.3 Current anti-dumping measures

The anti-dumping measures were initially imposed by public notice on 8 May 2019 by the relevant Minister following the original investigation (Investigation 441). The findings of that investigation are detailed in *Anti-Dumping Commission Report No 441* (REP 441).<sup>19</sup>

Table 1 below summarises the anti-dumping measures currently applying to exports of the goods to Australia from the subject countries.

Country	Exporter	Duty Method	Effective Rate of Duty
China	Jiangsu Jacking Industry Ltd	<i>ad valorem</i>	60.1%
	Dexion (Shanghai) Logistics Equipment Co. Ltd	<i>ad valorem</i>	33.7%
	SSI Schaefer System International (Kunshan) Co. Ltd	<i>ad valorem</i>	72.7%
	Danyang Hengcheng Metal Products Co. Ltd	<i>ad valorem</i>	60.1%
	Jiangsu NOVA Logistics System Co. Ltd	<i>ad valorem</i>	77.0%
	Nanjing Inform Storage Equipment (Group) Co. Ltd	<i>ad valorem</i>	77.0%
	Changzhou Tianyue Storage Equipment Co. Ltd	<i>ad valorem</i>	78.6%
	All Other Exporters	<i>ad valorem</i>	110.3%
Malaysia	Schaefer Systems International SDN. BHD	<i>ad valorem</i>	4.6%
	All Other Exporters	<i>ad valorem</i>	4.8%

**Table 1: Measures applying to exports of the goods**

<sup>14</sup> Section 269ZHB(1)(b)(ii)

<sup>15</sup> Under section 269ZHC. A non-confidential version of the application is available on EPR 617, document no 1.

<sup>16</sup> Section 269ZHD(2)(a)

<sup>17</sup> Section 269ZHD(2)(b)

<sup>18</sup> EPR 617, document no 2.

<sup>19</sup> EPR 441, document no 126.

Further detail about these measures can be found in the dumping commodity register (DCR) on the commission’s website.<sup>20</sup>

**2.3.1 Other cases**

The commission has conducted one case relating to steel pallet racking, as set out in Table 2 below. Further details can be found on the commission’s website.

Case type and number	ADN number	Date	Country of export	Findings
Investigation 441	<a href="#">2019/045</a>	8 May 2019	China, Malaysia	IDD imposed on exports from China and Malaysia

**Table 2: Other cases relating to the goods**

The commission has not conducted any review of measures or duty assessments in regard to steel pallet racking since the measures were imposed.

**2.4 Conduct of the inquiry**

**2.4.1 Inquiry period**

The inquiry period for this continuation is 1 January 2022 to 31 December 2022. The commission invited exporters and importers of steel pallet racking to provide information relevant to this period.

The commission has also examined data from the Australian Border Force (ABF) import database for the period covering 1 January 2017 to 31 December 2022 and financial data from the Australian industry from 1 January 2019 to 31 December 2022 for the purpose of analysing trends in the market for the goods and assessing potential injury factors.

**2.4.2 Questionnaires and verification**

Australian industry

The Commissioner is satisfied that the Australian industry applicant for the continuation of the measures, Dematic, is the person specified under section 269ZHB(1)(b)(ii), being the person representing a portion of the Australian industry producing like goods to the goods covered by the measures.<sup>21</sup>

The commission is satisfied that there is an Australian industry, comprised of six Australian industry members producing those like goods.

- APC Storage
- Brownbuilt
- Dematic
- Macrack
- Spacerack and
- SSS<sup>22</sup>

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<sup>20</sup> The DCR is available [here](#).

<sup>21</sup> See chapter 3.

<sup>22</sup> SSS was issued a supplementary questionnaire response.

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On initiation of this inquiry, the commission forwarded Australian industry questionnaires to all Australian industry members.<sup>23</sup> The commission only received responses to these questionnaires from Dematic and APC Storage.

The commission conducted verification visits to Dematic's and APC Storage's premises in May 2023. This was to verify data and information provided in Dematic's application and Australian industry questionnaire response, and APC Storage's Australian industry questionnaire response. The resulting verification reports are available on the EPR.<sup>24</sup> The commission notes that Dematic and APC Storage account for a substantial proportion of the Australian industry and as a result their economic performance is indicative of the Australian industry as a whole. Reference to Australian industry data in this report is based on materials provided by Dematic and APC storage unless otherwise stated.

SSS provided the commission with a response to a supplementary Australian industry questionnaire. However, the response was limited in that it did not include sales data. A public version of its response is available on the EPR.<sup>25</sup>

### Importers

The commission identified several importers from the ABF import database that imported steel pallet racking from the subject countries during the inquiry period or previously. The commission also placed a copy of the importer questionnaire on the commission's website for completion by other importers who were not contacted directly.

The commission received a response to the importer questionnaire from the following importers:

- Dexion (Australia) Pty Ltd (Dexion Australia)
- Schaefer Systems International Pty Ltd (Schaefer Australia)

The commission conducted verification visits to Dexion Australia and Schaefer Australia in August 2023. The resulting verification reports are available on the EPR.<sup>26</sup>

### Exporters

The commission identified the largest suppliers of steel pallet racking from China and Malaysia during the inquiry period as reported in the ABF import database. The commission forwarded questionnaires to those identified exporters, as well as those involved or contacted during Investigation 441. The commission also placed a copy of the exporter questionnaire on the commission's website for completion by other exporters who were not contacted directly.

The commission received 3 responses to the exporter questionnaire (REQs) within the legislated timeframe, including any extensions granted by the commission to provide their response.<sup>27</sup> The following exporters provided a response:

- Eonmetall Systems Sdn Bhd (Eonmetall) - Malaysia

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<sup>23</sup> The commission was alerted to SSS being an Australian manufacturer of steel pallet racking through a submission dated 24 July 2023 (EPR 617, document no 9). The commission subsequently forwarded SSS a supplementary Australian industry questionnaire.

<sup>24</sup> EPR 617, document nos 14 and 15.

<sup>25</sup> EPR 617, document no 12.

<sup>26</sup> EPR 617, document nos 19 and 20.

<sup>27</sup> EPR 617, document no 5, Exporter questionnaires received, and extensions of time granted.

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- EMT Systems Sdn Bhd (EMT Systems) - Malaysia
- Zhejiang ShangHong Shelf Co., Ltd (ShangHong) and Yuhua Trading (HK) Limited (Yuhua) - China<sup>28</sup>

The commission assessed these responses and found that all 3 REQs contained deficiencies. On 19 July 2023, the commission issued deficiency notices to the above exporters to rectify the deficiencies identified, should they so choose. The commission received 2 responses, one from EMT Systems and one from ShangHong and Yuhua. The commission reviewed the response from EMT Systems and assessed that it did not satisfactorily rectify the deficiencies. ShangHong and Yuhua provided a response to their deficiency notice 63 days after the deficiency notice was sent.<sup>29</sup> As a result, the commission could not consider their response, because to do so would, in the Commissioner's opinion, prevent the timely placement of this SEF on the public record.<sup>30</sup>

The commission also received a late REQ from Schaefer Systems International Sdn Bhd (Schaefer Malaysia).<sup>31</sup>

Public versions of the REQs have been placed on the EPR for EMT Systems, ShangHong and Yuhua.<sup>32</sup> Eonmetall and Schaefer Malaysia did not provide a public version of their REQ.

As outlined in ADN 2023/043, the commission does not intend to determine new variable factors in this case.<sup>33</sup> However as notified to interested parties in ADN 2023/043, the commission may still draw on responses provided to the inquiry in its assessment of whether the continuation of the anti-dumping measures is justified.

### Government questionnaires

On 3 April 2023, the commission wrote to the Government of China (GOC) and the Government of Malaysia advising of the initiation of this inquiry.

The commission also invited the GOC to complete a questionnaire regarding a particular market situation in respect of like goods in China. The commission did not receive a response from the GOC.

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<sup>28</sup> ShangHong and Yuhua are related entities. Yuhua acts as a trading company for sales to Australian customers for goods from ShangHong.

<sup>29</sup> Response to deficiency notice received on 20 September 2023.

<sup>30</sup> Section 269ZHE(3)

<sup>31</sup> Schaefer Malaysia provided its REQ 26 days outside the legislated period (which included an extension of 19 days). ADN No 2023/043 refers. (EPR 617, document no 7)

<sup>32</sup> EPR 617, document nos 16 and 17.

<sup>33</sup> EPR 617, document no 7.

**2.4.3 Submissions received from interested parties**

The commission received the submissions listed in Table 3 before publishing this SEF. Non-confidential versions of these submissions are available on the EPR.

EPR document no	Interested party and topic of submission	Date published
3	Shanghai Maxrac Storage Equipment Engineering Co., Ltd (Maxrac) – Submission in response to Initiation	10/5/2023
4	Dematic – Submission on normal value for exports from China	6/6/2023
6	Dexion Asia Sdn Bhd (Dexion Malaysia) – Submission regarding unavailability of information and initial comments	7/7/2023
8	Dematic – Submission regarding imports, material injury and recent representations	20/7/2023
9	SSS – Submission regarding the continuation of measures	25/7/2023
10	ShangHong and Yuhua – Submission responding to ADN 2023/043	1/8/2023
11	Dematic – Submission responding to ADN 2023/043	7/8/2023

**Table 3: Submission received**

The Commissioner has had regard to all submissions in Table 3 in making their preliminary findings outlined in this SEF. The submissions are addressed throughout this report.

## 3 THE GOODS, LIKE GOODS AND THE AUSTRALIAN INDUSTRY

### 3.1 Preliminary finding

The Commissioner finds that:

- locally manufactured goods are 'like' to the goods subject to the measures
- there is an Australian industry, including Dematic and APC Storage producing like goods, and
- the like goods are wholly manufactured in Australia.

### 3.2 Legislative framework

To be satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation or recurrence of dumping and the material injury that the measure is intended to prevent, the Commissioner firstly determines whether the goods produced by the Australian industry are 'like' to the imported goods.

Section 269T(1) defines like goods 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 definition of like goods is relevant in the context of this inquiry in determining the Australian industry and whether the expiry of the measures would lead to a continuation of, or a recurrence of, the dumping and material injury that the measures are intended to prevent. The commission's framework for assessing like goods is outlined in chapter 2 of the *Dumping and Subsidy Manual* (the Manual).<sup>34</sup>

Where the locally produced goods and the imported goods are not alike in all respects, the Commissioner assesses whether the respective goods have characteristics closely resembling each other. The Commissioner considers:

- physical likeness
- commercial likeness
- functional likeness, and
- production likeness.

The Commissioner must also consider whether the Australian industry manufactures 'like' goods in Australia. Section 269T(2) specifies that for goods to be regarded as being produced in Australia, they must be either wholly or partly manufactured in Australia. Under section 269T(3), to be considered as partly manufactured in Australia, at least one substantial process in the manufacture of the goods must be carried out in Australia.

The following analysis therefore establishes the scope of the commission's inquiry.

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<sup>34</sup> Available [here](#) on the commission's website.



### 3.3 The goods subject to the measures

The goods subject to the anti-dumping measures and this inquiry 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 12 metres) and brace (with or without nuts and bolts).

#### Further information

The goods are adjustable static racking structures capable of carrying and storing product loads, and components used to make static racking structures.

Adjustable racking is a structure typically made from cold-formed or hot rolled steel structural members and includes components such as plates, rods, angles, shapes, sections, tubes, and the like. Welding, bolting, or clipping are the typical methods to assemble them. It may be racking installed within a building.

A typical storage configuration comprises upright frames perpendicular to the aisles and independently adjustable, positive locking beams parallel to the aisle, spanning between the upright frames, and brace designed to support unit load actions.

The racking layout and components used are designed to get the best efficiency for the shape and volume of the items stored. The applicable Australian Standard is AS4084-2012.<sup>35</sup>

#### Exclusions from the measures

On 6 May 2019 the then Minister for Industry, Science and Technology exempted all components or parts of steel pallet racking, other than beams, uprights and braces, from interim dumping duty and dumping duty effective from 19 June 2018.<sup>36</sup>

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<sup>35</sup> The Australian Standard for Steel Storage Racking, updated standards in 2023. The standard is now in 2 parts: design 4084.1:2023 and operations 4084.2:2023.

<sup>36</sup> [Ministerial Exemption Instrument No 1 of 2019](#).

### 3.3.1 Tariff classification

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

Tariff Subheading	Statistical Code	Description
7308		STRUCTURES (EXCLUDING PREFABRICATED BUILDINGS OF 9406) AND PARTS OF STRUCTURES (FOR EXAMPLE, BRIDGES AND BRIDGE-SECTIONS, LOCK-GATES, TOWERS, LATTICE MASTS, ROOFS, ROOFING FRAMEWORKS, DOORS AND WINDOWS AND THEIR FRAMES AND THRESHOLDS FOR DOORS, SHUTTERS, BALUSTRADES, PILLARS, AND COLUMNS), OF IRON OR STEEL; PLATES, RODS, ANGLES, SHAPES, SECTIONS, TUBES AND THE LIKE, PREPARED FOR USE IN STRUCTURES, OF IRON OR STEEL:
7308.90.00		Columns, pillars, posts and beams, girders, bracing, gantries, brackets, struts, ties and similar structural units:
	58	Racking and shelving

**Table 4: Tariff classification of the goods<sup>37</sup>**

### 3.4 Model control codes

The proposed model control code (MCC) structure described in ADN No 2023/021 (and in Table 5) describes the key characteristics of the goods.

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 5: Proposed MCC Structure**

### 3.5 Like goods

The Commissioner is satisfied that the domestically produced goods are like to the goods under consideration because the following characteristics of each closely resemble each other:<sup>38</sup>

- physical likeness
- commercial likeness
- functional likeness, and
- production likeness.

<sup>37</sup> These tariff classifications and statistical codes may include goods that are both subject and not subject to the anti-dumping measures. The listing of these tariff classifications and statistical codes is for convenience or reference only and does not form part of the goods description. Please refer to the goods description for authoritative detail about goods subject to the anti-dumping measures.

<sup>38</sup> As defined in section 269T(1)

In so finding, the commission has relied on information provided by both Dematic and APC Storage, including Dematic's application, industry questionnaire responses and verification visits to their manufacturing facilities.

### **3.5.1 Physical likeness**

The primary physical characteristics of the steel pallet racking that Dematic and APC Storage produce are similar to the primary physical characteristics of the steel pallet racking exported from the subject countries. The locally produced steel pallet racking is manufactured to meet Australian Standard AS4084-2012.<sup>39</sup> It is understood that the imported goods are represented as AS4084-2012 compliant.

### **3.5.2 Commercial likeness**

In the Australian market, steel pallet racking that Dematic and APC Storage produces competes directly and indirectly with steel pallet racking imported from the subject countries. 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.

Based on this, the commission considers the locally produced goods to be commercially like to the goods the subject of the measures.

### **3.5.3 Functional likeness**

The steel pallet racking that Dematic and APC Storage produces is highly interchangeable or substitutable with the goods the subject of measures, given that both goods are sold to similar customers and for identical or comparable end uses, predominantly being warehouse storage.

Based on this, the commission considers that the locally produced goods and the goods under consideration perform the same function and are used in the same end-use applications.

### **3.5.4 Production likeness**

The commission considers that the locally produced goods and the goods the subject of the measures are produced using similar production processes and similar raw material inputs to the goods the subject of the measures. This is based on the production processes the commission observed during verification activities and based on the commission's understanding of the production process from the original investigation.

## **3.6 Australian industry – domestic production**

During onsite verification visits, the commission observed the production process at both Dematic's and APC Storage's manufacturing facilities. The commission's findings are detailed in verification reports.<sup>40</sup> The commission notes that both industry members manufactured steel pallet racking using similar processes.

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<sup>39</sup> The Australian Standard for Steel Storage Racking, updated standards in 2023, The standard is now in 2 parts design 4084.1:2023 and operations 4084.2:2023.

<sup>40</sup> EPR 617, document nos 14 and 15

### **3.6.1 Production process**

The Australian industry 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 supplied to the Australian industry by unrelated domestic entities, 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 visits and plant tours that Dematic and APC Storage carry out at least one substantial process in the manufacture of steel pallet racking.

### **3.6.2 Conclusion – Australian industry**

Based on the information obtained from verification visits, submissions, and market intelligence the Commissioner is satisfied that there is an Australian industry, including Dematic and APC Storage, that produces like goods in Australia to the goods subject of the measures.

## 4 AUSTRALIAN MARKET

### 4.1 Preliminary finding

The Commissioner preliminarily finds that the Australian market for steel pallet racking is supplied by the Australian industry, and imports from multiple countries, including China and Malaysia.

In assessing the characteristics of the Australian market, the commission preliminarily found that in the inquiry period the Australian market:

- is supplied by the Australian industry and imports including from China and Malaysia
- is highly competitive with Australian industry members and importers all competing against each other
- the size of the Australian market has continued to grow since measures were imposed in 2019
- Malaysia is the largest source, by value, for steel pallet racking in Australia, and
- price is a major purchasing factor for customers

### 4.2 Approach to analysis

The analysis in this chapter is based on verified financial information submitted by the applicant Dematic, APC Storage, and data captured in the ABF import database. As mentioned in section 2.4.2, SSS did not provide the commission with sales data.

In assessing sales volume and market share, the commission has used value as it was not always able to accurately identify the volume/weight of imports to Australia. This is consistent with the approach in REP 441.

### 4.3 Market structure

#### 4.3.1 Marketing segmentation and end uses

The Australian steel pallet racking market is supplied by the Australian industry and imports. The commission has identified 6 Australian industry members, listed in section 2.4.2, that produce like goods. Australian industry members compete with each other and directly against importers.

The Australian industry members the commission visited (Dematic and APC Storage) are material handling companies that, among other goods and services, fit out company warehouses. Their customer base includes manufacturers, wholesale, freight, and retail distribution centres.

The like goods produced and sold by the Australian industry are steel pallet racking that when assembled, become a structure for storage of product on pallets, predominately in warehouses. 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.

The end use of pallet racking components is to combine them to form a selective pallet racking system, or structure, that enables pallets to be stored vertically. Components can also be assembled into narrow aisle, drive-in racking, or mobile racking. End users are

comprised of any business that requires this type of storage system, including industrial warehousing, retail back of house, mining, manufacturing, and government customers.

During the inquiry period, importers and the Australian industry supplying the Australian market have similar end users (customers).

#### **4.3.2 Supply and distribution arrangements**

The Australian industry supplies the market through independent distribution centres as well as direct to end users. Distribution centres are located in New South Wales, Queensland, South Australia, Victoria and Western Australia. Steel pallet racking is generally made to order rather than to stock. Distributors generally supply small to medium sized businesses, while the Australian Industry will also provide direct supply for larger projects, normally through a tender process.

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, including those of Dexion and Schaefer. These distributors are located around Australia.

There has also been a marked increase in source of supply of imports, with a shift from China to Malaysia.

#### **4.3.3 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.

Pallet racking is normally purchased as a capital expense. Whilst seasonal factors may play a part in the short-term demand (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.

SSS also stated in its supplementary Australian industry questionnaire response that warehouses have become substantially larger, increasing demand for steel pallet racking.

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.

#### 4.4 Market competition

The Australian steel pallet racking market is highly competitive. Australian industry members and importers all compete directly against each other. The largest Australian industry competitor in the market is Dematic. Larger importers include Dexion Australia and Schaefer Australia who imported the goods from Malaysia during the inquiry period, along with Stow Storage Solutions Australia (Stow Australia) who imported the goods from countries not subject to the measures.

Price is seen by both the Australian industry and importers as one of the major purchasing factors. Solution development, service, timing and customer relationships are also important. Many larger projects are awarded through a tender process, while customers also have the opportunity to easily change suppliers. There are minimal barriers for a customer to select different suppliers.

#### 4.5 Market size

The size of the Australian market has continued to grow since measures were imposed in May 2019. This includes the estimated size of the Australian industry, and exports from Malaysia appearing to have increased over this period.

This analysis of the Australian market size forms the basis for the commission’s findings in section 6.6, in regard to whether exports are likely to continue or recur. In part it forms the basis for the commission’s analysis of import volumes in section 6.6.1.

The commission estimates that since the measures were imposed in May 2019, the Australian market for pallet racking, when assessing its size by value, continued to increase year on year. This trend is outlined in Figure 1 below. The Australian market also saw a slight increase from 2015 to 2018 prior to the measures being imposed, which is outlined in **Confidential Attachment 1**.<sup>41</sup>

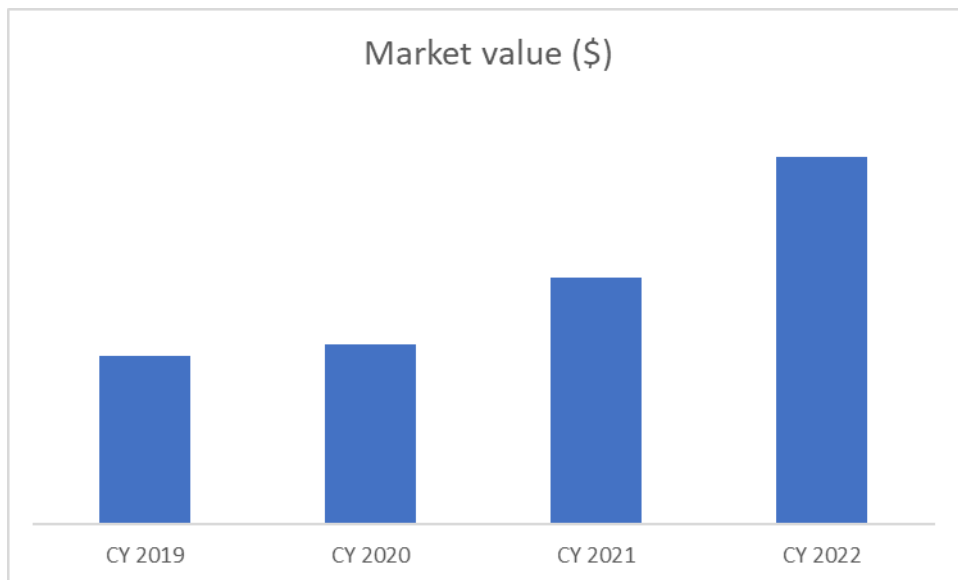


Figure 1: Australian market size for pallet racking

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<sup>41</sup> Data on imports prior to measures being imposed is a little less accurate due to problems in identifying the goods.

The commission notes that prior to measures being imposed in 2019, exports from China accounted for a substantially higher proportion of the value of steel pallet racking exported to Australia.<sup>42</sup>

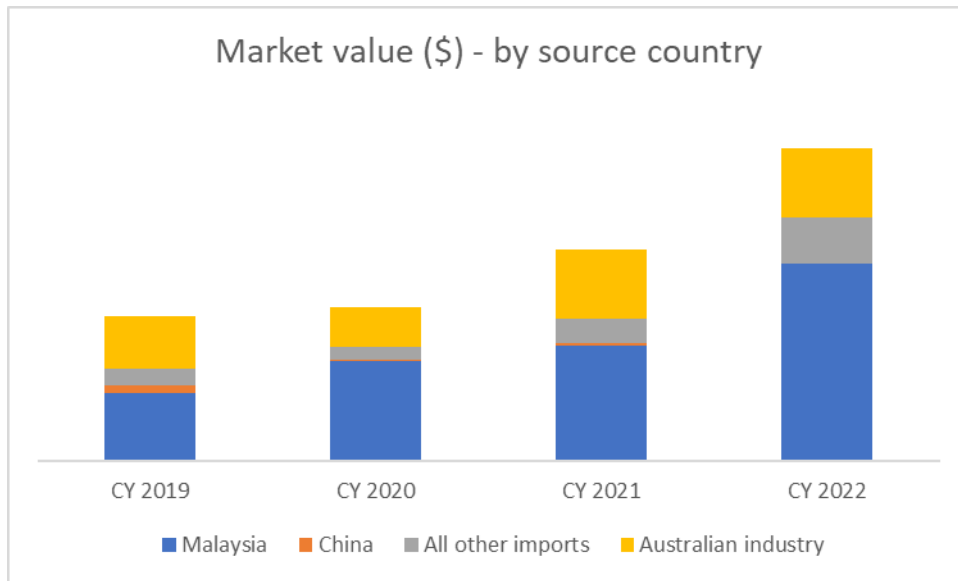


Figure 2: Australian market value by source country

Figure 2 indicates that since the measures were imposed, the value of exports from China have been minimal. Prior to the measures, exports from China were significantly higher.<sup>43</sup> The value of exports from Malaysia, which was already the largest source country prior to measures being imposed, saw continued increases year on year, with a substantial increase in 2022. The Australian industry also experienced marked increases in the total value of pallet racking that it sold following the imposition of measures. It is estimated that the value of exports from other countries (predominately Europe), has increased substantially in 2021 and 2022.

The commission’s market analysis is at **Confidential Attachment 1**.

#### 4.6 Market pricing

Dematic uses 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.

APC Storage also uses 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.

<sup>42</sup> Confidential Attachment 1 – Australian market economic condition

<sup>43</sup> REP 441, Figure 3, p 64.



## 5 ECONOMIC CONDITION OF THE INDUSTRY

### 5.1 Preliminary finding

The commission notes that the economic condition of the Australian industry, represented by Dematic and APC Storage, has had varied results in the 4-year period from 1 January 2019 to 31 December 2022.

Since 1 January 2018, the Commissioner preliminary finds that, in relation to sales of like goods in the Australian market:

- Dematic had fluctuating sales volumes year on year, while APC Storage was able to increase sale volumes
- the market share of the Australian industry has declined
- Dematic and APC Storage have not experienced price depression or price suppression
- Dematic and APC Storage have remained profitable.

Following the imposition of measures in 2019, and prior to the inquiry period, the Australian industry's economic condition showed signs of vulnerability, particularly in terms of fluctuating sales volumes, declining market share and no marked improvement in profits and profitability until 2021.

The Australian industry's market share has fluctuated year to year from 1 January 2019, with each year's market share from 2020 to 2022 being less than the industry's share in 2019, with 2019 being the year measures were imposed.

Both Dematic and APC Storage experienced increases in sales volume following the imposition of measures in 2019 before a reduction in 2020. This reduction may have been as a result of covid restrictions slowing down the market. However, both bounced back with increased sales volumes in 2021. APC Storage improved their sales volumes again in 2022, while Dematic saw a drop off.

### 5.2 Approach to analysis

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 measures are intended to prevent, involves a consideration of future outcomes based on an evaluation of the present position. The economic condition of the Australian industry examined in this chapter provides the basis for the commission's findings in section 6.7 into whether material injury is going to continue or recur.

This chapter considers the economic condition of the Australian industry since the measures were imposed. This examination provides the basis for the commission's analysis in chapter 6 of whether material injury is likely to continue or recur.

The commission has assessed the economic condition of the Australian industry from 1 January 2019 to 31 December 2023, using the verified information provided by Dematic and APC Storage in this inquiry and the original investigation, and data from the ABF import database. As mentioned in section 2.4.2, SSS did not provide the commission with sales data.

The commission notes that over this period Dematic accounted for a significant proportion of the combined value of Dematic and APC Storage's sales. As a result, the commission has put more weight on Dematic's economic condition as being representative of the

Australian industry as a whole. However, the commission has still analysed both of these Australian industry members.

### 5.3 Findings in the original investigation

REP 441 found that the Australian industry had experienced injury in the forms of:

- loss of sales volume
- loss of market share
- price depression
- price suppression
- reduced profits
- reduced profitability
- reduced revenue
- declining asset value
- reduced capital investment
- reduced return on investment
- reduced employment and wages
- reduced capacity
- reduced capacity utilisation
- reduced cash flow.

#### 5.3.1 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.<sup>44</sup>

### 5.4 Volume effects

As demonstrated below, since measures were imposed, the commission has found Dematic had fluctuating sales volumes year on year, while APC Storage was able to increase sale volumes. The Australian industry's market share has declined overall.

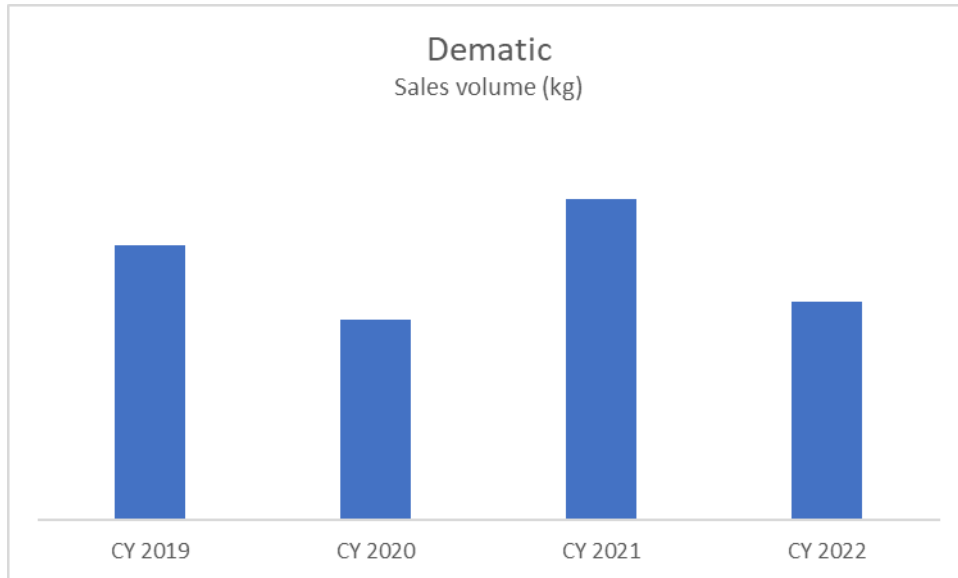
#### 5.4.1 Sales volume

Figure 3 below shows Dematic's sales volume of steel pallet racking from 2019 to 2022.

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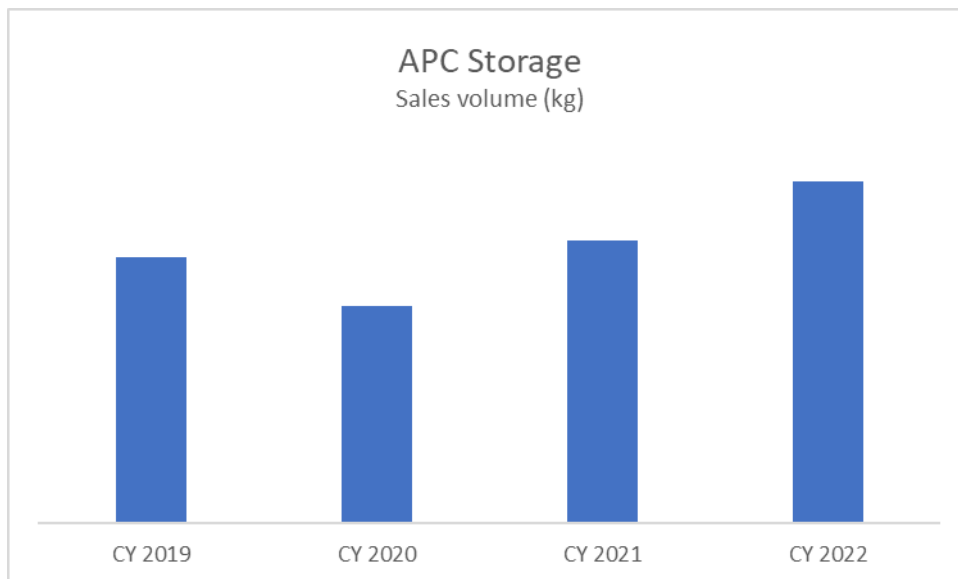
<sup>44</sup> EPR 617, document no 1, Attachment A

**PUBLIC RECORD**



**Figure 3: Dematic sales volume**

This indicates that Dematic has experienced some fluctuation in sales volume from year to year, with a decline in the inquiry period following higher sales volumes the previous year. This is a different trend to sales experienced by APC Storage.



**Figure 4: APC Storage Sales volume**

As shown in Figure 4 above, over the same period examined, APC Storage’s sales volume also showed a decline from 2019 to 2020. However, there was a marked increase in sales volume during both 2021 and 2022 (inquiry period).

**5.4.2 Market share**

The commission has examined the market share of Dematic and APC Storage combined as representing the Australian industry, against exports of steel pallet racking by source country (China, Malaysia, and other countries not covered by the measures).

**SEF 617 Steel pallet racking – China, Malaysia**

Figure 5 below shows the market share by value. In assessing market share, the commission has used value as it was not able to accurately identify the volume/weight of imports to Australia.

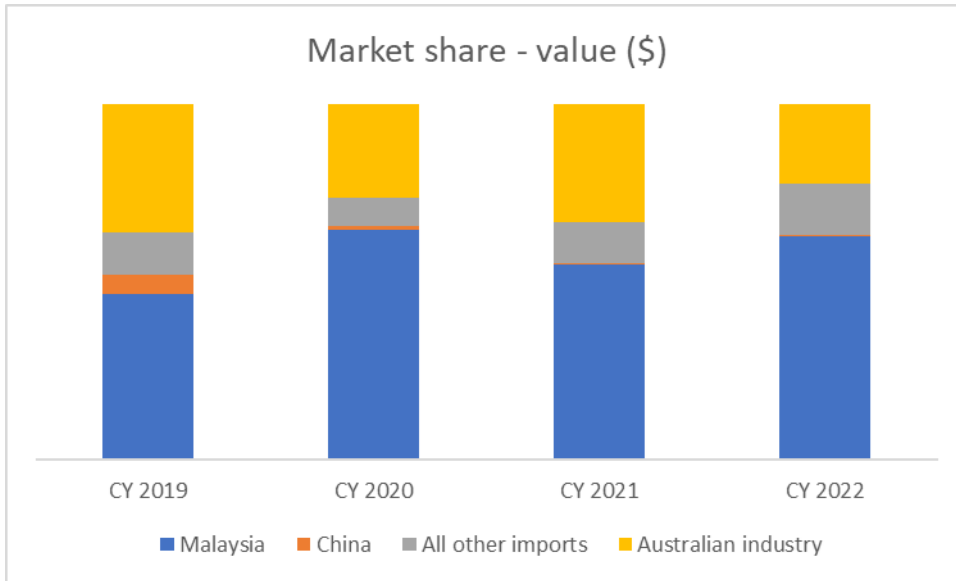


Figure 5: Australian market share by source country<sup>45</sup>

The Australian industry has experienced a fluctuation in market share since measures were imposed, with its market share in 2022 less than 2019. This is despite the overall Australian market size, as outlined in Figure 1, increasing year on year.

Since measures were imposed in May 2019, the market share of exports from China has decreased to almost zero. The market share of exports from Malaysia has seen some fluctuation over the same period, however there is a marked increase in their market share from the 2019 calendar year to that of the 2022 calendar year.

It appears that the additional market share has been captured by exports from Malaysia and exports from countries not subject to the measures.

## 5.5 Price effects

As demonstrated below, the commission has found that Dematic and APC Storage have not experienced price depression or price suppression since measures were imposed.

### 5.5.1 Price depression and suppression

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

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<sup>45</sup> Confidential Attachment 1 – Australian market economic condition

PUBLIC RECORD

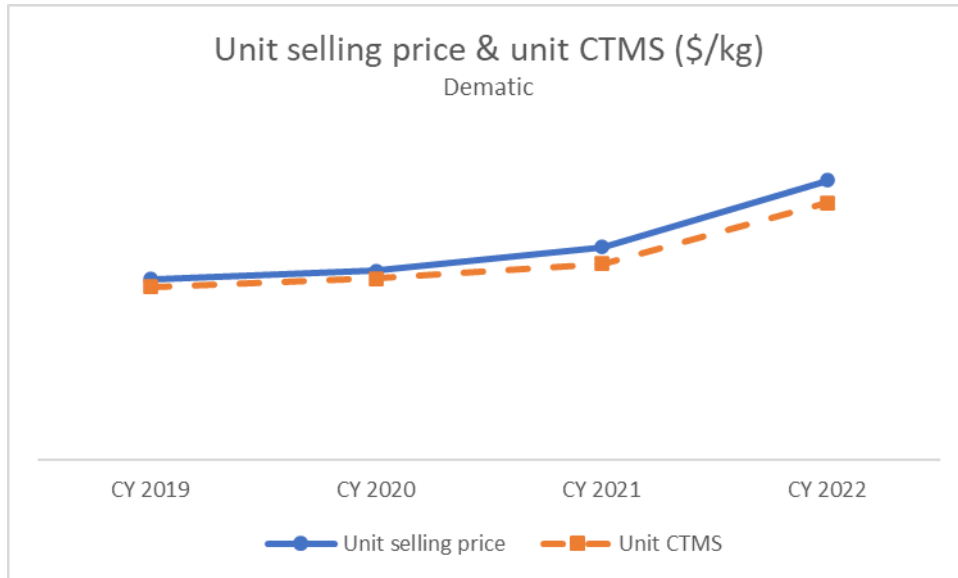


Figure 6: Dematic unit selling price and unit CTMS

Figure 6 above show's Dematic's unit selling price and unit cost to make and sell (CTMS) from 2019 to 2022. 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 margin between price and CTMS towards the end of the analysis period.

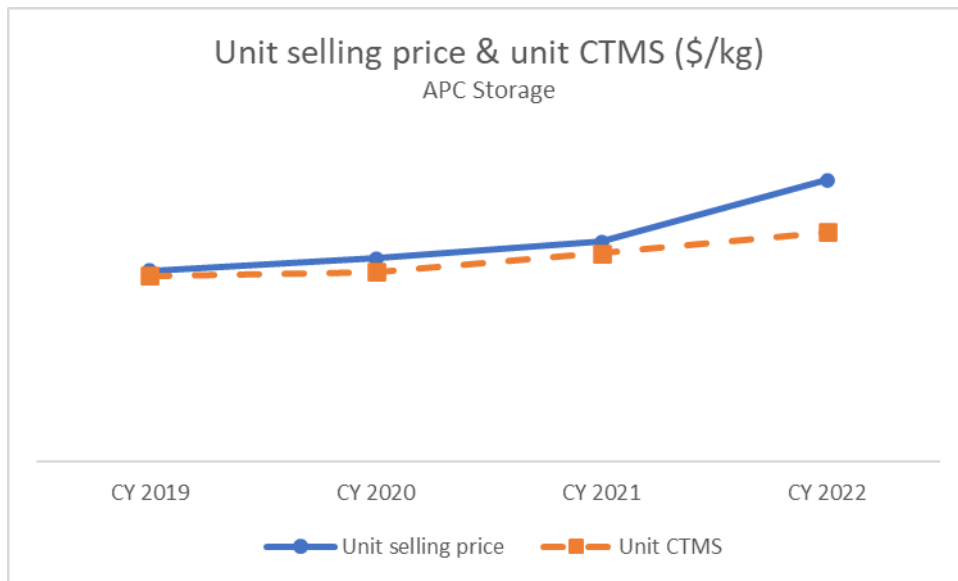


Figure 7: APC Storage unit selling price and unit CTMS

APC Storage has followed a similar unit selling price and unit CTMS pattern to Dematic. APC Storage has managed to maintain unit sales revenue above the unit CTMS throughout the period examined from 2019 to 2022, with some widening of the gap

between price and CTMS towards the end of the analysis period. There doesn't appear to be any evidence of price suppression across this period.

Figure 6 and Figure 7 shows that Dematic and APC Storage managed to maintain unit net profit each year from 2019. In 2022, Dematic and APC Storage both managed to increase their unit sales revenue while incurring a lesser increase in unit CTMS.

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

### 5.6 Profits and profitability

The commission has found Dematic and APC Storage have been able to remain profitable since measures were imposed.

Figure 8 shows Dematic's profit and profitability from 2019 to 2022.

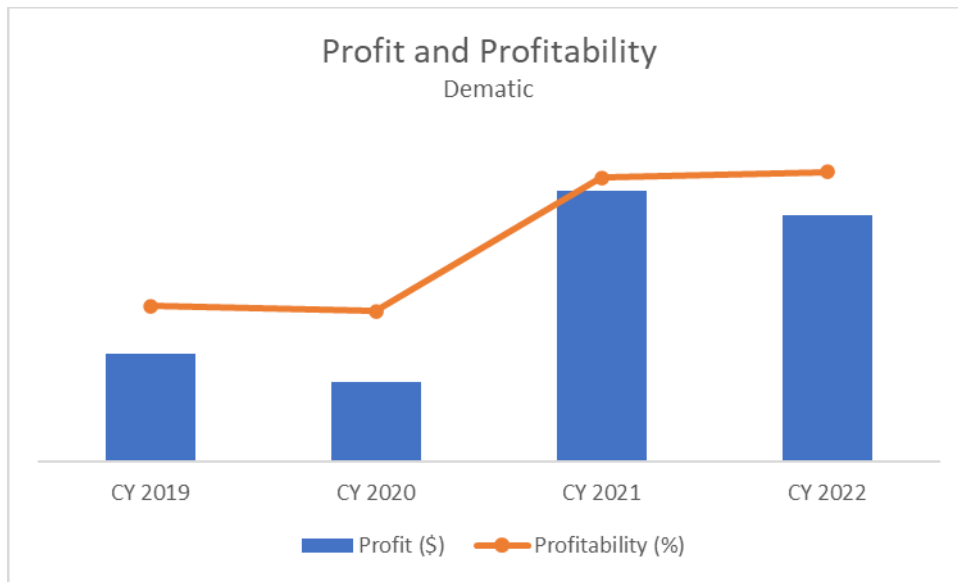
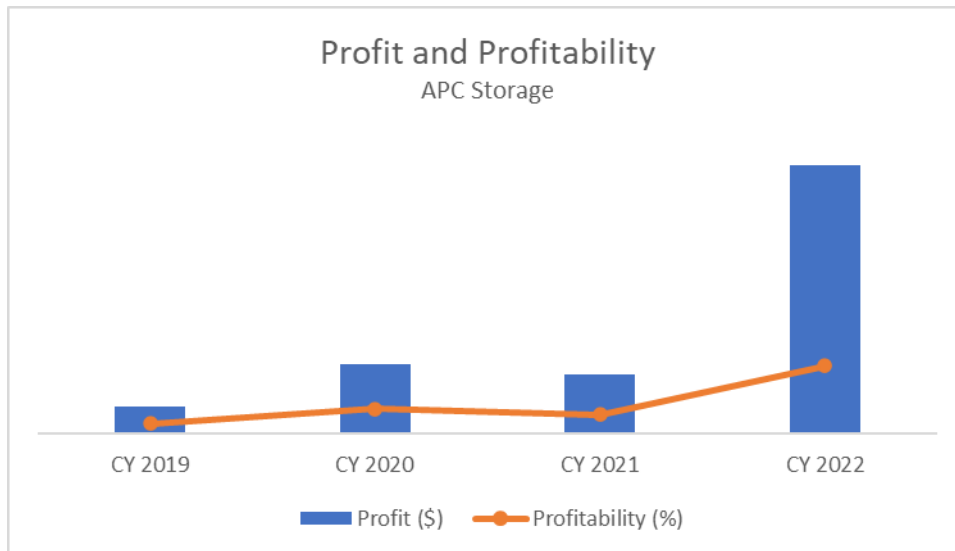


Figure 8: Dematic profit and profitability

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.



**Figure 9: APC Storage profit and profitability**

On the other hand, Figure 9 shows that profit and profitability for APC Storage has shown similar results from 2019 to 2021 before increasing significantly in 2022. This also correlates with increases experienced in 2022 that were observed in Figure 4 and Figure 7. There has also been no discernible decline in unit profit or profitability over the period examined.

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

### 5.7 Other economic factors

Dematic did not claim any other injury factors in its application. However, at the request of the commission, Dematic and 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 and included:

- the value of assets employed in production
- capital investment
- production capacity
- capacity utilisation
- revenue
- research and development (R&D) expenses (APC Storage)
- return on investment (Dematic)
- productivity (Dematic)
- employment (Dematic)
- stock on hand (Dematic)
- wages (Dematic)
- cashflow measures (Dematic).

Dematic and APC Storage did not make any specific claims in relation to the above factors. However, the commission observes the following in regard to like goods for each.

## SEF 617 Steel pallet racking – China, Malaysia

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### Dematic:

- the value of assets used in the production of steel pallet racking has increased year on year from 2018 to 2022
- capital investment in the production of steel pallet racking has increased year on year from 2018 to 2022
- revenue from steel pallet racking increased in 2019 and 2021, before experiencing decline in 2022
- production capacity decreased slightly from 2019 to 2022, however capacity utilisation increased in 2019 and has remained steady since
- employment numbers for steel pallet racking remained steady, before a decline in 2022 (these staff were redeployed to other production).

### APC Storage:

- the value of assets at a company level employed in the production of steel pallet racking has decreased
- capital investment at a company level saw increases in 2020 and 2022, with a decrease in 2021
- R&D expenses in relation to steel pallet racking saw a decrease over the period 2019 to 2022
- revenue from steel 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.

Analysis of Dematic and APC Storage's other economic factors is at **Confidential Attachments 1 and 2**.



## 6 LIKELIHOOD THAT DUMPING AND MATERIAL INJURY WILL CONTINUE OR RECUR

### 6.1 Preliminary finding

On the basis of the evidence obtained in the course of this inquiry, the Commissioner is preliminarily satisfied that the expiration of the measures applying to steel pallet racking exported to Australia from China and Malaysia would lead, or would be likely to lead, to a continuation of, or recurrence of dumping and the material injury that the measures are intended to prevent.

The commission is satisfied that:

- exports from Malaysia and China would likely continue if the measures expire
- dumping by exporters from Malaysia and China would likely continue if the measures expire, and
- material injury to Australian industry would likely continue or recur if the measures expire.

### 6.2 Legislative framework

Under section 269ZHF(2) the Commissioner must not recommend that the Minister take steps to secure the continuation of measures unless they are satisfied that the expiration of the measures would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measure is intended to prevent.

The commission notes that its assessment of the likelihood of certain events occurring and their anticipated effect, as is required in a continuation inquiry, necessarily requires an assessment of a hypothetical situation. The commission must consider what will happen (or what would be likely to happen) in the future should a certain event, being the expiry of the measures, occur. However, the Commissioner must nevertheless base their conclusions and recommendations on facts.<sup>46</sup>

### 6.3 The commission's approach

The commission considered a number of relevant factors to assess the likelihood that dumping, and material injury will continue or recur, as outlined in the Manual.<sup>47</sup> The commission's view is that the relevance of each factor varies depending on the nature of the goods and the market into which the goods are sold and the nature of the export market. In this instance, no one factor can provide decisive guidance. The following analysis therefore examines a range of factors that the commission considers relevant to this inquiry.

### 6.4 Australian industry claims

In its application, Dematic made the following claims regarding the continuation or recurrence of injury caused by steel pallet racking exported to Australia from China and Malaysia:

<sup>46</sup> [ADRP Report No. 44](#) (Clear Float Glass)

<sup>47</sup> [The Manual](#), December 2021, pp 136-138.

## PUBLIC RECORD

- Since the imposition of measures, exporters from China and Malaysia have maintained their distribution channels to Australia.
- There is significant excess capacity in China and Malaysia's steel making industries, which may be redirected to Australian markets in the absence of measures. HRC is the primary input and major cost component for the goods.
- The GOC continues to exert significant influence in the Chinese domestic steel industry. As the commission found in REP 441, domestic prices for Chinese steel pallet racking will continue to be substantially different to those that would otherwise prevail in normal competitive market conditions.
- Expiration of the measures would likely lead to recurrence of material injury to the Australian industry in the form of reduced sales and reduced market share as identified in REP 441. In the absence of measures, exporters from the subject countries are likely to increase export volumes to Australia.
- Further, if the measures expire, any projected future growth in demand will not shield the domestic industry from the injurious effects of dumped imports, of which volumes have been shown to outstrip demand in the Australian market.
- The 2022 calendar year has been impacted by the disruption of global supply chains associated with COVID-19. Absent these issues, exports from subject countries in 2022 would have been higher. As supply chains stabilise, Australian industry sales volumes will become vulnerable to exports as a result of an increase in volumes.
- Given the substitutability of domestic and imported goods, and price-based competition for steel pallet racking in the Australian market, if the measures expire, a significant volume of dumped subject goods from China and Malaysia would again substantially undercut the domestic like product to gain market share. In turn, this would significantly depress and suppress domestic like product prices.

The commission has considered Dematic's claims in its analysis below.

### **6.5 Submissions about the continuation or recurrence of dumping and material injury**

The commission received submissions from the following interested parties in regard to the recurrence of dumping and material injury:

- Maxrac<sup>48</sup>
- Dexion Malaysia<sup>49</sup>
- Dematic<sup>50</sup>
- SSS<sup>51</sup>

These submissions are addressed in their relevant sections.

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<sup>48</sup> EPR 617, document no 3.

<sup>49</sup> EPR 617, document no 6.

<sup>50</sup> EPR 617, document no 8.

<sup>51</sup> EPR 617, document no 9.

## 6.6 Are exports likely to continue or recur?

The commission considers that, should the measures expire, exports from China and Malaysia are likely to continue.

This finding is based on the following significant factors:

- steel pallet racking continues to be exported from China and Malaysia
- Chinese and Malaysian exporters have either maintained or are able to re-establish distribution links with Australian importers
- Chinese and Malaysian exporters have excess capacity
- trade measures on China in other jurisdictions restrict alternative export markets.

Each of these factors above, either individually or collectively are relevant in demonstrating the likelihood that exports will continue or recur.

To form this view the commission has assessed import volumes, distribution links, excess production capacity, and the availability to source the goods from other markets as outlined in the sections below.

### 6.6.1 Import volumes

The commission notes there was only a very small volume of exports of the goods from China during the inquiry period. During the same period, the value of exports from Malaysia was substantially higher than both the Australian industry and exports from countries not subject to the measures.

As established in section 4.5, prior to the imposition of measures in 2019, exports from China accounted for a substantially higher proportion of the value of steel pallet racking exported to Australia. The value of exports from China then decreased significantly since the measures were imposed in the years prior to the inquiry period. On the other hand, the value of exports from Malaysia continued to increase year on year. This included a substantial increase during the inquiry period. The commission notes that Malaysia was already the largest source country prior to measures being imposed.

While there were minimal exports of the goods from China during the inquiry period, there have still been exports of the goods from China, albeit in diminished volumes since the conclusion of REP 441. Importers still have a desire to source steel pallet racking from multiple countries.

SSS has also observed a rapid export pattern trade shift away from Chinese pallet racking. SSS submitted that Chinese export volumes to Australia substantially declined, with a corresponding increase from Southeast Asian countries.<sup>52</sup> SSS has also observed exports from Malaysia at similar volumes, notwithstanding the measures.

The commission has found that while export volumes from China decreased after measures were imposed, export volumes from Malaysia increased. This is likely attributed to importers switching their source of the goods from China to Malaysia to obtain goods at lower prices due to the higher rate of IDD applied to exports from China than Malaysia. During importer visits to Dexion Australia and Schaefer Australia, both confirmed that since measures were imposed in 2019, they began sourcing all steel pallet racking from

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<sup>52</sup> EPR 617, document no 9.

their related suppliers in Malaysia (Dexion Malaysia and Schaefer Malaysia), as the measures on the goods exported from Malaysia were more favourable.

### 6.6.2 Maintenance of distribution links

The commission finds that if the measures were to expire, importers supplying the Australian market would be able to retain or re-establish trade relationships with the manufacturers that are either exporting or have previously exported the goods to Australia from China and Malaysia. Exporters from Malaysia have retained or even strengthened their distribution links with Australian importers, while Chinese exporters can either maintain or quickly re-establish trade relationships.

Exporters from both China and Malaysia have maintained distribution links with Australian importers since the measures were imposed.

ABF data examined by the commission indicates that Chinese exporters have continued to export steel pallet racking to Australia, although in reducing quantities.<sup>53</sup> The data also shows that some exporters, including those involved in REP 441, continued exporting the goods to Australia during the inquiry period.

The ABF data also shows that Malaysian exporters have continued to maintain distribution links with Australian importers. This was supported by information provided by importers Dexion Australia and Schaefer Australia who are both importing steel pallet racking from related parties in Malaysia. There also were other Malaysian exports of the goods to other importers during the inquiry period, indicating further distribution links.

Dexion Australia stated that since the measures were imposed, their related party Chinese supplier Dexion (Shanghai) Logistics Equipment Co. Ltd (Dexion China), claims it closed its factory down, and Dexion Australia is now sourcing all supply from Malaysia.<sup>54</sup> Schaefer Australia also shifted supply of the goods from China to Malaysia. However, they did import non-goods from their related Chinese supplier, SSI Schaefer System International (Kunshan) Co. Ltd (Schaefer Kunshan), indicating that they still have distribution links in China.<sup>55</sup>

### 6.6.3 Excess production capacity

Dexion Australia stated that it has excess capacity at its related supplier in Malaysia (Dexion Malaysia).<sup>56</sup> Based on unverified data provided in its REQ that was submitted after the legislated period, it also appears that Schaefer Malaysia may have some excess production capacity.

With export supply moving from China to Malaysia and based on the well documented excess capacity issues in the Chinese steel industry,<sup>57</sup> the commission has formed the view that excess supply from Chinese suppliers would remain. Unverified data supplied by Chinese exporters for this inquiry also indicate that they have excess capacity. There are also a large number of exporters who exported the goods to Australia prior to the imposition of measures and who did not cooperate with this inquiry. In the absence of other information and cooperation from other exporters, the commission infers that other

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<sup>53</sup> Confidential Attachment 1 and Confidential Attachment 4.

<sup>54</sup> EPR 617, document no 19.

<sup>55</sup> EPR 617, document no 20.

<sup>56</sup> EPR 617, document no 19.

<sup>57</sup> REP 441, Non-confidential Appendix 3 – Assessment of a Particular Market Situation – China, p. 111

Chinese exporters would likely have excess capacity. The excess capacity that Malaysian and Chinese exporters appear to have provided them with the ability and incentive to continue to supply or recommence supplying the Australian market should the measures expire.

In REP 441, the commission also noted that, even at its full capacity, the Australian industry is not able to fully supply the entire volume of the Australian steel pallet racking market, and therefore importations of the goods from China and Malaysia are likely to continue.

#### **6.6.4 Availability of other markets**

Analysis of ABF data indicates that some supply of steel pallet racking exports shifted from China to countries not subject to the measures following imposition of the measures.

REP 441 found that Shanghai Stow Storage Equipment Co., Ltd (Stow China), was amongst the largest exporters from China during the original investigation period. The commission is aware that Stow China's importer, Stow Australia has remained a key player in the Australian steel pallet racking market and is now sourcing its steel pallet racking from countries not subject to the measures.

#### **6.6.5 Trade measures in other jurisdictions**

In its application seeking the continuation of measures, Dematic detailed the extent of trade remedies measures applying to the goods in other jurisdictions (or comparable goods where the definition of the goods varies from jurisdiction to jurisdiction).

Dematic outlined that the United States (US) Department of Commerce and International Trade Commission (ITC) imposed trade measures on steel racks and parts thereof from China on 16 September 2019.<sup>58</sup> Dematic also notes the extension of the EU Safeguard measures against imports of certain steel products, suggesting that global gross steel capacity was expanding by 17.3 million tonnes, with a further 26.63 million tonnes in the planning stages.<sup>59</sup>

The commission considers that the trade remedies and measures in other jurisdictions is a factor that influences global trade by altering comparative access to markets. The commission considers that the expiration of the measures may make Australia a comparatively more attractive and accessible market for exports from China given the prevalence of trade measures against Chinese steel products in other jurisdictions.

### **6.7 Will dumping continue or recur?**

The commission considers that the expiry of the measures would be likely to lead to a continuation or recurrence of dumping of steel pallet racking from China and Malaysia.

This finding is based on the following significant factors:

- The original investigation found dumping by all exporters from the subject countries, at margins ranging between 4.6% and 110.3%.<sup>60</sup>

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<sup>58</sup> EPR 617, document no 1, *Attachment 1 – US Federal Register 16 September 2019*

<sup>59</sup> EPR 617, document no 1, *Attachment 7 – Extending the EU Steel Safeguard*

<sup>60</sup> REP 441

## PUBLIC RECORD

- No duty assessments have been lodged by importers of goods exported from the subject countries, despite importing the goods in large volumes from Malaysia.
- No applications for a review of the measures have been received from Chinese or Malaysian exporters since the measures were imposed.
- Measures placed on pallet racking in other jurisdictions could result in goods from China being redirected to Australia at dumped prices.

To form this view, the commission has assessed whether current dumping can be assessed, and considered previous dumping margin assessments, as outlined in the sections below.

The commission, in assessing the likelihood of dumping continuing or recurring, referred to the Manual, which outlines a number of relevant factors and considerations. The analysis in this section of the report examines a range of factors that the commission considers are relevant to this inquiry.

### 6.7.1 Current dumping

As outlined in chapter 7, the Commissioner is not recommending a change to the variable factors as part of this inquiry. There were only small volumes of exports from China during the inquiry period. The commission also did not receive any REQs from Chinese or Malaysian exporters that either did not have deficiencies, could be assessed in time, or were received within the legislated timeframe.<sup>61</sup>

As a result, the commission does not have contemporary information that is sufficiently robust to ascertain the export prices of the goods or determine normal values for the goods exported during the inquiry period. The commission therefore has not calculated dumping margins for the inquiry period.

### 6.7.2 Previous dumping assessments

In the original investigation the commission found that all of the goods from China and Malaysia were exported to Australia at dumped prices. There have been no reviews of the measures and no duty assessments, which would provide more recent dumping margins for the goods. The following table shows the dumping margins found in REP 441.

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<sup>61</sup> See section 2.4.2

**PUBLIC RECORD**

<b>Country</b>	<b>Exporter</b>	<b>Dumping Margin</b>
China	Jiangsu Jracking Industry Ltd	60.1%
	Dexion (Shanghai) Logistics Equipment Co. Ltd	33.7%
	SSI Schaefer System International (Kunshan) Co. Ltd	72.7%
	Danyang Hengcheng Metal Products Co. Ltd	60.1%
	Jiangsu NOVA Logistics System Co. Ltd	77.0%
	Nanjing Inform Storage Equipment (Group) Co. Ltd	77.0%
	Changzhou Tianyue Storage Equipment Co. Ltd	78.6%
	All Other Exporters	110.3%
Malaysia	Schaefer Systems International SDN. BHD	4.6%
	All Other Exporters	4.8%

**Table 6: Dumping margins from REP 441**

REP 441 found that steel pallet racking exported to Australia from China and Malaysia were at dumped prices and the dumping margins were not negligible. The Commissioner was also satisfied that the volume of dumped goods was not negligible. If measures expire, Chinese exporters will likely re-establish export sales volumes that were lost from the imposition of measures (see section 4.5). This is because they would be incentivised to regain the lost sales volume. For instance, they are likely to undercut both Australian industry and Malaysian prices and they have the means to do so through established distribution links (section 6.6.2), and with excess capacity (section 6.6.3). Furthermore, Table 6 (above) demonstrates that Chinese exporters were dumping steel pallet racking at significant margins as established in REP 441. Accordingly, it is likely that Chinese exporters will resume exporting steel pallet racking at dumped levels due to the significance of previously established dumping margins together with the likelihood that they would be incentivised and are capable of regaining lost export sales volumes. In the absence of additional information, the commission considers it likely that exports from Malaysia have either continued or will recur at the dumped prices established in REP 441 should the measures expire.

As mentioned in section 6.6.1 exports have continued from China and Malaysia. Of particular note is export volumes increasing from Malaysia. The majority of these exports from Malaysia have been imported by Dexion Australia and Schaefer Australia. However, no duty assessments have been submitted since the measures were imposed. Considering both these importers source the goods from related suppliers, which would assist in being able to provide complete information for a duty assessment, it appears prima facie, that goods are still being exported at dumped prices from Malaysia. The value of the duties collected on exports from Malaysia is not insignificant.

Exports from China have also continued, albeit at lower volumes than prior to when measures were imposed. The commission has not conducted any review of measures or

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duty assessments in regard to exports from China since the measures were imposed. As a result, the commission is still reliant on dumping margins established in REP 441 to establish what is likely to occur should the measures expire.

### **6.7.3 Anti- Dumping actions in other jurisdictions**

As outlined in section 6.6.5, in its application, Dematic claims that recent US anti-dumping measures placed on like goods increases the likelihood of dumped and injurious exports to Australia. The commission considers that the significant measures put in place in other jurisdictions, particularly on goods from China, will likely increase competition from exporters for Australian steel pallet racking, should measures on exports from the subject countries expire.

The commission considers it likely that Chinese exporters subject to measures in other jurisdictions would actively source customers in other countries including Australia. As established in section 6.6.2, exporters have either maintained or are able to re-establish distribution links with Australian importers. There is the potential for these goods, which have been found to be dumped into other jurisdictions, could be exported to Australia at dumped prices.

## **6.8 Will material injury continue or recur?**

The commission considers that expiry of the measures would be likely to lead to a continuation of or a recurrence of material injury that the anti-dumping measures are intended to prevent.

This finding is based on the following significant factors:

- Price being a major factor in purchasing decisions.
- Evidence of Australian industry losing tenders based on price.
- Likelihood that the Australian industry will come under increased pricing pressure from both Chinese and Malaysian exporters if measures expire.
- Reduced prices from dumped exports would likely reduce the Australian industry's sales volumes, market share, profits and profitability.

Each of these factors above, either individually or collectively, are relevant in demonstrating the likelihood that material injury will continue or recur.

To form this view the commission has assessed the Australian industry's claims, tender competition, likely effect on volume and market share, likely effect on prices, profits and profitability, and other injury factors as outlined in the sections below.

### **6.8.1 Forms of material injury found in the original investigation**

As discussed in section 5.3, in the original investigation, the commission found that the Australian industry producing steel pallet racking had suffered the following forms of injury caused by dumped goods from China and Malaysia:

- loss of sales volume
- loss of market share
- price depression
- price suppression
- reduced profits
- reduced profitability



- reduced revenue
- declining asset value
- reduced capital investment
- reduced return on investment
- reduced employment and wages
- reduced capacity
- reduced capacity utilisation
- reduced cash flow.

### **6.8.2 Australian industry's claims concerning the continuation and recurrence of injury**

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

Further, if the measures expire, Dematic sees that any projected future growth in demand will not shield the domestic industry from the injurious effects of dumped imports, of which volumes have been shown to outstrip demand in the Australian market. It also sees that as supply chains stabilise following disruptions caused by COVID-19, the Australian industry's sales volumes will become vulnerable to exports as a result of an increase in volumes.

Dematic stated that with the substitutability of domestic and imported goods, along with its claims of price-based competition for steel pallet racking in the Australian market, if the measures expire, a significant volume of dumped subject goods from China and Malaysia would again substantially undercut the domestic like product to gain market share. In turn, this would significantly depress and suppress domestic like product prices.

During the verification visit to APC Storage, it claimed that Chinese exporters had moved manufacturing activities from their factories in China to Malaysia, which increased the volume of exports from Malaysia.<sup>62</sup> APC Storage asserted 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 it had missed out on sales/tenders on price and provided evidence to support its statement. APC Storage made further claims that some suppliers are setting up production facilities in countries not subject to the measures, to support their export sales.

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

SSS, another Australian manufacturer of like goods, has supported Dematic's application of, and also claims that material injury to the Australian industry is highly likely in the absence of anti-dumping measures. SSS considers that price is a major factor for customers to change suppliers, especially for a new site where there are minimal barriers

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<sup>62</sup> EPR 617, document no 15.

to changing supplier.<sup>63</sup> SSS further states that, since the imposition of measures it has observed a rapid change in trade patterns, that being Chinese export volumes substantially declining with a corresponding increase from other Southeast Asian countries.<sup>64</sup>

### 6.8.3 Tender competition

As outlined in Chapter 4, many large projects are awarded through a tender process. Large customers will approach both the Australian industry and importers to tender on a project. Projects may involve multiple sites and are awarded based on a number of factors such as solution development, service, timing, and customer relationships. However, Australian industry members and importers have claimed that price is the major factor in customers selecting a preferred supplier. The substitutability of different steel pallet racking brands allows for a highly competitive market that contributes to pricing, volume and market share pressures for Australian industry.

REP 441 included evidence of tenders and awarding of supply contracts which showed that the Australian industry lost sales in the original investigation period to the goods imported from China and Malaysia at dumped prices. Dematic and APC Storage provided information specifically relating to tenders (won and lost) for projects that indicated a number of tenders were lost based on pricing considerations during the original investigation period.

Dematic also provided relevant examples from the period following when measures were imposed until after the inquiry period, for tenders/contracts it had won and lost. The majority of tenders that were lost in the period from July 2020 to April 2023 were claimed to be based on price, indicating that price considerations are still a major factor. Nearly all lost tenders/contracts were attributed to importers from the subject countries. Confidential attachments submitted by SSS also indicate price undercutting experienced by SSS from Malaysian manufactured pallet racking.<sup>65</sup>

Dematic's supporting evidence can be found at **Confidential Attachment 5**.

### 6.8.4 Likely effect on volume and market share

The commission expects that, should the measures expire, it is likely Chinese exporters will endeavour to recapture their market share in the Australian steel pallet racking market while Malaysian exporters will try and increase their market share, at the expense of the Australian industry's market share and volume.

Export volumes of steel pallet racking from China were substantially higher before measures were imposed following REP 441 in 2019. This indicates that the current measures have been effective against dumped exports from China. Much of this volume shifted to exports from Malaysia, which was found to have exported the goods to Australia at dumped prices during REP 441, the measures appear to be at a rate that the market has been able to absorb.

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<sup>63</sup> EPR 617, document no 12.

<sup>64</sup> EPR 617, document no 9.

<sup>65</sup> Confidential Attachment 1 to SSS submission dated 24 July 2023 (EPR 617, document no 9)

In section 5.4.2 of this report, the commission analysed the market share of steel pallet racking of Australian industry members, and importers (based on source country) immediately following the imposition of measures in 2019.

From 2020, exporters from Malaysia absorbed the majority of the volume of steel pallet racking products previously supplied by exporters from China. Australian industry members also saw an increase in the value of their sales.<sup>66</sup> The market size of the Australian industry also increased (based on value), each year from 2019 to 2022.<sup>67</sup> However, despite the increase in overall market size and Australian industry sales, the Australian industry experienced a fluctuation in market share since measures were imposed.<sup>68</sup> The Australian industry's market share in 2022 was less than 2019 when measures were imposed. Over the same period, when the market share for imports of steel pallet racking from China decreased to nearly zero, Malaysian exports increased their market share.

Based on the evidence before the commission, the commission expects that should the measures expire, it is likely Chinese exporters will endeavour to recapture their market share in the Australian steel pallet racking market. It is also expected that Malaysian exporters will try to continue to increase their market share. Both these outcomes would likely be at the expense of the Australian industry's market share and volume.

#### **6.8.5 Likely effect on prices, profits, and profitability**

The commission expects that, should the measures expire, it is likely that the Australian industry will come under pricing pressure from increased export volumes from China, along with reduced prices from Malaysia. As a result of putting downward pressure on Australian industry members' prices, their profit and profitability will also likely be reduced.

As established in REP 441, and re-confirmed during this inquiry, pricing is a key factor in customers' purchasing decisions. In particular, customers can switch suppliers relatively easily when awarding a tender for a new fit out of a facility. This includes being able to switch between importers and Australian industry supplied steel pallet racking. While pricing is not the only factor in a supplier being awarded a tender or contract, it is still the over-riding factor.

Figure 6 and Figure 7 in section 5.5, showed that both Dematic and APC Storage increased prices each year from 2019 to 2022. While prices for both have been driven by increases in costs each year over the same period, both Dematic and APC Storage were able to increase their prices at a greater rate than the cost increases.

This has enabled Dematic and APC Storage to both increase their profit and profitability, examined in section 5.6, over the period from 2019 to 2022. This was a marked increase from the Australian industry's profit and profitability examined in REP 441 from the period prior to when measures were imposed.<sup>69</sup>

As outlined in section 6.8.3, Dematic provided examples of where it had lost tenders based on price, including to importers from countries subject to the measures. However,

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<sup>66</sup> Section 4.5, Figure 2: Australian market value by source country

<sup>67</sup> Section 4.5, Figure 1: Australian market size for pallet racking

<sup>68</sup> Section 5.4.2, Figure 5: Australian market share by source country

<sup>69</sup> REP 441 utilised Dematic's profit and profitability performance as being representative of Australian Industry.

as the commission does not have contemporary data to compare the prices of these lost tenders to those of imports, the commission has relied on facts established in REP 441 to assist in its opinion of what is likely to happen should the measures expire. In addition, the ABF data is not at a sufficiently descriptive or detailed level to be able to compare export prices for certain steel pallet racking items (beams, uprights, braces), against those prices from the Australian industry for the same items. While Schaefer Australia did provide sales data for the inquiry period, it was provided at a date that to analyse it sufficiently it would delay the publication of this SEF. Dexion Australia was unable to provide sales data to the commission due to a cyber breach.

In REP 441 the commission found that Dematic and APC Storage's prices of steel pallet racking were undercut by importers of the dumped goods. The commission also considered that the Australian industry responded to the pricing pressure from a significant volume and market share of dumped goods from China and Malaysia by maintaining or reducing prices at a time when it was experiencing rising unit costs.

Accordingly, should the measures expire, the commission finds it likely that Chinese exporters would again engage in robust price competition with the Australian industry to re-establish themselves in the market and increase their sales volumes and market share. Malaysian exporters would also continue to have aggressive pricing strategies as a result of being able to lower their prices due to the removal of measures along with the increased price pressure from the continuation/recurrence of Chinese exports in increased volumes.

This would in turn put pressure on the Australian industry to reduce its prices, materially affecting its profit and profitability.

#### **6.8.6 Other economic factors**

As outlined in section 6.7, the commission examined other economic factors for Dematic and APC Storage.

Some key factors that the commission examined since the imposition of measures include the following.

Dematic:

- increases in the value of assets in the production of steel pallet racking
- increases in capital investment in the production of steel pallet racking
- increases in revenue from steel pallet racking until 2021.

APC Storage:

- decreases in the value of assets in the production of steel pallet racking
- increases in capital investment at a company level
- increases in revenue from steel pallet racking
- production capacity and utilisation remained steady.

Of note is the increase in the value of assets (Dematic only) and capital investment. These could likely be a result of increases in revenue experienced by both Dematic and APC Storage following the imposition of measures. REP 441 found injury caused to the Australian industry included reduced revenue, declining asset value, and reduced capital investment. The imposition of the measures has likely contributed to these factors improving.

The commission expects that should the measures expire, it would likely lead to an increase in exports from China and Malaysia at dumped prices. This in turn will put downwards pressure on Australian industry prices, leading to lower sales revenue (amongst other forms of injury). The decreases in sales value will likely then reduce future capital investment and value of assets.

## **6.9 Conclusion**

Based on the information currently available and the reasons outlined above in sections 6.6, 6.7 and 6.8, the commission is preliminarily satisfied that:

- exports from China and Malaysia would likely continue, and recur in greater volumes from China, if the measures expire
- dumping by exporters from China and Malaysia would likely continue if the measures expire, and
- material injury to the Australian industry would likely recur if the measures expire.

The Commissioner has formed a preliminary view that the expiration of the measures would lead, or would be likely to lead, to a recurrence of the dumping and material injury that the measures are intended to prevent.

Based on the above conclusion, the Commissioner therefore proposes continuation of the measures.

## 7 VARIABLE FACTORS

### 7.1 Preliminary findings for variable factors

The Commissioner is not recommending a change to the variable factors relevant to the notice as part of this inquiry. There is no requirement for the Commissioner to recommend that the Minister change the variable factors in a continuation inquiry. This is not affected by the fact that some exporters exported the goods during the inquiry period.

As outlined in the REQ status file note published on 14 June 2023, and ADN 2023/043, the commission received responses to the exporter questionnaire from 3 entities within the legislated period. The commission also subsequently received a late REQ from Schaefer Malaysia.

On 19 July 2023, the commission published ADN 2023/043, that outlined that the commission does not intend to determine new variable factors in this case because:

- the 3 entities that provided REQs within the legislated period, combined, represent less than 10% of imports of the goods by value during the inquiry period, and
- Schaefer Malaysia provided its REQ 26 days outside the legislated period (which included an extension of 19 days).

Further, as discussed in section 2.4.2, the commission wrote to exporters identifying the deficiencies in their REQs and gave them the opportunity to rectify them. ShangHong and Yuhua provided a response to the deficiency notice 63 days after the deficiency notice was sent.<sup>70</sup> As a result, the commission could not consider their response, because to do so would, in the Commissioner's opinion, prevent the timely placement of this SEF on the public record.<sup>71</sup>

Although there is no requirement to change variable factors in a continuation inquiry, the commission has limited information and data to determine how the variable factors relevant to the determination of duty payable under the Dumping Duty Act have changed in any event. As discussed in 7.2.2, data derived from the 3 entities that provided REQs within the legislated period was not considered a sufficiently robust basis to form an accurate assessment of variable factors where they constitute less than 10% of imports. As a result, the commission does not have contemporary information to precisely ascertain export prices or determine normal values for the goods.

### 7.2 Submissions received on variable factors

The commission received 2 submissions relating to ADN 2023/043 and the commission's preliminary intention to not determine new variable factors.<sup>72</sup>

#### 7.2.1 Dematic

Dematic made a submission, published on 7 August 2023, concerning ADN 2023/043 and the commission's intention to not determine new variable factors.<sup>73</sup>

<sup>70</sup> Response to deficiency notice received on 20 September 2023.

<sup>71</sup> Section 269ZHE(3)

<sup>72</sup> EPR 617, document no 7.

<sup>73</sup> EPR 617, document no 11.

In its submission, Dematic states that this approach favours Malaysian exporters. Dematic submits that the commission should ascertain contemporary variable factors for this inquiry period and apply the form of measures discussed in section 8.3. Dematic submits that a high volume of Malaysian exporters should have their variable factors amended to account for the lack of cooperation provided during the current inquiry. Dematic considers that the commission can calculate variable factors using indexing methods based on the variable factors ascertained in REP 441.

Dematic stated that commission's ascertained normal values from REP 441 could be updated by reference to the percentage price movement of an appropriate HRC and galvanised steel price benchmark. Dematic submits that varying feed product characteristics, with an appropriate weighting for steel pallet racking feed between black pickled HRC and galvanised steel, should form the commission's approach for the benchmark in the current inquiry.

### **7.2.2 ShangHong**

ShangHong made a submission, published on 1 August 2023, in response to ADN 2023/043 and the commission's intention to not change the variable factors.<sup>74</sup>

ShangHong considers that the commission should calculate new variable factors and submits that the commission's reasons for the decision to not calculate variable factors, should not be preventative to the determination of new variable factors for ShangHong.

As outlined in section 7.1, ADN 2023/043 published on 19 July 2023 noted that the commission had issued deficiency notices to exporters to provide an opportunity to rectify deficiencies identified in their REQ. ShangHong was issued a deficiency notice on this date and responded on 20 September 2023. As outlined, the commission has not assessed ShangHong's deficiency response and subsequently not used the provided data to calculate variable factors.

ShangHong also considers that it would be inconsistent for the commission not to change variable factors for an importer that represents a volume of less than 10% of imports given the negligible dumping volumes referred to in section 269TDA. For example, a volume above 3% of imports from a single country, or 7% of Australia's total imports for multiple countries justifies imposing dumping duties and therefore these respective volumes are considered non-negligible.

### **7.2.3 Commission's response to submissions**

The commission notes, as outlined in section 7.1 above, that there is no requirement for the Commissioner to recommend that the Minister change the variable factors in a continuation inquiry. At this time, the commission does not have the relevant information or data required to determine if the variable factors relevant to the determination of duty payable under the Dumping Duty Act have changed, including using the methods suggested by Dematic or ShangHong in their submissions.

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<sup>74</sup> EPR 617, document no 10.

## 8 PROPOSED MEASURES

### 8.1 Preliminary findings and recommendations

The Commissioner's preliminary findings are to recommend that the dumping duty notice remain unaltered, and that the method for working out the amount of IDD on exports remains unaltered.

The current method for determining the amount of IDD payable in relation to exports from China and Malaysia is the *ad valorem* method. The current measures are listed in Table 1 of section 2.3.

The Commissioner considers the current *ad valorem* duty method is the most appropriate form of duty.

### 8.2 Form of measure available

The *Customs Tariff (Anti-Dumping) Regulation 2013* prescribes the methods available to the Minister for working out IDD payable. The methods are:

- fixed duty method (\$X per tonne)
- floor price duty method
- combination duty method
- *ad valorem* duty method (ie a percentage of the export price).

The various forms of dumping duty all have the purpose of removing the injurious effects of dumping. However, in achieving this purpose, certain forms of duty will better suit particular circumstances than others. More detail on the nature and operation of the various forms of duty are contained in the *Guidelines on the Application of Forms of Dumping Duty November 2013* (the Guidelines).<sup>75</sup>

### 8.3 Submissions received on form of measures

Dematic submitted that it disagrees with the current *ad valorem* form of measures applied to the subject countries.<sup>76</sup> Dematic made submissions on this issue during the original investigation, which were addressed in REP 441.<sup>77</sup> To the extent that Dematic has referred to its previous submissions in REP 441, and additional information in its submission to this inquiry, the commission considers it appropriate to address specific concerns raised by Dematic as they relate to this inquiry.

In its submission to this inquiry, Dematic considers that the most effective form of measures to apply is the combination duty method. Dematic claims that this method ensures that the level of measures applied reflects the variable factors found during REP 441 and would not be readily circumvented. Dematic emphasises that the ABF's compliance reports highlight potential circumvention with ABF identifying trade remedy revenue understatements relating to steel pallet racking.<sup>78</sup> However, this appears to either be incorrect declaration of the goods, or if it is a circumvention activity, it would potentially

<sup>75</sup> The Guidelines are found at [Guidelines on the Application of Forms of Dumping Duty November 2013](#)

<sup>76</sup> EPR 617, document no 11.

<sup>77</sup> EPR 441, document no 126 pp 90-92

<sup>78</sup> ABF, Trade goods and compliance [Goods Compliance Update](#) . Compliance Reports October 2020 to October 2022



be the subject of a separate inquiry under section 269ZDBB(5A) (see footnote at page 11 of the Guidelines). Therefore, this would be the appropriate process to address such activity.

Dematic states that the Guidelines recognise the circumvention implications in the application of the *ad valorem* method. In relevant part:<sup>79</sup>

*Another potential disadvantage of the ad valorem duty method stems from the fact that where prices are lowered the importer pays less duty. In some cases this may lead to circumvention because the export price may be deliberately lowered in order to minimise the effects of the duty. However, any artificial lowering of export prices can be detected through monitoring of the measures and be subject to an anti-circumvention inquiry. It should be noted, however, that the Commission examined the incidence of such behaviour in countries commonly using an ad valorem duty. The Commission found that there had only been a limited number of reviews to examine circumvention behaviours after the imposition of an ad valorem duty i.e. price manipulation under ad valorem duties is not a widespread problem.*

Dematic outlined where the commission recently amended the form of measures from *ad valorem* to a floor price duty method in an accelerated review.<sup>80</sup> Dematic claims that this decision made by the commission, should also apply for steel pallet racking. Dematic considers that the goods subject to the accelerated review (wind towers) and steel pallet racking both have high variability in pricing.

On this basis, Dematic submits that the commission impose floor prices under the combination duty method. Dematic proposes that the commission calculates contemporary floor prices by indexing forward the ascertained normal values in REP 441 by reference to the percentage price movement of an appropriate HRC and/or galvanised steel price benchmark. As the proposed indexing method relates to variable factors, the commission addresses this in section 7.2.1.

Following the Guidelines, the combination duty method is guided by a number of key considerations. The commission considers the considerations relevant to this inquiry to be:

- This form of duty, like the floor price duty method and fixed duty method, may not suit those situations where there are many models or types of the good with significantly different prices.
- The 'effective' rate increases in a declining market making it punitive.<sup>81</sup>
- Consequently, reviews may be more likely due to the effects of a rising or falling market than would be the case with an *ad valorem* duty method.
- The punitive effect in a falling market of the variable component of this duty can have adverse effects on downstream industries. The Minister may need to consider these effects when deciding on the duty method.

The Guidelines set out that, in a falling market, the combination duty method is considered inappropriate, as it may be punitive due to the operation of the fixed element. To assess whether applying a combination method may be punitive, the commission has

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<sup>79</sup> *Guidelines on the Application of Forms of Dumping Duty* November 2013, p 14.

<sup>80</sup> Accelerated Review No 603 Wind towers exported from China. EPR 603 document no 9 (REP 603), p 23

<sup>81</sup> The 'effective' rate of the duty collected is the *ad valorem* equivalent of the duty, ie the total duty collected as a proportion of the actual export price.

examined the benchmark pricing data provided using MEPS, an international independent supplier of steel market data and information. The figure below depicts the quarterly price of HRC during October 2018 to July 2023, noting that an assessment based on HRC is consistent with Dematic’s submission that the raw material input of HRC is reflective of the price of the goods.

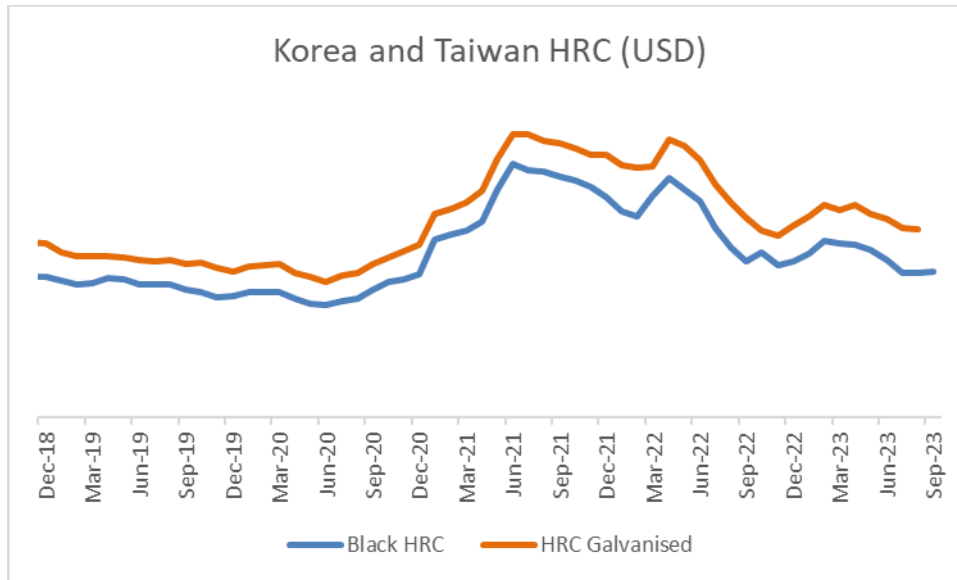


Figure 10: HRC quarterly prices<sup>82</sup>

As observed in Figure 10, the commission considers the price of HRC to demonstrate a falling market and as such combination duty method as a form of measures, would be inappropriate at this time. The commission further considers that applying this method would have a punitive effect, with exporters likely to be disadvantaged.

In addition to a falling market,<sup>83</sup> the application of combination duty and floor price can present practical problems when there are factors such as significant spread in prices, multitude of models or types of goods. The commission finds these factors apply to this inquiry and is consistent with REP 441. In REP 441, based on the information obtained during the course of the investigation, the Commissioner considered that the three main components of steel pallet racking, namely beams, uprights and braces, can have different finishes and exhibit a wide range of unit prices per tonne. In addition, REP 441 found that it is likely that prices for ‘parts thereof’ are unlikely to be identifiable in terms of a price per unit of weight. The commission has not received any new information during the course of this inquiry that would alter these findings.

As outlined in the Guidelines, the *ad valorem* method is:

- The simplest and easiest form of duty to administer when delivering the intended protective effect.

<sup>82</sup> HRC prices used from Korea and Taiwan as suitable market prices. MEPS does not capture Malaysian prices and due to the particular market situation in China, the data is not suitable for determining price.

<sup>83</sup> EPR 594, document no 24 pp 20-22. The commission found the demand for HRC sharply peaked in June 2021. During the 2021 calendar year a number of factors contributed to the demand of HRC increased as an overall increase in activity in the building and construction industry.

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- It has an advantage where there are many models or types (it does not require an ascertained export price or ascertained floor which may not be meaningful where models show significant price variation).
- It has an advantage for goods which are subject to significant price variations over time because: a) the *ad valorem* duty method does not show the same variability in the 'effective rate' of the duty – as export prices fluctuate – that arises under the other methods; and b) the *ad valorem* duty method may require less frequent reviews than these other duty methods in this situation.
- It may not be the most appropriate duty method when applied to goods which may have high priced varieties or models of the goods, particularly where a particular variety of goods was not causing injury to the Australian industry.
- It has a potential disadvantage in that export prices might be lowered to avoid the effects of this duty. That said, where such behaviour is observed when monitoring the measures an anti-circumvention inquiry can commence.

The Commissioner, in considering the form of measures currently imposed, has had regard to the Guidelines, Dematic's submission and information obtained during this inquiry. As stated above, the Commissioner finds that the currently imposed *ad valorem* duty remains the most appropriate form of measures.

## 9 PROPOSED RECOMMENDATIONS

The Commissioner is preliminarily satisfied that the expiry of the measures on steel pallet racking exported to Australia from the subject countries would be likely to lead to a continuation and or recurrence of dumping and the material injury that the measures are intended to prevent. The findings in this report are based on evidence currently available to the commission.

The Commissioner proposes to recommend that the measures continue for a further 5 years and remain unaltered. <sup>84</sup>

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<sup>84</sup> Section 269ZHF(1)(a)(i). The anti-dumping measures were initially imposed by public notice on 8 May 2019 by the then Minister for Industry, Science and Technology following consideration of the Commissioner's recommendation in Anti-Dumping Commission Report No 441 (REP 441) as a result of Investigation No 441 (the original investigation).

## 10 APPENDICES AND ATTACHMENTS

<b>Confidential Attachment 1</b>	Australian market analysis
<b>Confidential Attachment 2</b>	Dematic economic condition and other injury factors
<b>Confidential Attachment 3</b>	APC Storage economic condition and other injury factors
<b>Confidential Attachment 4</b>	ABF market analysis
<b>Confidential Attachment 5</b>	Dematic tender supporting evidence