



Your One Stop Warehousing Shop

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Non-Confidential

7 March 2024

By Email

Anti-Dumping Commissioner
Anti-Dumping Commission
GPO Box 1632
Melbourne Victoria 3001

Attention: Director, Investigations 2

Dear Sir/Madam,

Re: Continuation Inquiry 617 – Exports of pallet racking and parts thereof from China and Malaysia

I refer to my submission of 8th February 2024 concerning Continuation Inquiry 617 and to my earlier submission of 4th December 2023.

I understand from your responses that the Commission will not be issuing a revised Statement of Essential Facts or other similar statement that addresses the issues raised in my submission of 4th December 2024. Rather, those issues will be 'considered' by the Commission in the report to the Minister.

I am advised, it is not surprising, but disappointing nonetheless and disappointing for a number of reasons.

To begin with, by way of example, in the Statement of Essential Facts a Model Control Code (**MCC**) has been adopted.

The ostensible purpose of the MCC, apparently, is for the purpose of identifying key characteristics of the goods under investigation, namely complete pallet racking storage systems. Those characteristics are intended to be used to compare the goods under investigation with like goods sold domestically in the country of export. Presumably, they also will be used to identify the Australian industry producing like goods to whom material injury may likely be caused by dumping if the measures are permitted to expire.

Those key 'characteristics' apparently consist of:

- (i) three structural components, namely, beams, uprights and braces; and
- (ii) three finishes to, presumably, those three structural components, being galvanized, powder coated and painted finishes.

Differences in those 'characteristics' are claimed to give rise to '*distinguishable and material differences in price and/or cost*' in the supply of pallet racking storage systems. That seems highly unlikely and, in fact, is not correct. Specifically, as discussed below, additional characteristics and

features of pallet racking storage systems affect the pricing of such systems and, therefore, the comparability of price between systems. As previously advised and acknowledged in the original investigation, each pallet racking storage system is bespoke.

As you would be aware, all pallet racking storage systems must include the three structural components in question. Indeed, it is not possible to produce a pallet racking storage system without any one of those three structural components (refer Australian Standard AS4084-2012, copy **attached**). Hence the presence of those structural components cannot be a distinguishing characteristic between 'models' of pallet racking storage systems affecting the price of such systems – they are present in all pallet racking storage systems.

Of course, the number of structural components comprised in each system may vary. Obviously, the number of structural components will affect the price of a pallet racking storage system and, indeed, have a significant effect on price. However, the number of structural components is not determinative of the price of a pallet racking storage system. Indeed, pallet racking storage systems with the same or similar number of components but with a different design and, consequently, configuration, will have a different price.

The reasons for this are discussed further below. However, the essential point is that the cost of the structural components comprised in a pallet racking storage system is not determinative of the price of that system any more than the cost of several of the major components of a motor vehicle (e.g., the chassis and engine) are determinative of the cost of a motor vehicle. Indeed, the sum of the costs of all of the components of a motor vehicle is not determinative of the price of the motor vehicle produced from those components, as is well known. Similarly, the price of a pallet racking storage system is not determined by the sum of the cost of the components used to produce it. As discussed below, other factors are relevant in the determination of price.

Also, importantly here is the fact that the 'price' (i.e., cost) of a structural component will depend upon the characteristics of that component. There are a variety of different 'models' of each structural component and, for that matter, of the other components in a pallet racking storage systems with each such 'model' having its unique characteristics. Those characteristics affect the price of that structural component. **If that were not the case, then the price of a pallet racking storage system would simply be the sum the cost of a structural component multiplied by the number of such components in the system. Obviously that is not the case.**

Consequently, a pallet racking storage system produced using structural components with different characteristics as compared with another pallet racking system will have a different price due those differences in the characteristics of the structural components. This is in addition to differences in the number of structural components used to produce each system and other differences between the systems. Hence 'models' of pallet racking systems would need to be categorised, amongst the other characteristics pertaining to such systems affecting price, according to both the particular 'models' of structural components and number of such structural components used to produce the particular 'model' of pallet racking storage system. This requires infinitely more defining characteristics of 'models' of pallet racking storage systems that specified in the MCC in the Statement of Essential Facts.



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In addition, the design, configuration and other features and characteristics would need to be included in defining the different 'models' of pallet racking storage systems. This is not addressed in the MCC in the Statement of Essential Facts.

That leaves only the finishes as the sole differing characteristic affecting price. This is because no other characteristics are identified, including differences in characteristics between the same structural components. For example differences in the characteristics of beams such as the steel alloy from which they are produced, whether they produced from cold-formed or hot-rolled steel, their physical dimensions such as length, width and thickness of the steel, their physical configuration including locking mechanisms with other components and so on. These are distinguishing characteristics of pallet racking storage systems and of the individual components used to produce them.

All such characteristics affect the prices of each bespoke pallet racking storage system, as well as the price of the individual components used to produce such a system. However, for the reasons discussed below, they are not determinative of the price of a pallet racking storage system any more than the sum of the costs of each component of a motor vehicle is determinative of the price of the motor vehicle produced from those components.

Finishes are unlikely to materially affect price and, in fact, don't. Different finishes do involve different costs, but those differences are marginal and would not be the distinguishing feature affecting price of complete pallet racking storage systems, especially given other features that do affect price.

More likely are actual differences between the pallet racking storage systems being compared. The starting point of any such comparison is the particular kind of pallet racking storage system that is being supplied. For example, there, of course, a variety of kinds of pallet racking storage systems such as drive in or drive-through systems, push-back pallet systems, pallet flow systems, mobile pallet systems and very-narrow aisle systems. Each would be priced differently. The features of each are materially different.

Then there is the steel alloy that is used to produce the pallet racking system. Different alloys may be used and are used in different systems and in the same systems depending on the minimum and maximum loading weights required of the system. This will vary depending upon what is proposed to be stored in the system. Use of different steel alloys is recognised in AS4084-2012, as is whether the steel is cold-formed steel or hot-rolled. Such differences obviously affect price.

Similarly, the characteristics of the structural components used in the production of pallet racking storage systems equally affect price. That is the length, width, thickness, etc., of the structural components, including the extent to which those components have been worked (i.e., configured) for the particular system and not just their finish will have a bearing on the price of each system. That is, the price of the same components (e.g., beams, uprights, fasteners, spacers, etc.) will have different prices according to their different characteristics and not just differences in finish. This should be evident from information and evidence obtained from industry stakeholders, not to mention the websites of industry participants.



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These differences in the steel alloys used and differences in the physical characteristics of the structural components would be driven by the operational requirements of each particular pallet racking system. This would not only include, as noted earlier, the minimum and maximum weights that individual bays and beams within a bay would be required to hold but also the entire row of bays, recognising that loads would be continually being added and removed. The load that each beam is required to bear is not only borne by each bay but also spread along the entire row of the system. Hence the load bearing calculations set out in Australian Standard AS4084-2012 as well as equivalent international standards.

The structural design requirements and calculations set out in AS4084-2012 are designed to ensure the strength and structural integrity of each individual pallet racking storage system. For these reasons the structural requirements of a pallet racking system that consists of, for example, a row of 20 bays, is materially different from one that consists of two rows of 10 bays. They are designed differently as the structural requirements of each a materially different and this, amongst other considerations, results in different prices for such systems.

This is not to forget that the fact that pallet sizes vary. They include the Australian standard pallet size (1135cm x 1135cm) but include the standard pallet sizes in each of the USA, Europe and South-East Asia. See, for example: [Pallet Sizes & Dimensions - Direct Pallets](#) and [Standard pallet sizes \(and uses\) in Australia \(ecopallets.com.au\)](#) and [Australian standard pallet - Wikipedia](#) and [Pallet - Wikipedia](#). Hence those different pallet sizes would need to be accommodated with differences in the widths and depths of bays in pallet racking systems by using structural components of different dimensions to accommodate the different load carrying capacities given that those dimensions are fixed and not adjustable.

The foregoing does not of course include the variety of other 'parts' of pallet racking storage systems, the cost of which is to be recovered in the price. Examples of 'parts' of pallet racking can be found in AS4084-2012 as well as on a variety of websites (see: [Pallet racking components and parts names - Mecalux.com](#) and [Pallet racking - Wikipedia](#)) as well as websites of suppliers of pallet racking storage systems (see for example: [Pallet Rack Parts & Components - Dexion](#) and [Pallet Racking Accessories - Dexion](#)).

Finally, reference is made to the **attached** copy of the Australian Standard for pallet racking, AS4084-2012. No doubt the Commission is familiar with it. As is evident from it, requirements are set for the design of pallet racking storage systems (Section 4), the design of cold-formed steel uprights and pallet beams (Section 5) and requirements for base plates and connections (Section 6), as well as the structural analysis that is required in the design of the systems (Section 2). These calculations required by the Standard could only be undertaken by a structural engineer or other qualified person with appropriate experience and expertise in the design, installation and operation of pallet racking storage systems.

Such and other requirements of AS4084-2012 and similar international standards are to ensure the structural integrity and strength of individual pallet racking storage systems. Further, satisfaction of those requirements after the testing and commissioning of individual pallet racking storage systems are to be reflected in safety notices affixed in a prominent position on each system: refer Section 1.6 of

AS4084-2012. Hence why it is a requirement that if there are to be any changes or modifications to a pallet racking storage system organisations such as WorkSafe Victoria and SafeWork NSW require approval from 'the manufacturer, supplier or a qualified engineer who has knowledge and experience in similar work' (see **attached** fact sheets from those organisations).

It is evident from these requirements, including the standards required of each pallet racking system by AS4084-2012 and its international equivalents, that pallet racking storage systems are bespoke. If that were not the case, then the extensive requirements in, for example, AS4084-2012 would be unnecessary. The bespoke nature of pallet racking storage systems means that each is individually priced, as was recognised in the original investigation. In this regard, pallet racking storage systems are not dissimilar to power transformers – each individual system is bespoke and this is reflected in their pricing.

The importance of design in the production of individual, bespoke pallet racking storage systems is evident in the attached extract from the website of a supplier of warehousing storage systems in the USA: refer **Attachment A**. The significance of design of pallet racking storage systems is reflected in the websites of suppliers of storage systems in Australia, including those of members of the Australian industry (see: [Pallet Racking | Warehouse & Industrial Racking Solutions | Dexion](#) and [Pallet Rack Parts & Components - Dexion](#) and [Pallet Shuttle Racking System And ASRS | Dexion](#)).

I appreciate that AS4084-2012 is complex and that the calculations, amongst other things, would likely be incomprehensible to the layman. The same may be said of equivalent international standards. Hence the need to obtain expert advice from a structural engineer or other similar person with the requisite expertise and experience to explain the application and operation of AS4084-2012 and/or equivalent international standards. This, as I understand it, was recommended in 'Streamlining Australia's anti-dumping system' (AGPS)(June2011), (copy **attached**). It is not apparent to me why such expert advice was not sought and obtained when it was evidently required.

Interestingly, Section 1.3.1 of AS4084-2012 explains what is 'adjustable' in pallet racking storage systems to which the Standard applies:

"Storage system comprising upright frames perpendicular to the aisles and independently adjustable, positive locking pallet beams parallel to the aisles, spanning between the upright frames, and designed to support unit load actions (see Figures 1.3.1(a) to (c))" (underlining added)

That is pallet racking systems with beams of 'adjustable' height. No mention of 'dimensions'.

If this was intended by the description of the pallet racking storage systems under investigation and to which the anti-dumping measures were intended to apply, then that is what should have been referred to in the description. There is no reason why it could not have been. Presumably the authors of the description had read and were familiar with the provisions of AS4084-2012. At any rate, no such reference was included in the description. Instead, as set out in my submission of 4 December 2023 and in previous submissions, something entirely different was referred to, indicating that the subject good was something other than that the subject of AS4084-2012. Precisely what is being referred to remains unknown.

Nonetheless, the MCC specified in the Statement of Essential Facts does not recognise that pallet racking storage systems are bespoke products. To compare one with another based on whatever code is used will inevitably require adjustments to reflect differences between the pallet racking systems being compared recognising that each is bespoke that, in turn, is reflected in differences in characteristics affecting prices. Without such adjustments, which I understand are mandatory under the legislation, results in a comparison that is not a fair and proper comparison.

There is nothing in the Statement of Essential Facts to indicate that such adjustments have been made, nor any explanation as to why adjustments were not made nor why such differences did not affect prices. Indeed, it is not apparent what is being compared with what, but the clear obligation in the legislation, as I understand it, is to compare the export prices of the good or goods being exported to Australia with their normal value, that is, the domestic selling price of 'like goods'¹ in the country of export with the required adjustments to take account of any differences affecting price to ensure a 'fair comparison'.

Strangely none of these 'characteristics' of pallet racking systems are referred to in the MCC, nor account taken of them in the dumping margin determinations, either in the original investigation or in this continuation inquiry. Further, it is not clear how the Commission's MCC reconciles with Australian Standard AS4084-2012. It is not as if this information is not and has not been available since the initiation of the original dumping investigation and beforehand. It is available on the websites of, for example, members of the Australian industry (e.g., [Pallet Racking | Warehouse & Industrial Racking Solutions | Dexion](#)) and on websites such as Wikipedia ([Pallet racking - Wikipedia](#)).

It, therefore, is both factually inaccurate to suggest, as the MCC does, that the only distinguishing characteristic between pallet racking storage systems are their finishes. Those characteristics not only are unlikely to have a material bearing on prices, especially when regard is had to the other characteristics and features of pallet racking storage systems that differ between each system and make each system bespoke. It is those characteristics and feature, not the finishes of components, that have a material bearing on price.

In this context, it needs to be reiterated that the goods under investigations are, as has been previously submitted:

- (i) complete pallet racking storage systems, whether assembled or unassembled; and
- (ii) each 'part' that is or may be comprised in such systems regardless of its role as a 'part' in such systems.

The export to Australia of a beam or an upright or a spacer or a fastener is not an export of a complete pallet racking storage system, nor is the export of a complete pallet racking storage system an export of a beam or an upright or a fastener or a spacer and so on. Each is a separate article of commerce when separately exported. As such each has its own separate export price when entering into the

¹ I understand a 'like good' to a good being exported to Australia is a good that is identical to the good exported to Australia or, if not identical, has characteristics closely resembling the good exported to Australia. The good(s) being exported to Australia is/are complete pallet racking storage systems as stated in the description of the goods under investigation and acknowledged in the original investigation.



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commerce of Australia. As previously submitted, it is each of those prices that must be inquired into as to whether each is a 'dumped' export price and, if it is, what effect dumping of that good is having on a domestic industry producing a like good to that good.

Further, the cost per kilogram of steel alloy used in each component or each structural components and the number of such components in a complete pallet racking storage system is not determinative of the price of that system any more than the cost per kilogram of metal alloy used in the production of a motor vehicle is determinative of the price of the motor vehicle. Pricing for the supply of pallet racking storage systems is not based on price per kilogram of steel alloy used in the production of a system, although, of course, the cost of production of the system is a relevant and important consideration in determining price. However, it is not determinative of price. Other considerations, as outlined above, also are important.

Nor is the cost per component of a complete pallet racking storage system determinative of the price of that system any more than the price of a motor vehicle is the sum of the costs of each of the components used in its manufacture. That is to confuse 'cost' with 'price'. A complete pallet storage system with the same or similar number of structural components but configured differently due to operational requirements will be priced differently. No doubt evidence obtained in the original investigation and in this inquiry confirm this to be the case.

As someone who has been involved in the industry for some considerable time including in the design, supply and installation of complete pallet racking systems, I can attest this to be the case.

Other matters raised in my submission of 4 December 2023 similarly require more than 'consideration' in the report to the Minister, that is, an expression of 'opinion' on such matters. For example, both in the original investigation and in the continuation inquiry, the economic performance of all members of the Australian industry has not been considered, that is, the economic performance of the Australian industry as a whole. The economic performance of one or several members is not representative of the performance of the industry as a whole, especially in the absence of any evidence that the economic performance of any one or two members is representative of the whole or, indeed, that the business models of each are similar. There is no evidence, for example, that the business models of each member of the Australian industry is the same or similar, let alone factors bearing on their respective economic performance are similar.

Further, not only is evidence of the economic performance of all members of the Australian industry missing, due to the non-participation of all members in both the original investigation and the continuation inquiry but also evidence from purchasers of steel pallet racking storage systems as to the reasons for their purchasing decisions. Evidence from suppliers, for example, as to the amount a purchaser paid for a system is evidence only of the amount paid, not the reasons why the purchaser elected to pay that price for that system as opposed to another price for another system given that each system designed by suppliers are bespoke. Evidence of those reasons can only be obtained from the purchasers themselves. Anything else is speculative.

As stated in my submission of 4 December 2023, what was required to be investigated in the original investigation was not investigated and what was investigated was not properly investigated. This



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needs to be addressed and remedied in the interests of all stakeholders. Mere 'consideration' of these matters does not address them.

Finally, for the record, the deficiencies identified in my submissions, of course, came into existence during the course of the original investigation and were continued in the continuation inquiry. They exist independently of any submission and the time that any submission is made. As such, those matters should have been addressed at the time they arose.

This letter and information contained in it are non-confidential and, accordingly, this letter may be placed on the Commission's electronic public file and I would be grateful for this to be done.

Yours sincerely,

Ray Medina
Managing Director

Transmitted Electronically
Signature Not Required

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Attachment A

Extract from Website of Quality Material Handling Inc.

The following is an extract from the website of Quality Material Handling Inc., a supplier of warehousing storage systems in the USA.

Extract:

“DESIGN CONSIDERATIONS

Designing an effective structural pallet rack system requires careful consideration of various factors to ensure optimal performance, safety, and efficiency. In this section, we will explore key design considerations that warehouse managers and operators should consider when planning the implementation of structural pallet racks.

Structural pallet racks offer a high level of customization to accommodate specific storage needs. Customization considerations include adjustable beam heights, varying frame depths, and the ability to modify configurations to suit the dimensions of the stored inventory. Understanding the range of customization options ensures that the pallet rack system aligns seamlessly with the diverse requirements of the warehouse.

The layout and configuration of structural pallet racks play a crucial role in maximizing storage space and facilitating efficient material handling. Design considerations include the arrangement of aisles, the choice between single-deep or double-deep racks, and the overall flow of goods through the warehouse. Striking the right balance between storage density and accessibility is essential for optimal performance.

Accurate load capacity assessment is fundamental to the safe and efficient operation of structural pallet racks. Consider the weight and dimensions of the stored items, ensuring that the rack components, particularly beams and uprights, are selected and configured to handle the anticipated loads. Adhering to load capacity guidelines minimizes the risk of structural failure and ensures a long lifespan for the rack system.

Safety should be a top priority in the design of structural pallet racks. Implementing safety features such as rack guards, aisle markings, and load capacity signage enhances the overall safety of the warehouse environment. Additionally, considering seismic factors, especially in regions prone to earthquakes, is essential to design racks that can withstand potential seismic forces.

Ensure that the designed pallet rack system complies with local and national safety regulations and building codes. Compliance with standards such as RMI (Rack Manufacturers Institute) guidelines and OSHA (Occupational Safety and Health Administration) regulations is crucial. Meeting these standards not only ensures the safety of personnel but also avoids potential legal issues.

Taking these design considerations into account ensures the successful implementation of a structural pallet rack system that maximizes storage efficiency and prioritizes safety and compliance. ...”



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[[A Deep Dive into Structural Pallet Racks and Future-Proofing Strategies – Quality Material Handling Inc. Blog \(qmhinc.com\)](#), see also: [Pallet Racking – Quality Material Handling Inc. \(qmhinc.com\)](#) and pages referred to therein.]