



CUSTOMS ACT 1901 - PART XVB

REPORT 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**

27 March 2024

CONTENTS

CONTENTS.....	2
ABBREVIATIONS.....	4
1 SUMMARY AND RECOMMENDATIONS.....	6
1.1 INTRODUCTION.....	6
1.2 FINAL REPORT FINDINGS AND RECOMMENDATIONS	7
1.3 RECOMMENDATIONS TO THE MINISTER	10
2 BACKGROUND.....	11
2.1 LEGISLATIVE FRAMEWORK	11
2.2 APPLICATION AND INITIATION	12
2.3 CURRENT MEASURES.....	12
2.4 CONDUCT OF THE INQUIRY	13
2.5 SUBMISSIONS RECEIVED FROM INTERESTED PARTIES	18
3 THE GOODS, LIKE GOODS AND THE AUSTRALIAN INDUSTRY	21
3.1 FINDING	21
3.2 LEGISLATIVE FRAMEWORK	21
3.3 THE GOODS SUBJECT TO THE MEASURES	22
3.4 MODEL CONTROL CODES.....	23
3.5 LIKE GOODS.....	24
3.6 AUSTRALIAN INDUSTRY – DOMESTIC PRODUCTION.....	25
4 AUSTRALIAN MARKET	26
4.1 FINDING	26
4.2 APPROACH TO ANALYSIS	26
4.3 MARKET STRUCTURE	27
4.4 MARKET COMPETITION	28
4.5 MARKET SIZE	28
4.6 MARKET PRICING.....	29
5 ECONOMIC CONDITION OF THE INDUSTRY	31
5.1 FINDING	31
5.2 APPROACH TO ANALYSIS	31
5.3 FINDINGS IN THE ORIGINAL INVESTIGATION	32
5.4 VOLUME EFFECTS.....	33
5.5 PRICE EFFECTS.....	35
5.6 PROFITS AND PROFITABILITY.....	37
5.7 OTHER ECONOMIC FACTORS.....	39
6 LIKELIHOOD THAT DUMPING AND MATERIAL INJURY WILL CONTINUE OR RECUR	41
6.1 FINDING	41
6.2 LEGISLATIVE FRAMEWORK	42
6.3 THE COMMISSION’S APPROACH	42
6.4 AUSTRALIAN INDUSTRY CLAIMS	42
6.5 SUBMISSIONS ABOUT THE CONTINUATION OR RECURRENCE OF DUMPING AND MATERIAL INJURY	43
6.6 ARE EXPORTS LIKELY TO CONTINUE OR RECUR?	44
6.7 WILL DUMPING CONTINUE OR RECUR?	48
6.8 WILL MATERIAL INJURY CONTINUE OR RECUR?.....	58
6.9 CONCLUSION	65
7 VARIABLE FACTORS.....	66
7.1 CONSIDERATION OF VARIABLE FACTORS	66
7.2 SUBMISSIONS ADDRESSED IN SEF 617 ON VARIABLE FACTORS	67
7.3 SUBMISSIONS RECEIVED POST SEF 617 ON VARIABLE FACTORS.....	68
7.4 PROPER COMPARISON.....	69

PUBLIC RECORD

8	MEASURES.....	78
8.1	FINDINGS AND RECOMMENDATIONS	78
8.2	FORM OF MEASURE AVAILABLE.....	78
8.3	SUBMISSIONS RECEIVED ON FORM OF MEASURES.....	78
9	RECOMMENDATION	82
10	APPENDICES AND ATTACHMENTS.....	83

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
CH Racking	CH Racking Australia Pty Ltd
China	the People's Republic of China
the commission	the Anti-Dumping Commission
the Commissioner	the Commissioner of the Anti-Dumping Commission
CTMS	cost to make and sell
DCR	dumping commodity register
Dematic	Dematic Pty Ltd
Dexion Australia	Dexion Australia Pty Ltd
Dexion China	Dexion (Shanghai) Logistics Equipment Co. Ltd
Dexion Malaysia	Dexion Asia Sdn Bhd
DS 529	WTO Panel Report Australia – Anti-Dumping Measures on A4 Copy Paper
Dumping Duty Act	<i>Customs Tariff (Anti-Dumping) Act 1975</i>
Eonmetall	Eonmetall Systems Sdn Bhd
EPR	Electronic Public Record
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 2013</i>
HRC	hot rolled coil
IDD	interim dumping duty
the inquiry period	1 January 2022 to 31 December 2022
Investigation 441	original investigation
KRW	Korean won
Macrack	Macrack (Australia) Pty Ltd
the Manual	the commission's <i>Dumping and Subsidy Manual</i>
MCC	model control code
the measures	anti-dumping measures

PUBLIC RECORD

MEPS	MEPS International
the Minister	Minister for Industry, Science and Resources
Noble	Noble Trading Manufacturing Pty Ltd
One Stop	One Stop Pallet Racking Pty Ltd
R&D	research and development
REP 177	<i>Anti-Dumping Commission Investigation No 177</i>
REP 441	<i>Anti-Dumping Commission Report No 441</i>
REP 611	<i>Anti-Dumping Commission Report No 611</i>
REQ	response to the exporter questionnaire
RMB	Renminbi / Chinese Yuan
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
SEF 617	<i>Statement of Essential Facts No 617</i>
ShangHong	Zhejiang ShangHong Shelf Co., Ltd and Yuhua Trading (HK) Limited
Spacerack	Spacerack Storage Centre (Brisbane) Pty Ltd
SSS	Safer Storage Systems Pty Ltd
Stow China	Shanghai Stow Storage Equipment Co., Ltd
Stow Australia	Stow Storage Solutions Australia
the subject countries	China and Malaysia
USD	United States dollar
WTO	World Trade Organization

1 SUMMARY AND RECOMMENDATIONS

1.1 Introduction

The Anti-Dumping Commission (the commission) has prepared this report concerning an inquiry into whether to continue the anti-dumping measures (the measures) on steel pallet racking (the goods) exported to Australia from the People's Republic of China (China) and Malaysia (collectively, the subject countries).

The current measures were imposed on 8 May 2019 following completion of the original investigation (Investigation 441).¹ The findings of that investigation are detailed in *Anti-Dumping Commission Report No 441* (REP 441).²

The measures are in the form of a dumping duty notice applying to the subject countries and are due to expire on **8 May 2024** (the specified expiry date).³

This final report sets out the findings and conclusions on which the Commissioner of the Anti-Dumping Commission (the Commissioner) has based their recommendations to the Minister for Industry and Science (the Minister).

This report concludes that the Commissioner **is satisfied** on the evidence available that the expiration of the measures in respect of exports of the goods from the subject countries would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent.

Section 1.2 provides a summary of the Commissioner's findings and recommendations.

The Commissioner initiated this inquiry on 3 April 2023 following consideration of an application from Dematic Pty Ltd (Dematic) seeking a continuation of the measures.⁴

Dematic is eligible to apply for a continuation of the measures because it is a person specified under section 269ZHB(1)(b)(i) of the *Customs Act 1901* (the Act)⁵ whose application under section 269TB resulted in the measures.

The Commissioner established an inquiry period of 1 January 2022 to 31 December 2022 (the inquiry period). To analyse the performance of the Australian industry in the years before and after measures were imposed, the Commissioner has examined the period from 1 July 2018 to 31 December 2022.

The commission is assisting the Commissioner to conduct the inquiry, pursuant to the commission's function specified in section 269MD. In preparing this report the Commissioner has had regard to:

- the application seeking a continuation of the measures
- submissions relating generally to the continuation of the measures which the commission has had regard for the purpose of formulating the *Statement of Essentials Facts No 617* (SEF 617)

¹ Anti-Dumping Notice No (ADN) [2019/045](#), Electronic Public Record (EPR) 441, document no 127.

² EPR 441, document no 126.

³ Section 269TM of the *Customs Act 1901*.

⁴ ADN 2023/021, EPR 617, document no 2.

⁵ All legislative references are to the *Customs Act 1901*, unless otherwise specified.

- SEF 617, published on 30 October 2023, which sets out the preliminary findings of the Commissioner and the proposed recommendations to the Minister based on the available information at that time
- 7 submissions that were made prior to publication of SEF 617, that the Commissioner did not have regard to in SEF 617, because in the Commissioner's opinion, to do so would have prevented the timely publication of SEF 617 by the due date⁶
- 3 submissions made in response to SEF 617 and received by the Commissioner within 20 days of SEF 617 being placed on the public record
- 1 submission made in response to SEF 617 and received by the Commissioner on 4 December 2023, which was after the due date for submissions.

Submissions received in response to SEF 617 covered a range of matters that related to the conduct of the inquiry and the Commissioner's proposed findings concerning the variable factors and the likelihood of dumping and material injury. The commission has detailed at section 2.5 in Table 5, the relevant chapters of this report that address the matters raised.

The Commissioner has not had regard to a further late submission from One Stop received on 7 March 2024.

1.2 Final report findings and recommendations

Based on the evidence before the commission, the Commissioner is satisfied that the expiration of the measures in respect of the goods exported to Australia from the subject countries would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent.

Accordingly, the Commissioner recommends that the Minister:

- take steps to secure the continuation of the dumping duty notice applying to the goods exported to Australia from China and Malaysia
- not alter the dumping duty notice.

As the Commissioner has recommended that the Minister does not alter the variable factors on the dumping duty notice, the effective rates of duty relevant to the collection of interim duties payable on imports of the goods will continue to be within the following ranges:

- China – between 33.7% and 110.3%
- Malaysia – between 4.6% and 4.8%.

1.2.1 Conduct of inquiry (chapter 2)

At initiation of this inquiry, the commission invited interested parties, exporters and importers of the goods to provide information and evidence relevant to the inquiry. The commission also issued questionnaires relevant to the assessment of whether continuation of the measures is justified.

⁶ Section 269ZHE(3) refers.

The commission received questionnaire responses from the following entities.⁷

Australian industry

- APC Storage Solutions Pty Ltd (APC Storage)
- Dematic
- Safer Storage Systems Pty Ltd (SSS)

Importers

- CH Racking Australia Pty Ltd (CH Racking) (importer of the goods from China)
- Dexion (Australia) Pty Ltd (Dexion Australia) (importer of the goods from Malaysia)
- Schaefer Systems International Pty Ltd (Schaefer Australia) (importer of the goods from Malaysia)

Exporters

- EMT Systems Sdn Bhd (EMT Systems) (exporter from Malaysia)
- Eonmetall Systems Sdn Bhd (Eonmetall) (exporter from Malaysia)
- Schaefer Systems International Sdn Bhd (Schaefer Malaysia) (exporter from Malaysia)
- Zhejiang ShangHong Shelf Co., Ltd and Yuhua Trading (HK) Limited (ShangHong) (exporter from China)

The commission undertook a verification of the questionnaire responses received from 2 members of the Australian industry, Dematic and APC storage and 2 importers, Dexion Australia and Schaefer Australia. The verifications occurred onsite at each entity's principal place of business in Australia. The verification reports for each entity are available on the public record maintained for the inquiry.⁸

The commission did not undertake verification of the other responses received from the other entities listed above. The Commissioner has set out details regarding the treatment of these responses at section 2.4. While the commission did not perform verification of all questionnaire responses, where relevant, data in the unverified questionnaire responses has been considered by the Commissioner in formulating their recommendations to the Minister.

Further details concerning the commission's conduct of the inquiry is covered in section 2.4 of this report.

1.2.2 The goods, like goods and the Australian industry (chapter 3)

The Commissioner finds locally produced steel pallet racking are 'like goods' to the goods the subject of the application.

The Commissioner is satisfied that there is an Australian industry, comprised of the following 7 Australian industry members producing those like goods:

- APC Storage
- Brownbuilt Pty Ltd (Brownbuilt)
- Dematic

⁷ See chapter 2.4.6 for the full listing of submissions received by the commission.

⁸ EPR 617, document nos 14,15,19 and 20.

- Macrack (Australia) Pty Ltd (Macrack)
- Noble Trading Manufacturing Pty Ltd (Noble)⁹
- Spacerack Storage Centre (Brisbane) Pty Ltd (Spacerack)
- SSS

1.2.3 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.

1.2.4 Economic condition of the Australian industry (chapter 5)

The Commissioner assessed the economic condition of the Australian industry from 1 January 2018 to 31 December 2022 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
- had fluctuating sales volumes.

1.2.5 Likelihood of dumping and material injury continuing or recurring (chapter 6)

The Commissioner finds that the expiration 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 for the following reasons:

- 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%. The evidence before the commission demonstrates that dumping has not ceased and is likely to continue in the future (noting that the variable factors were not reviewed – see Chapter 7).
- No duty assessments have been lodged since the measures were imposed in 2019. In particular from Dexion Australia and Schaefer Australia, who are related entities with exporters, Dexion Malaysia and Schaefer Malaysia. The commission infers that it is likely that goods are still being exported at dumped prices from

⁹ Noble was not included in SEF 617, this was an inadvertent oversight, and the commission has corrected this in this report.

Malaysia, and notes that the value of the duties collected on exports from Malaysia is not insignificant.¹⁰

- Price is a major factor in purchasing decisions for steel pallet racking. There is evidence that the Australian industry has lost tenders based on price to Chinese and Malaysian exporters. 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.

The Commissioner notes there have been no applications seeking review and duty assessments since measures were imposed. Accordingly, this confines the commission's consideration of whether dumping is likely to the information available in the original investigation and data relevant to this continuation inquiry.

1.2.6 Variable factors (chapter 7)

The Commissioner is not recommending a change to the variable factors relevant to the determination of interim dumping duty (IDD) under the dumping duty 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. The Commissioner has set out the reasons in depth in Chapter 7 of this report.

1.2.7 Form of 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.

1.3 Recommendations to the Minister

The Commissioner recommends that the Minister **declare**:

- in accordance with subsection 269ZHG(1)(b), that they decide to secure the continuation of the anti-dumping measures concerned.

The Commissioner recommends that the Minister **determine**:

- in accordance with subsection 269ZHG(4)(a)(i), that the dumping duty notice continues in force after 8 May 2024.

The Commissioner has set out their recommendations in chapter 9 of this report.

¹⁰ The total value of duties collected from importers Dexion Australia and Schaefer Australia is confidential. Schaefer Malaysia is subject to an *ad valorem* rate of 4.6% and Dexion Malaysia is subject to the 'all other exporters' *ad valorem* rate of 4.8% (Table 1 refers).

2 BACKGROUND

2.1 Legislative framework

The procedures to be followed by the Commissioner when conducting an inquiry for the continuation of anti-dumping measures are set out in Division 6A of Part XVB of the Act.

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.

The commission placed SEF 617 on the public record on 30 October 2023.

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 either:

- 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
- expire on the specified expiry day.

Pursuant to section 269ZHF(2), the Commissioner must not recommend that the Minister take steps to secure the continuation of the measures, unless the Commissioner is 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 measures are intended to prevent.

2.2 Application and initiation

On 3 April 2023,¹¹ and in accordance with section 269ZHB(1), the Commissioner published a notice on the commission's website inviting the following persons to apply for the continuation of the anti-dumping measures:¹²

- the person whose application under section 269TB resulted in the anti-dumping measures,¹³ or
- persons representing the whole or a portion of the Australian industry producing like goods to the goods covered by the anti-dumping measures.¹⁴

On 1 March 2023, the commission received an application lodged by Dematic for the continuation of the measures on the goods exported to Australia from the subject countries.¹⁵

The Commissioner was satisfied that:

- the application complied with section 269ZHC (content and lodgement requirements),¹⁶ and
- there appeared to be reasonable grounds for asserting that the expiry of the 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.¹⁷

The Commissioner therefore decided not to reject the application and published ADN 2023/021 initiating the present inquiry on 3 April 2023.¹⁸

2.3 Current measures

The measures were initially imposed by ADN 2019/45 on 8 May 2019 by the relevant Minister following Investigation 441. The findings of that investigation are detailed in REP 441.¹⁹

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

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

¹² In accordance with section 269ZHB(1).

¹³ Section 269ZHB(1)(b)(i)

¹⁴ Section 269ZHB(1)(b)(ii)

¹⁵ Section 269ZHC. A non-confidential version of the application is available on EPR 617, document no 1.

¹⁶ Section 269ZHD(2)(a)

¹⁷ Section 269ZHD(2)(b)

¹⁸ ADN 2023/2021, EPR 617, document no 2.

¹⁹ EPR 441, document no 126.

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

Further detail about these measures can be found in the dumping commodity register (DCR) on the commission's website.²⁰

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	2019/045	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 Commissioner established an inquiry period of 1 January 2022 to 31 December 2022 for this inquiry.

To analyse the performance of the Australian industry in the years before and after the measures were imposed, the commission has examined information relating to the economic conditions from 1 January 2018 to 31 December 2022.

2.4.2 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

²⁰ The DCR is available [here](#).

person representing a portion of the Australian industry producing like goods to the goods covered by the measures.²¹

In the original investigation, the commission found that the Australian industry comprised of the following 6 entities producing those like goods:

- APC Storage
- Brownbuilt
- Dematic
- Macrack
- Noble
- Spacerack

On 6 April 2023, the commission issued questionnaires to the 6 Australian industry members listed above. The commission received questionnaire responses from Dematic and APC Storage. The non-confidential version of Dematic's questionnaire response is available on the EPR.²² The commission did not receive a non-confidential version of APC Storage's questionnaire response.

On 24 July 2023, the commission also received a submission from SSS who informed the commission it was an Australian producer of steel pallet racking.²³ In its submission, SSS outlined its support to the applicant Dematic for the continuation of measures on steel pallet racking exported from the subject countries. SSS was not identified as a manufacturer of like goods in the conduct of the original investigation.

In response to the submission from SSS, the commission issued SSS a supplementary questionnaire which sought information about Australian market, economic conditions of the industry and whether the measures should be continued. SSS responded by outlining that due to time and resourcing constraints it could not provide company sales, production, tender information, or data that could inform other injury factors. The non-confidential version of the questionnaire from SSS is available on the EPR.²⁴ On the basis of the available information concerning SSS, the commission considers they satisfy the conditions set out in section 269T(2) and section 269T(3) of the Act concerning the manufacture of like goods in Australia.

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 commission's findings are contained in verification reports are available on the EPR.²⁵

The commission finds in section 4.2 that Dematic and APC Storage account for a substantial proportion of the Australian industry and as a result their economic performance is considered to be indicative of the Australian industry as a whole.

²¹ See chapter 3.

²² EPR 617, document no 13.

²³ 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).

²⁴ EPR 617, document no 12.

²⁵ EPR 617, document nos 14 and 15.

References to Australian industry data in this report are based on materials and data provided by Dematic and APC storage, unless otherwise stated.

2.4.3 Importers

The commission identified several importers from the Australian Border Force (ABF) import database that imported steel pallet racking from the subject countries during the inquiry period or were known to have previously imported the goods. 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 questionnaire responses from the following importers:

- CH Racking²⁶
- Dexion Australia
- 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.²⁷

Submissions – Importers

ShangHong's submission,²⁸ published on 20 November 2023, correctly noted that the commission did not record the receipt of an importer questionnaire from CH Racking in SEF 617.²⁹ This was an inadvertent oversight that has been corrected in this report. While the commission has reviewed this response, it did not conduct a verification due to a low volume of imports. The commission, however, has had regard to CH Racking's response to inform the continuation inquiry.

2.4.4 Exporters

Based on the value reported in declarations made to the ABF by importers of steel pallet racking, the commission was able to identify the largest exporters of the goods from China and Malaysia during the inquiry period. The commission forwarded questionnaires to those identified exporters, as well as those involved with, or contacted for 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 a response to the exporter questionnaire (REQ) from 3 exporters within the legislated timeframe, inclusive of extensions granted by the commission to provide their response.³⁰ The REQs received are listed in Table 3.

²⁶ CH Racking was not included in SEF 617.

²⁷ EPR 617, document nos 19 and 20.

²⁸ EPR 617, document no 24.

²⁹ EPR 617, document no 24.

³⁰ EPR 617, document no 5, exporter questionnaires received, and extensions of time granted.

PUBLIC RECORD

Date received	Interested party	Received within legislated period	Date published	EPR no
25/05/2023	EMT Systems	Y	15/09/2023	17
26/05/2023	Eonmetall	Y	N/A	N/A
5/06/2023	ShangHong	Y	15/09/2023	16
13/06/2023	Schaefer Malaysia	N	N/A	N/A

Table 3: Responses to exporter questionnaires

As outlined in ADN 2023/043, the commission does not intend to determine new variable factors in this case.³¹ In this notice, the commission outlined that it may still draw on responses provided to the inquiry in its assessment of whether the continuation of the measures is justified.

The commission assessed the 3 REQs received within the legislated period and found all 3 to contain deficiencies. On 19 July 2023, the commission issued deficiency notices to each exporter so they could rectify the deficiencies by providing a further response, should they wish to do so. Further responses were received from EMT Systems and ShangHong.

ShangHong provided a response to its deficiency notice.³² The commission could not consider its response in SEF 617, because to do so would, in the Commissioner's opinion, prevent the timely publication of the SEF.³³ Following publication of SEF 617, the commission assessed ShangHong's response to the deficiency notice and found it did not adequately address all the deficiencies.

The commission's review of the further response received from EMT Systems concluded it did not satisfactorily rectify deficiencies.

As the commission is not determining new variable factors, it did not deem it necessary to provide a further opportunity to allow EMT Systems and ShangHong to address the deficiencies that were still present in their responses to the commission's initial deficiency advice letter.

In relation to Eonmetall's REQ, it did not provide the required non-confidential version. The commission contacted Eonmetall on 7 July 2023 to request the non-confidential version of its REQ. Eonmetall responded on 26 February 2024, after the closing date of 20 November 2023 for submissions to be received in response to SEF 617. The non-confidential version that Eonmetall supplied was found to contain information that did not appear suitable for disclosure on the public record. The commission was therefore not satisfied that the information contained in the response would not breach the confidentiality of Eonmetall when placed on the EPR.³⁴ The commission informed Eonmetall of this matter on 6 March 2024. Eonmetall has not expressed its disagreement with the commission's treatment of its REQ.

³¹ EPR 617, document no 7.

³² Response to deficiency notice received on 20 September 2023.

³³ Section 269ZHE(3)

³⁴ Section 269Z(2).

Where their information has been considered relevant, the commission has had regard to the information provided by EMT Systems, Eonmetall and ShangHong. Public versions of the REQs from EMT Systems and ShangHong have been placed on the EPR.³⁵

In addition to the questionnaire responses discussed above, Schaefer Malaysia provided the commission its REQ but this was not received within the legislated period.³⁶ It also failed to provide the necessary non-confidential version for placement on the public record. Schaefer Malaysia did not respond to the commission's correspondence of 7 July 2023 that sought to obtain the non-confidential version of its REQ.

Submissions – Exporters

In its submission in response to SEF 617, ShangHong submits that the commission has not had regard to all relevant information.

ShangHong states:³⁷

The ADC had 40 days to review the additional information provided by ShangHong. This time was more than sufficient given the following:

- a) The ADC was not reviewing exporter questionnaires lodged by any other exporters; and*
- b) The ADC had received the bulk of the ShangHong information on 5 June 2023 (4 months before the SEF).*

As outlined above, ShangHong was issued a deficiency notice to which it responded on 20 September 2023. The commission could not consider its response in SEF 617, because to do so would, in the Commissioner's opinion, prevent the timely publication of SEF 617. The commission acknowledges that ShangHong provided a response to the deficiency notice. As outlined above, after the publication of SEF 617, the commission did assess the deficiency response ShangHong provided and found it did not adequately address all the deficiencies.

The commission has had regard to information provided by ShangHong, to the extent possible, to assess whether the continuation of the measures is justified. The commission has detailed its consideration of ShangHong's REQ at section 6.7 of this report.

The commission also met with representatives of ShangHong and its related importer CH Racking on 16 October 2023 prior to the publication of the SEF. This was at the request of ShangHong. A record of this meeting is published on the EPR.³⁸

2.4.5 Foreign Governments

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.

³⁵ EPR 617, document nos 16 and 17.

³⁶ Schaefer Malaysia provided its REQ 26 days outside the legislated period (which included an extension of 19 days). ADN 2023/043 refers. (EPR 617, document no 7)

³⁷ EPR 617, document no 24.

³⁸ EPR 617, document no 21.

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.

2.5 Submissions received from interested parties

The commission has received 12 submissions during the conduct of the inquiry, this includes 5 received in response to SEF 617.

Table 4 lists those submissions received prior to publication of SEF 617 and includes where this report has addressed those submissions. Where the chapter reference indicates not applicable (N/A), the commission has not directly addressed or responded to the submission in this report. However, the Commissioner has had regard to these submissions to assess whether the continuation of the measures is justified.

Non-confidential versions of these submissions are available on the EPR.

EPR no	Date received	Interested party	Issues raised	Chapter reference
3	9/05/2023	Shanghai Maxrac Storage Equipment Engineering Co., Ltd	Submission in response to initiation	N/A
4	5/06/2023	Dematic	Submission on normal value for exports from China	N/A
6	29/05/2023	Dexion Asia Sdn Bhd (Dexion Malaysia)	Submission regarding unavailability of information and initial comments	N/A
8	18/07/2023	Dematic	Submission regarding imports, material injury and recent representations	N/A
9	24/07/2023	SSS	Submission regarding the continuation of measures	2, 4, 6
10	28/07/2023	ShangHong	Submission responding to ADN 2023/043	7
11	4/08/2023	Dematic	Submission responding to ADN 2023/043	7, 8

Table 4: Submissions received prior to the publication of the SEF

Table 5 details submissions that were received after the publication of SEF 617, as well as where the commission has referenced those submissions in this report.

Non-confidential versions of all submissions are available on the EPR.

PUBLIC RECORD

EPR no	Date received	Interested party	Issues raised	Chapter reference
23	7/11/2023	Dematic	Submission in response to SEF 617	7
24	20/11/2023	ShangHong	Submission in response to SEF 617	2, 6, 7
25	20/11/2023	Schaefer Australia	Submission in response to SEF 617	5, 6
26	4/12/2023	One Stop	Submission on Continuation Inquiry 617	2
29	7/03/2024	One Stop	Submission on Continuation Inquiry 617	N/A

Table 5: Submissions after the publication of the SEF

The Commissioner must have regard to any submissions made in response to SEF 617, provided by interested parties within 20 days of the Commissioner publishing the SEF on the public record.³⁹ The Commissioner is not obliged to have regard to any submission in response to the SEF after this due date, if to do so would, in the Commissioner's opinion, prevent the timely preparation of the final report to the Minister. The due date for responses to SEF 617 was 20 November 2023. The Commissioner may also disregard information for which an interested party did not provide a public summary unless it could demonstrate the information was correct.⁴⁰

The Commissioner has not had regard to the submission from One Stop received on 7 March 2024, because in the Commissioner's opinion, to do so would prevent the timely publication of the final report.⁴¹

With the exception of the late submission from One Stop,⁴² the Commissioner has had regard to all other submissions detailed in Table 4 and Table 5 in the preparation of this report.

2.5.1 Submission from One Stop

On 4 December 2023, the commission received a late submission from One Stop in response to SEF 617.⁴³ A non-confidential version of the submission is available on the EPR. One Stop submits that the commission did not invite it to participate in this inquiry.

One Stop was not issued an importer questionnaire because at the initiation of this inquiry the commission examined the ABF import data and found that it had not imported steel pallet racking from the subject countries during the inquiry period. The commission notes

³⁹ Section 269ZHF(3)(a)(iv)

⁴⁰ Sections 269ZJ(5) and (6)

⁴¹ Section 269ZHF(4)

⁴² EPR 617, document no 96.

⁴³ EPR 617, document no 26.

from 3 April 2023, both importer and exporter questionnaires were publicly available on the EPR for interested parties to complete.

In its submission, One Stop alleges the conduct of this inquiry perpetuates a number of 'shortcomings' and 'deficiencies' not rectified in the original investigation.⁴⁴

One Stop submits:

No comment is made as to whether the continuation of the anti-dumping measures for a further five years is in fact warranted. Rather, it is contended that the conduct of the inquiry and the resultant findings do not justify the continuation of the measures. This for the reasons set out below.

The original investigation, Investigation 441, contained shortcomings and deficiencies. Specifically, the investigation did not investigate what was required to be investigated and what was investigated was improperly investigated. Consequently, the imposition of the anti-dumping measures was not factually or legally justified.

It its submission, One Stop details a number of core deficiencies it has identified in the original investigation. The below provides a summary of deficiencies:⁴⁵

- The goods description.
- The scope of the original investigation.
- Australian production of 'parts'.
- Dimensions of pallet racking not adjustable.
- Identification of Australian Industry and wrongful inclusion/exclusion of entities.
- Dumping margins determined for the goods.
- Findings of material injury and causation.

The commission considers that the matters submitted by One Stop relating to the original investigation were addressed in REP 441 and that the evidence presented in REP 441 regarding the issues raised are still relevant to this inquiry.⁴⁶

⁴⁴ Ibid, page1.

⁴⁵ The commission acknowledges One Stop submits multiple subcategory issues that have been broadly categorised in the summary of deficiencies listed.

⁴⁶ EPR 441, document no 126, refer [REP 441](#).

3 THE GOODS, LIKE GOODS AND THE AUSTRALIAN INDUSTRY

3.1 Finding

The Commissioner finds that:

- locally manufactured goods are 'like goods' to the goods subject to the measures
- there is an Australian industry, comprised of 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 goods' 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).⁴⁷

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
- 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.

⁴⁷ Available [here](#) on the commission's website.

3.3 The goods subject to the measures

ADN 2023/21 defined the goods under consideration as follows:

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 AS4084-2012.⁴⁸

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 2018.⁴⁹

⁴⁸ 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.

⁴⁹ [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 6: Tariff classification of the goods⁵⁰

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 reference only and do not form part of the goods description. Please refer to the goods description for authoritative detail regarding the goods subject to the anti-dumping measures.

Certain goods are exempt from dumping and countervailing duties. Further information on these exempt goods can be found on the dumping commodity register.

3.4 Model control codes

The commission has used a model control code (MCC) structure in order to identify key characteristics.⁵¹ The basis for using a MCC structure and the commission's practice is explained in ADN 2018/128 available on the commission's website.

The MCC structure adopted for this inquiry is detailed in Table 7 below.

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 7: MCC Structure

⁵⁰ 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.

⁵¹ The commission's proposed MCC structure was published in ADN 2023/021 at the initiation of this inquiry.

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:⁵²

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

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. Locally produced steel pallet racking is manufactured to meet Australian Standard AS4084-2012.⁵³ It is understood that the imported goods are declared 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 Commissioner finds the locally produced goods to be commercially like to the goods the subject of the measures.

3.5.3 Functional likeness

The goods produced by Dematic and APC Storage is highly interchangeable or substitutable with the goods subject to the 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 Commissioner finds 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 locally produced goods and the goods the subject of the measures are produced using similar production processes and similar raw material

⁵² As defined in section 269T(1)

⁵³ 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.

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

Based on the information obtained from verification visits of Australian industry, the Commissioner is satisfied that:

- the like goods were wholly manufactured in Australia
- there is an Australian industry which produces like goods in Australia.

The commission's findings are detailed in verification reports.⁵⁴ The commission notes that both industry members manufactured steel pallet racking using similar processes.

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 Commissioner is satisfied from 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.

⁵⁴ EPR 617, document nos 14 and 15.

4 AUSTRALIAN MARKET

4.1 Finding

The Commissioner finds that during the inquiry period, the Australian market for the goods was supplied by the Australian industry, imports from the subject countries, and imports from other countries.

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

- The market is supplied by the Australian industry and imports including from China and Malaysia.
- The market 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, Dematic and APC Storage are the participating Australian industry members for this inquiry. During the inquiry period, Dematic accounted for a large percentage of the total sales value and volume of both Dematic and APC Storage combined.⁵⁵ Together, they represent a significant proportion of the Australian industry's sales and therefore considered to be indicative of the Australian industry as a whole. In REP 441, the commission found that Dematic accounted for approximately two-thirds of Australian industry production volume and value. The commission has not been presented with information during this inquiry that would indicate a change from this finding.

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. The commission found that import declarations have been entered into the ABF import data under various units of measure including kilograms, tonnes, or number of pieces.

The commission has used value as the best available information, as a proxy measure of volume. The Commissioner considers that sales values reasonably reflect sales volume and market share positions and trends over period analysed. This approach is consistent with the approach in REP 441.

⁵⁵ Confidential Attachment 2 – Australian industry economic condition and other injury factors – Dematic and APC

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 7 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. Other subfactors are 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 on 8 May 2019. This is based on the estimated size of the Australian industry, and exports from Malaysia 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 imposition of measures, the Australian market for steel pallet racking, when assessing its size by value, continued to increase year on year. This was after an initial reduction from 2018 to 2019. The Australian market also saw a slight increase from 2015 to 2018 prior to the measures being imposed.

The commission's market analysis is at **Confidential Attachment 1**.⁵⁶

⁵⁶ Data on imports prior to measures being imposed is 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.⁵⁷

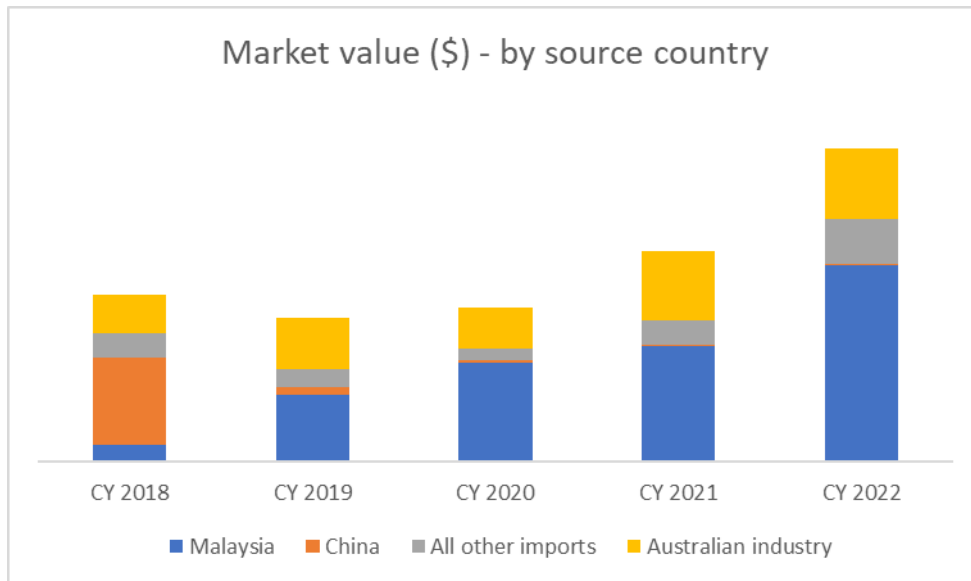


Figure 1: Australian market size and value by source country⁵⁸

Figure 1 shows that from 2019, the value of exports from China reduced significantly. Prior to the measures, in the years before 2018, exports from China were also higher.⁵⁹ The value of exports from Malaysia, saw continued increases year on year, with a substantial increase in 2019 following the implementation of measures, and again in 2022. This indicates importers may have shifted supply from Chinese to Malaysian sourced exports. The Australian industry also experienced market increases in the total value of pallet racking that it sold following the imposition of measures. The commission estimates 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.

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.

Raw materials are a significant cost factor in when determining prices of the goods. Outlined in section 3.6.1 the major raw material in the production of steel pallet racking is HRC.

⁵⁷ Confidential Attachment 1 – Australian market analysis.

⁵⁸ Data is based on ABF import declarations.

⁵⁹ REP 441, Figure 3, p 64.

PUBLIC RECORD

The commission verified the HRC costs associated with the production of the goods and like goods during the original investigation for participating interested parties. In REP 441, HRC accounted for approximately 70% of the cost to make for steel pallet racking.

With HRC being the major raw feed materials in the production of the goods, HRC prices have a major contributing factor to the sale price of the goods. For this inquiry, on the best available evidence including verifications of Australian industry, importers and information within exporter questionnaire responses, the commission considers that HRC is the most influential component in the setting price of steel pallet racking.

HRC is largest cost component in the raw material input into making the goods. This is consistent with the findings listed in REP 441 where the commission has found that HRC is the major raw material input used in the production of steel pallet racking. The commission had verified the HRC costs associated with the production of the goods and like goods during the original investigation for participating producers. The commission found that HRC costs represented a significant and broadly consistent proportion of the cost to make of the goods and like goods.

The commission's HRC cost to make analysis is at **Confidential Attachment 6**.

5 ECONOMIC CONDITION OF THE INDUSTRY

5.1 Finding

The Commissioner finds that the economic condition of the Australian industry, as represented by Dematic and APC Storage, has had varied results in the 5-year period from 1 January 2018 to 31 December 2022.

Since 1 January 2018, the Commissioner 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 8 May 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. This is in contrast to the overall market value increasing year on year as shown in Figure 1.

The Australian industry's market share has fluctuated year to year from 1 January 2018, 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 rebounded with increased sales volumes in 2021. APC Storage improved its sales volumes again in 2022, while Dematic saw a drop off.

5.2 Approach to analysis

This chapter considers the economic condition of the Australian industry since the measures were imposed 8 May 2019. This examination provides the basis for the commission's analysis of whether material injury is likely to continue or recur in chapter 6.8.

The commission has assessed the economic condition of the Australian industry from 1 January 2018 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 detailed at section 2.4.2, the commission did not receive questionnaire responses from all Australian industry members.⁶⁰ SSS did not provide the commission with any sales or production data, with the commission only receiving data from Dematic and APC Storage.

⁶⁰ Section 2.4.2

The commission gave equal consideration to information from both of these Australian industry members. The commission notes, however, that over this period Dematic accounted for a significant proportion of the combined value of Dematic and APC Storage's sales.

In REP 441, the commission found that Dematic accounted for around 2 thirds of Australian production volume and value for steel pallet racking.⁶¹ The commission also found that Dematic and APC Storage were the largest Australian producers (by value) of steel pallet racking in Australia.⁶² Information and data provided by the Dematic and APC Storage during this inquiry has supported this finding.

As a result, the commission has put more weight on Dematic's economic condition as being representative of the Australian industry as a whole.

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 submits 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 submits that this material injury would be in the form of:

- reduced sales
- reduced market share
- price suppression
- price depression
- reduced profits and profitability.⁶³

⁶¹ REP 441, section 5.4.1, p.30

⁶² Ibid.

⁶³ EPR 617, document no 1, Attachment A – Pallet Racking Continuation Application

5.4 Volume effects

As demonstrated below, since measures were imposed, the Commissioner 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

Australian industry as a whole (Dematic and APC Storage combined), depicted below in Figure 2, experienced increases in sales volume following the imposition of measures in 2019. Sales volumes have fluctuated year on year with 2021 experiencing the largest sales volumes over the period examined.

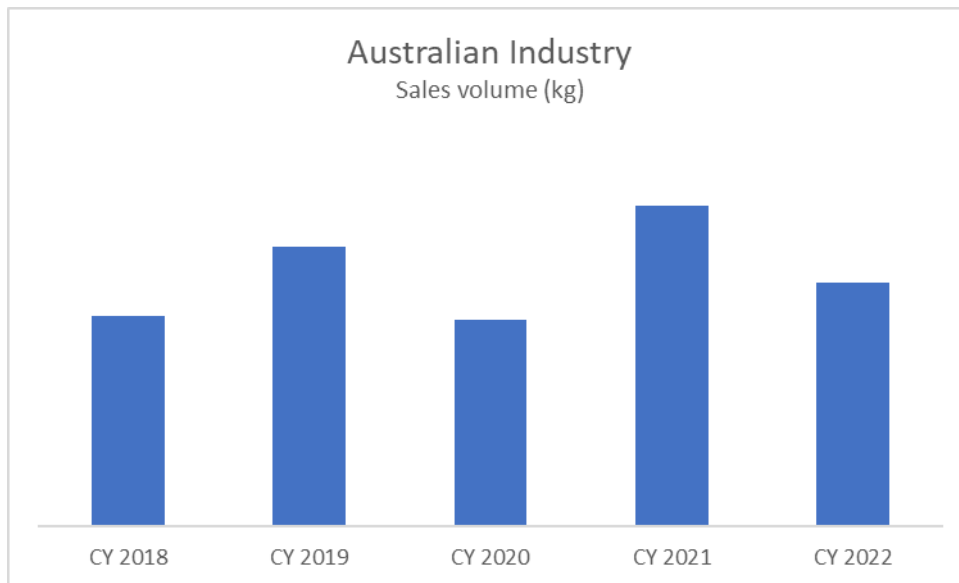


Figure 2: Australian Industry sales volume⁶⁴

The commission has also examined sales volumes for each of Dematic and APC Storage. Figure 3 below shows Dematic's sales volume of steel pallet racking from 2019 to 2022. As Dematic makes up a significant proportion of the Australian industry, the sales volume trend for Dematic aligns closely with that of the Australian industry.

⁶⁴ Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

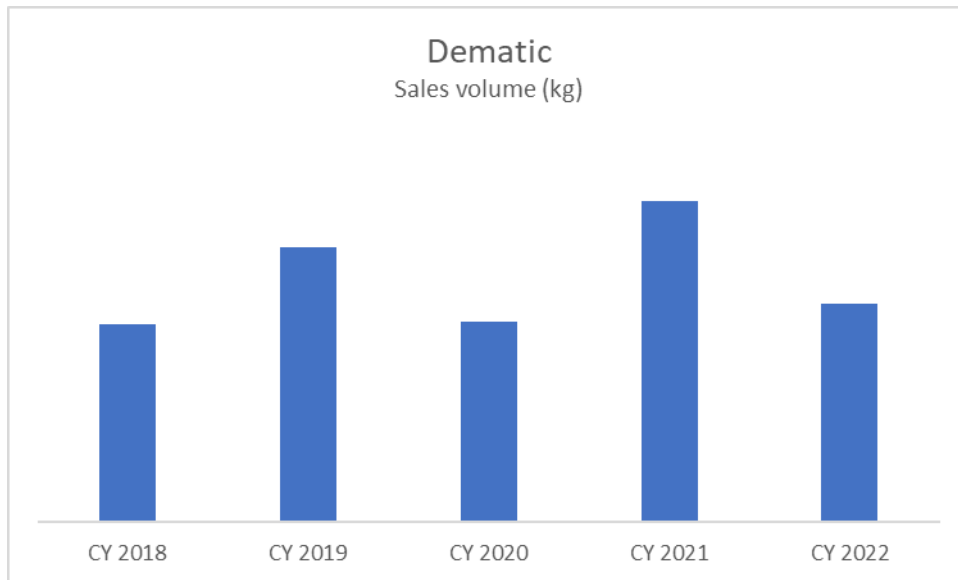


Figure 3: Dematic sales volume⁶⁵

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.

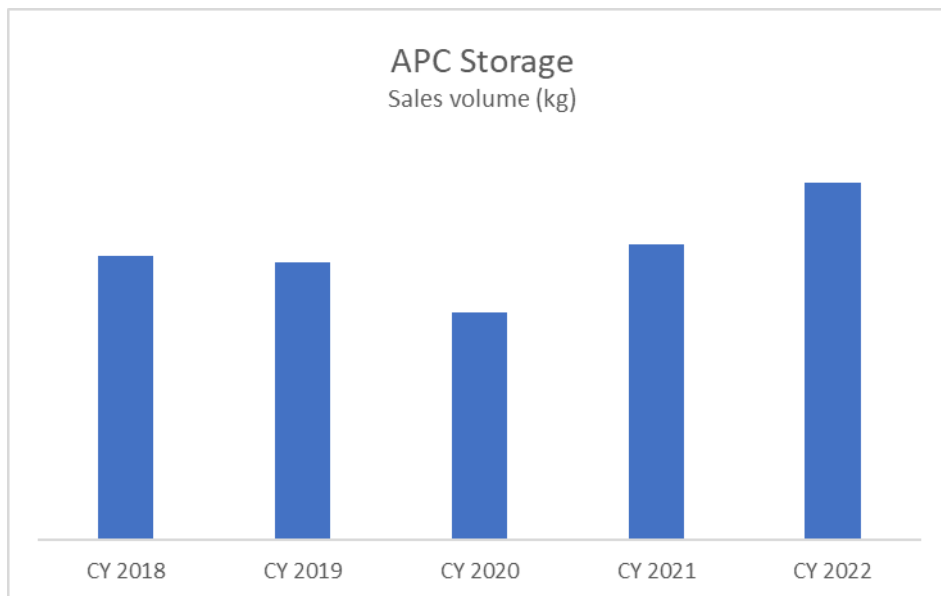


Figure 4: APC Storage Sales volume

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).

⁶⁵ Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

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).

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.

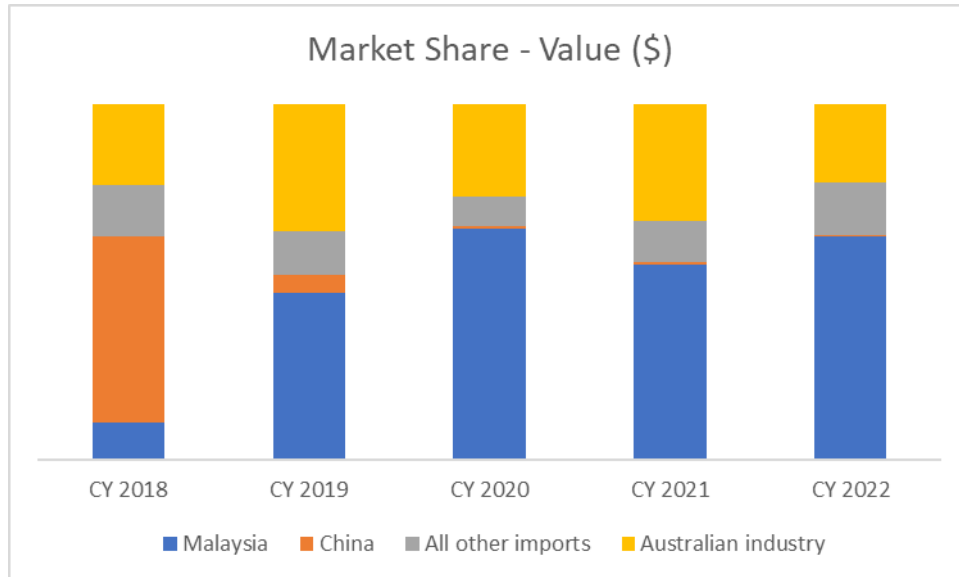


Figure 5: Australian market share by source country⁶⁶

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 5, increasing year on year. Since measures were imposed on 8 May 2019, the market share of exports from China has decreased to almost zero. The market share of exports from Malaysia, on the other hand saw a substantial increase immediately after measures were implemented before some fluctuation. 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 Commissioner finds 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

⁶⁶ Confidential Attachment 1 – Australian market analysis

costs. The Australian industry's combined unit selling price and unit cost to make and sell (CTMS) is shown above in Figure 6.

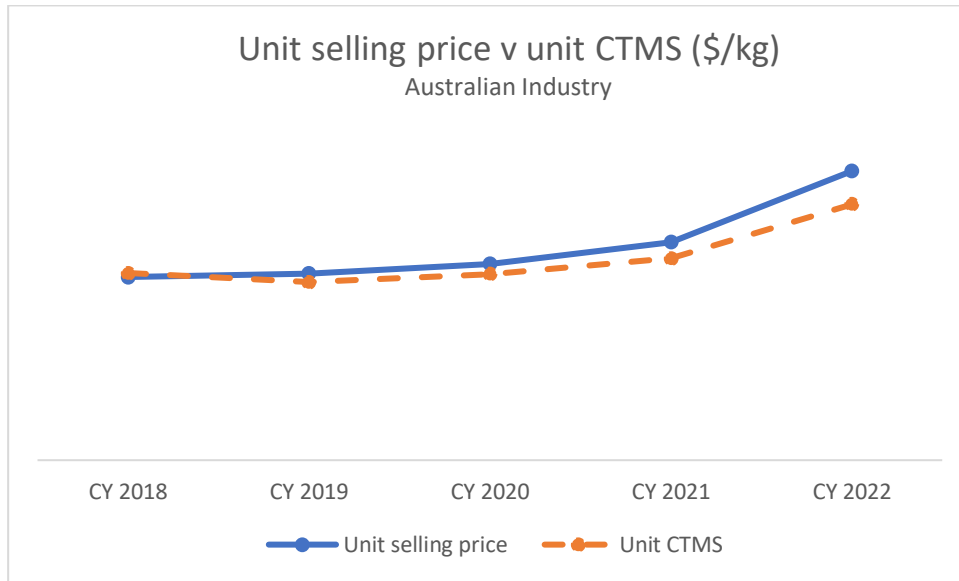


Figure 6: Australian industry unit selling price and unit CTMS⁶⁷

Figure 6 indicates that prices which have trended upwards are being driven by an increase in costs. However, it appears that the Australian industry has been able to increase prices at a slightly higher percentage increase than the increase in CTMS towards the end of the period examined.

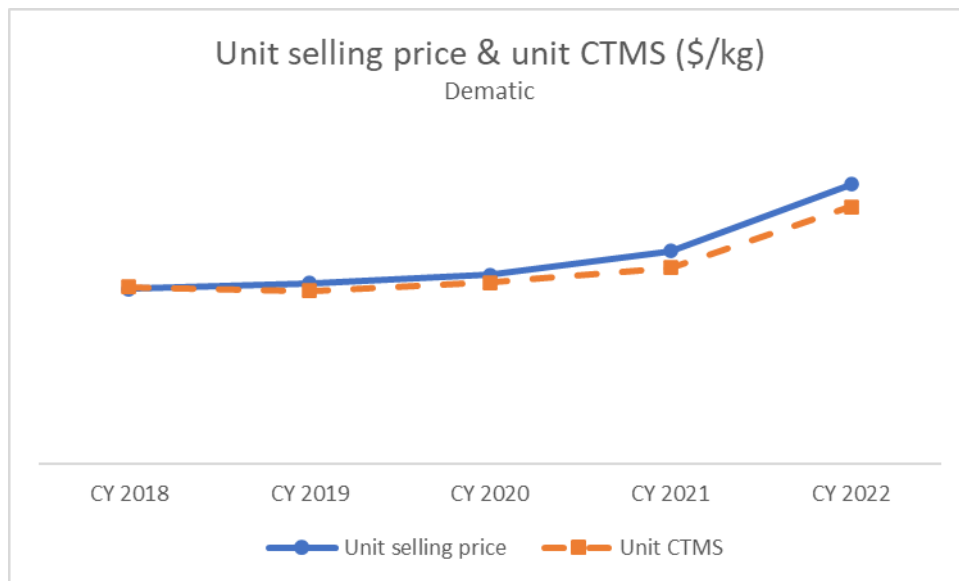


Figure 7: Dematic unit selling price and unit CTMS⁶⁸

⁶⁷ Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

⁶⁸ Ibid.

Figure 7 above show's Dematic's unit selling price and unit CTMS from 2019 to 2022. This figure indicates that Dematic's prices have trended upwards, again in a similar trend to that of the Australian industry due to Dematic's significant proportion of the Australian industry. This increase is also 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.

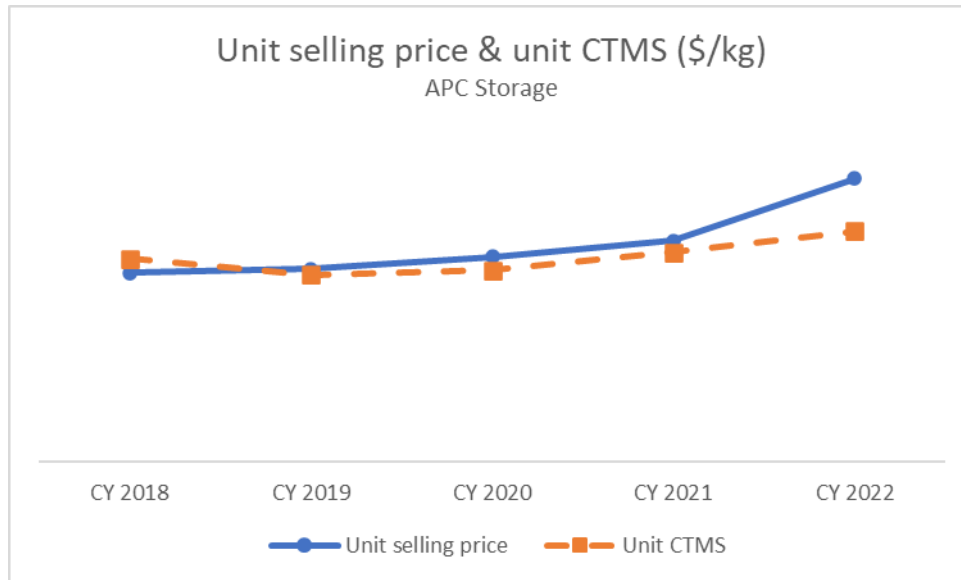


Figure 8: APC Storage unit selling price and unit CTMS⁶⁹

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 following the implementation of measures in period 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 7 and Figure 8 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 Commissioner finds 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 Commissioner has found that Australian industry has been able to remain profitable since measures were imposed. This is shown in Figure 9 below.

⁶⁹ Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

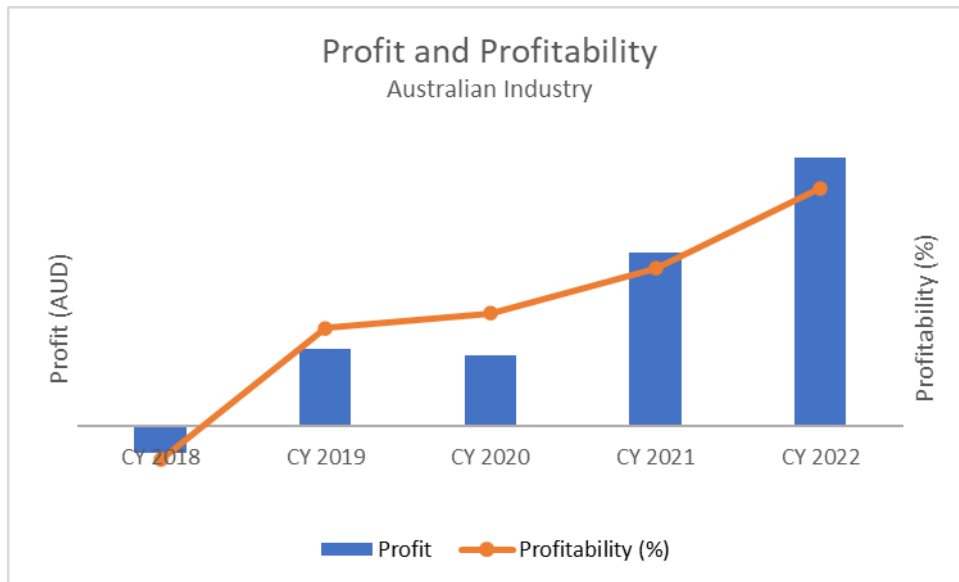


Figure 9: Australian industry profit and profitability⁷⁰

The Commissioner has also found on a Dematic and APC Storage have been able to remain profitable separately.

Figure 10 shows Dematic's profit and profitability from 2019 to 2022.

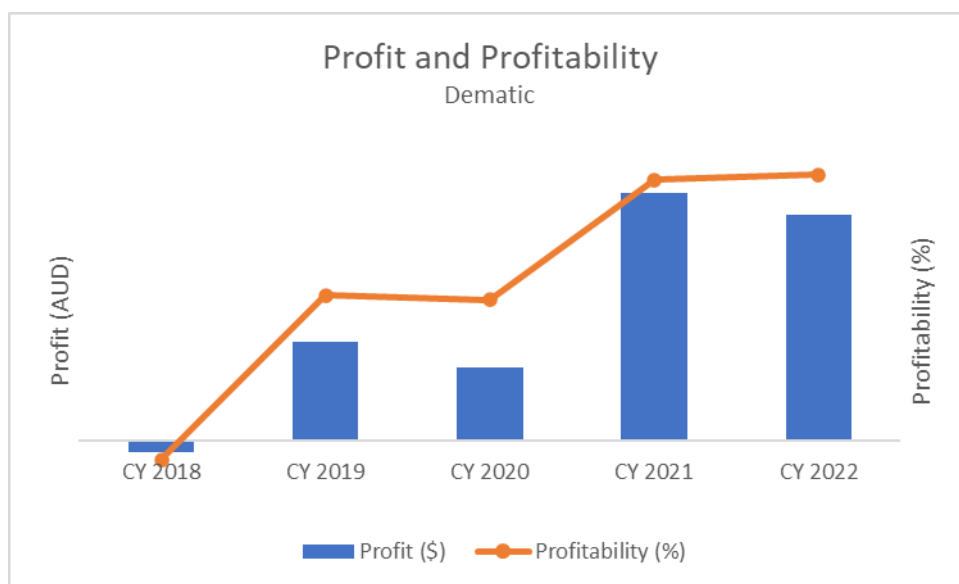


Figure 10: Dematic profit and profitability⁷¹

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.

⁷⁰ Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

⁷¹ Ibid.

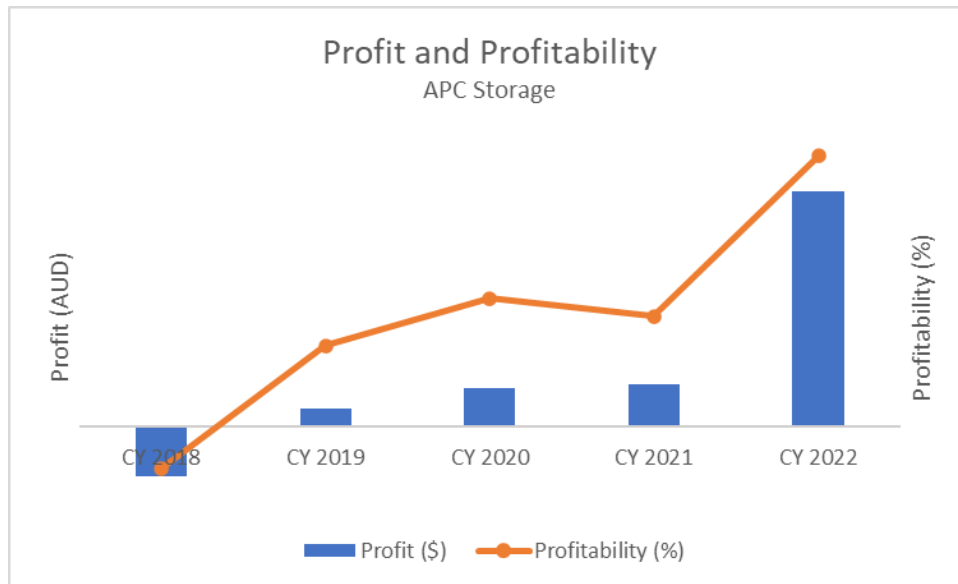


Figure 11: APC Storage profit and profitability⁷²

Figure 11 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 8. There has also been no discernible decline in unit profit or profitability over the period examined.

Based on this analysis, the Commissioner finds 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)

⁷² Confidential Attachment 2 - Australian industry economic condition and other injury factors – Dematic and APC

- 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.

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 Attachment 2**.

6 LIKELIHOOD THAT DUMPING AND MATERIAL INJURY WILL CONTINUE OR RECUR

6.1 Finding

On the basis of the evidence obtained in the course of this inquiry, the Commissioner is 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, the dumping and the material injury that the measures are intended to prevent.

The commission's findings supporting the Commissioner's above conclusion are summarised below and further detailed throughout this chapter and the report. The commission's findings are based on the information available, and analysis conducted by the commission for this inquiry.

The Commissioner finds that exports of the goods from the subject countries to Australia will likely continue for the following reasons:

- 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.

The Commissioner finds that dumping is likely to continue or recur for the following reasons:

- The original investigation found dumping by all exporters from the subject countries, at margins ranging between 4.6% and 110.3%.⁷³
- Analysis of sales and cost data from Chinese exporter ShangHong shows that prices were lower than costs for both domestic and export sales, indicating that it is likely to have been selling goods at dumped prices during the inquiry period.
- Analysis of HRC pricing data demonstrates that Chinese exports are likely to be dumped.
- No duty assessments have been lodged since the measures were imposed in 2019. In particular from Dexion Australia and Schaefer Australia, who are related entities with exporters, Dexion Malaysia and Schaefer Malaysia. The commission infers that it is likely that goods are still being exported at dumped prices from Malaysia, and notes that the value of the duties collected on exports from Malaysia is not insignificant.⁷⁴
- Measures placed on steel pallet racking in other jurisdictions were the result of finding goods from China were dumped, which increases the likelihood that

⁷³ EPR 441, document no 126

⁷⁴ The total value of duties collected from importers Dexion Australia and Schaefer Australia is confidential. Schaefer Malaysia is subject to an *ad valorem* rate of 4.6% and Dexion Malaysia is subject to the 'all other exporters' *ad valorem* rate of 4.8% (Table 1 refers).

continued exports to Australia are also dumped. The commission's findings are detailed in section 6.6.5.

The Commissioner notes there have been no applications seeking review and duty assessments since measures were imposed. Accordingly, this confines the commission's consideration of whether dumping is likely to the information available in the original investigation and data relevant to this continuation inquiry.

The Commissioner finds that material injury is likely to continue or recur for the following reasons:

- Price is a major factor in purchasing decisions.
- There is evidence of the Australian industry losing tenders based on price.
- It is likely 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.

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 Commissioner 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.⁷⁵

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.⁷⁶ 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 submissions regarding the continuation or recurrence of injury caused by steel pallet racking exported to Australia from China and Malaysia:

⁷⁵ [ADRP Report No 44](#) (Clear Float Glass)

⁷⁶ [The Manual](#), December 2021, pp 136-138.

- 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 was 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 regarding the recurrence of dumping and material injury prior to the publication of SEF 617.

- Dematic⁷⁷
- Dexion Malaysia⁷⁸
- SSS⁷⁹

⁷⁷ EPR 617, document no 8.

⁷⁸ EPR 617, document no 6.

⁷⁹ EPR 617, document no 9.

The commission received submissions from the following interested parties in response to SEF 617.

- Dematic⁸⁰
- One Stop⁸¹
- Schaefer Australia⁸²
- ShangHong⁸³

These submissions are addressed in the relevant section covering the particular issue below, except for One Stop's submission which is addressed at section 2.5.1.

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 factors:

- Steel pallet racking continues to be exported from China and Malaysia.
- Chinese and Malaysian exporters have either maintained or are able to reestablish 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

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

Detailed in section 4.4, 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.

⁸⁰ EPR 617, document no 23.

⁸¹ EPR 617, document no 26.

⁸² EPR 617, document no 25.

⁸³ EPR 617, document no 24.

During the inquiry period, the commission has observed minimal exports of the goods from China, with volumes continuing to diminish since the imposition of measures on 8 May 2019.

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 that sourced from both subject countries, 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 their related suppliers in Malaysia (Dexion Malaysia and Schaefer Malaysia), due to various factors but most significantly because it was more cost effective.⁸⁴

Submissions – import volumes

Australian industry – SSS

On 24 July 2023, the commission received a submission from SSS.⁸⁵ SSS submits that in its own observations there is a concerning rapid shift away from steel pallet racking imports produced in China. SSS submits that Chinese export volumes to Australia substantially declined, and this decline corresponds with an increase of exports from other Southeast Asian countries.⁸⁶

SSS further outlines its observation that exports from Malaysia are at similar volumes, notwithstanding the measures.

Importer - Schaefer Australia

In response to SEF 617, Schaefer Australia submitted that while it accepts that the IDD rates for Malaysian exports are lower, it believes sourcing decisions are more related to ‘flight to quality’ rather than commercial factors.⁸⁷ Schaefer submits that this is evidenced by the commission finding that Malaysian export prices/values are substantially higher than the Australian industry.

The commission did not find that export prices from Malaysia were substantially higher than Australian industry nor did the commission make such a claim in SEF 617. The commission found that the total value of Malaysian exports to Australia were substantially higher than both the value of exports from China, and the value of pallet racking sold by Australian industry.

Due to the varying pallet racking components, the commission has assessed the size of the market based on dollar value as opposed to volume. While some importers may have switched to exports supplied from Malaysia due various factors, the most significant factor is that it is more cost effective. Based on REP 441 and the available evidence to this inquiry, the commission still finds that price is an important purchasing factor.

⁸⁴ EPR 617, document nos 14 and 15.

⁸⁵ EPR 617, document no 9.

⁸⁶ EPR 617, document no 9.

⁸⁷ EPR 617, document no 25.

6.6.2 Maintenance of distribution links

The Commissioner 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 and 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.⁸⁸ 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. The number of importers of the goods from Malaysia has increased since the original investigation, which indicates that Malaysian exporters have increased their distribution links, engaging new customers.

Dexion Australia stated that since the measures were imposed, its 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.⁸⁹ Schaefer Australia also shifted supply of the goods from China to Malaysia. Although Schaefer Australia has not declared imports of the goods from its related Chinese supplier, SSI Schaefer System International (Kunshan) Co. Ltd (Schaefer Kunshan), the commission found they have still engaged in the trading of other non-subject goods. This indicates that distribution links with China continue to be maintained.⁹⁰

In addition, based on its REQ response, Chinese exporter ShangHong has also maintained distribution links with its related Australian importer, CH Racking.⁹¹ This is also affirmed in ShangHong's subsequent submission on the EPR.⁹²

6.6.3 Excess production capacity

Dexion Australia stated during its importer verification visit that its related party supplier in Malaysia, Dexion Malaysia, has excess production capacity.⁹³ On the basis Dexion Malaysia did not submit an exporter questionnaire, the commission has placed reliance on Dexion Australia's disclosures for assessing excess production capacity. The commission has not received any submissions contesting this finding.

⁸⁸ Confidential Attachment 1 and Confidential Attachment 3.

⁸⁹ EPR 617, document no 19 p. 9.

⁹⁰ EPR 617, document no 20.

⁹¹ EPR 617, document no 16.

⁹² EPR 617, document no 24.

⁹³ EPR 617, document no 19.

Further to Dexion Malaysia, the commission has also considered Schaefer Malaysia's REQ for assessing the excess production capacity amongst exporters from Malaysia. Although Schaefer Malaysia's REQ was submitted after the legislated period, the commission considers it contains information that is relevant to production capacity. Based on Schaefer Malaysia's unverified response, it appears to have 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,⁹⁴ the commission considers it likely that Chinese suppliers will retain excess production capacity. Unverified data supplied by ShangHong in its REQ for this inquiry also indicates that it has excess capacity. On the available information, the REQs and information received, the commission finds that other Chinese exporters would likely have excess capacity.

This excess capacity appears to have provided Chinese and Malaysian exporters 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.

Submissions – excess capacity

Schaefer Australia submits that it does not consider it has excess capacity in its Malaysian factory. Schaefer states that:⁹⁵

Our Malaysian factory produces quality steel pallet racking for the global market, with an Asian focus, therefore the factory reaches capacity at various times of the year depending on the specialised customer orders being received during the period. Generally speaking, we do not believe the factory has any continued excess capacity that could be regarded as a threat to the Australian industry, given the historical production volumes whilst Anti-Dumping (AD) duties have been imposed in Australia.

Schaefer Australia does not envisage any significant increases in volumes for the Australian market if the measures are removed.

The commission has reviewed the information and data provided in Schaefer Malaysia's REQ, which indicates that it can continue to supply the Australian market in significant volumes. The commission notes that while there may be seasonal demands throughout the year, this does not diminish the fact that this demand does not have an effect over the inquiry period and Schaefer Malaysia's ability to continue to export steel pallet racking to Australia. The commission considers Schaefer Malaysia's REQ does not provide evidence to counter the commission's findings on excess capacity.

⁹⁴ REP 441, Non-confidential Appendix 3 – Assessment of a Particular Market Situation – China, p. 111

⁹⁵ EPR 617, document no 25.

Malaysia's continued excess capacity infers that it has the ability to increase sales to the Australian market. If the measures were to expire, Schaefer Malaysia has the ability to further increase its market share posing a threat to the Australian industry.

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. In REP 441, the commission 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 is related to the importer Stow Australia, which remains a key player in the Australian steel pallet racking market. Stow Australia sources its steel pallet racking from countries not subject to the measures. For this inquiry, according to ABF import data, Stow China has not exported the goods to Australia. The commission considers that Stow China still has distribution links to the Australian market and has the ability to recommence supplying the market and quickly regain Australian market share, should the measures expire.

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 precise 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 2019.⁹⁶ 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.⁹⁷

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 subject to this inquiry 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 factors:

- The original investigation found dumping by all exporters from the subject countries, at margins ranging between 4.6% and 110.3%.⁹⁸

⁹⁶ EPR 617, document no 1, Attachment 1 – US Federal Register 16 September 2019

⁹⁷ EPR 617, document no 1, Attachment 7 – Extending the EU Steel Safeguard

⁹⁸ EPR 441, document no 126

- Analysis of sales and cost data from ShangHong, where the commission found that prices were lower than costs for both domestic and export sales, indicates that it is likely to have been selling goods at dumped prices during the inquiry period.
- Analysis of HRC pricing data demonstrates that Chinese exports are likely to be dumped.
- No duty assessments have been lodged since the measures were imposed in 2019. In particular from Dexion Australia and Schaefer Australia, who are related entities with exporters, Dexion Malaysia and Schaefer Malaysia. The commission infers that it is likely that goods are still being exported at dumped prices from Malaysia, and notes that the value of the duties collected on exports from Malaysia is not insignificant .⁹⁹
- Measures placed on steel pallet racking in other jurisdictions were the result of finding goods from China were dumped, which increases the likelihood that continued exports to Australia are also dumped. The commission's findings are detailed in section 6.6.5.

The Commissioner notes there have been no applications seeking review and duty assessments since measures were imposed. Accordingly, this confines the commission's consideration of whether dumping is likely to the information available in the original investigation and data relevant to this continuation inquiry.

To make this finding, 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.¹⁰⁰ 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 Dumping during the inquiry period

The Commissioner is not recommending a change to the variable factors as part of this inquiry, for the reasons detailed in Chapter 7. As a result, the commission has not calculated dumping margins for this inquiry period.

In response to SEF 617, ShangHong submits there is a lack of evidence relating to current dumping.¹⁰¹ As part of an assessment regarding whether dumping is likely to continue or recur, the commission, using the best available evidence, has conducted analysis to examine current dumping during the inquiry period. The commission's dumping findings are detailed at section 6.7.4.

⁹⁹ The total value of duties collected from importers Dexion Australia and Schaefer Australia is confidential. Schaefer Malaysia is subject to an *ad valorem* rate of 4.6% and Dexion Malaysia is subject to the 'all other exporters' *ad valorem* rate of 4.8% (Table 1 refers).

¹⁰⁰ The Manual, December 2021, p 136.

¹⁰¹ EPR 617, document no 24.

6.7.2 Previous dumping assessments

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

Table 8 below shows the dumping margins determined in REP 441 for the original investigation period.

Country	Exporter	Dumping Margin
China	Jiangsu Jracking Industry Ltd	60.1%
	Dexion China	33.7%
	Schaefer Kunshan	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 Malaysia	4.6%
	All other exporters	4.8%

Table 8: Dumping margins from REP 441

In REP 441, the commission found that steel pallet racking exported to Australia from China and Malaysia was at dumped prices and the dumping margins were not negligible. The commission was also satisfied that the volume of dumped goods was not negligible.

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

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, the dumping margins determined in the original investigation (Table 8 above) demonstrate that Chinese exporters were dumping steel pallet racking at significant margins. Accordingly, it is likely that Chinese exporters will continue 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, export volumes

from Malaysia have increased. The majority of exports from Malaysia have been imported by Dexion Australia and Schaefer Australia. No duty assessments have been submitted since the measures were imposed. It is reasonable to infer, that 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 likely that goods are still being exported at dumped prices from Malaysia. The value of the duties collected on exports from Malaysia is not insignificant.

6.7.3 Anti-dumping actions in other jurisdictions

The commission considers that the measures 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.

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 it likely that Chinese exporters subject to measures in other jurisdictions would actively source customers in other countries including Australia. Detailed 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.

Submissions – trade measures in other jurisdictions

In response to SEF 617, ShangHong makes submissions relating to the commission's consideration of trade measure in other jurisdictions.¹⁰²

ShangHong submits, while it acknowledges that other jurisdictions have imposed dumping duties or increased tariffs, the action in other countries does not provide positive evidence that dumping is likely to recur or continue.

Specifically, ShangHong submits that:

For instance, the USA and Australia treat China very differently under their respective anti-dumping regimes. Even if Australia is a more attractive export market, all that fact supports is that exports from China may be likely. That does not provide any evidence that exports at dumped prices are likely.

ShangHong further submits the commission has equated the exports of the goods from China with dumping of the goods. ShangHong argues that the commission cannot make this finding with confidence without the review of contemporaneous evidence. The commission has detailed its analysis in response to contemporary findings that Chinese exports at dumped prices are likely in section 6.7.4. The commission considers its findings at sections 6.6.5 and 6.7.4 are relevant factors, taken together with all other factors, of the likelihood of dumping recurring or continuing.

¹⁰² EPR 617, document nos 24 and 25

6.7.4 Submissions – likelihood that dumping will continue or recur

In response to SEF 617, ShangHong submits that there is an absence of contemporary positive evidence of current dumping or the likelihood of dumping continuing or recurring. Specifically, ShangHong submits that:¹⁰³

- There is an absence of positive evidence of current dumping or future dumping.
- The use of duty assessment and reviews to support likelihood of dumping continuing or recurring is flawed.
- There is a reliance on historical dumping margins.

ShangHong's REQ – evidence of dumping

In response, the commission has reviewed the sales and cost data submitted in ShangHong's REQ. Notwithstanding the deficiencies with the data provided, the commission compared domestic prices against domestic costs, and export prices against export costs. When comparing on an MCC basis, the commission found that submitted costs for both domestic and export sales are higher than the prices the goods are sold for.

While not definitive, the analysis of ShangHong's REQ data serves as an indication that goods during the inquiry period were likely sold at dumped prices and would likely be sold at dumped prices in the future. However, with the data being deficient and not verified, the commission has limited its reliance on ShangHong's data to the extent that it is relevant to whether dumping has likely continued.

This analysis is provided in **Confidential Attachment 9**

Duty assessments and reviews

ShangHong also submits that the commission has relied on flawed reasoning when considering the absence of reviews and duty assessments as an indicator for the likelihood of dumping.

Specifically, ShangHong states that:

*This reasoning is flawed and does not consider the more likely reasons that applications for duty assessment or reviews would not be made. In respect of Chinese exports, the primary reason for the absence of reviews or assessments is that the cost of such an application is outweighed by the likely benefit. This is a reflection of low export volumes rather than the anticipated dumping margin calculation. In respect of a duty assessment, the volume of Chinese exports over the past 5 years does not justify the cost of a duty assessment. This is especially so given that duty assessments are lodged by the importer and that the noted small volume of imports of Chinese originating goods would be spread across a variety of importers. That is, the benefits of a duty assessment would be limited to the duty paid on imports by a particular importer.*¹⁰⁴

The commission acknowledges that the absence of duty assessments and reviews, in isolation, is not an indicator that dumping is likely to continue or reoccur. However, the commission has not relied on this factor in isolation. Rather, the commission considers

¹⁰³ EPR 617, document no 24.

¹⁰⁴ EPR 617, document no 24, p 4.

that it is a relevant factor, taken together with all other factors, to substantiate the commission's findings that there is a likelihood of the continuance or recurrence of dumping.

The commission's assessment is based on the relevant information available. References to an absence of variable factor reviews and duty assessments illustrates the limitations that exist in terms of how the commission may evaluate whether dumping is likely to continue or recur. Had such information been available, the commission would have considered it together with other relevant information. Within the context of the information that is available to conduct the inquiry, the commission has treated the dumping margins established in the original investigation as relevant information.

In response to ShangHong's submission, the commission has performed further analysis for the purpose of formulating the Commissioner's recommendations to the Minister. This includes analysing data contained in ShangHong's REQ and considering the change in HRC prices. The commission notes that ShangHong's submission to SEF 617 has not provided evidence to advance a position that its exports during the inquiry period were not dumped.

HRC - evidence of likelihood of dumping to continue or recur

ShangHong submits that the commission has not relied on relevant contemporary positive evidence, and it considers that the time difference is especially relevant from the original investigation to the current inquiry period. Specifically, ShangHong states that:

*Both the Chinese HRC Price and the HRC Benchmark will have changed since September 2017. If the Chinese HRC Price has increased, relative to the HRC Benchmark, the dumping margin will very likely have been reduced and it may in fact be negative. However, the ADC has undertaken no analysis of the current Chinese HRC Price and how it would compare with any proposed benchmark HRC price. As the Chinese normal values in Investigation 441 were constructed, to have any confidence of future dumping, the ADC needed to review the factors that went into the construction.*¹⁰⁵

*The ADC reasoning is based on a premise that a dumping margin would be driven by Chinese exporters seeking to sell goods at competitive prices in Australia. However, the ADC is well aware that the key determinate of any dumping margin will be the difference between the amount the Chinese exporter paid for HRC and the HRC benchmark determined by the ADC. Without reviewing Chinese HRC prices or determining a HRC benchmark we do not understand how the ADC can have any confidence or make any predictions as to likely future dumping, regardless of its views on a likely export price or volume of exports.*¹⁰⁶

In response, the commission has undertaken analysis of purchase prices of HRC from ShangHong's REQ, and other available HRC pricing and benchmark pricing data. The below details the commission's analysis and findings.

¹⁰⁵ EPR 617, document no 24, pp 3-4.

¹⁰⁶ EPR 617, document no 24, pp 4-5.

The commission's HRC assessment

The commission's analysis detailed below provides positive evidence that dumping is likely to continue in relation to exports from China. This is based on trends for input costs, which have shown trends that are similar to those found in REP 441 and relying on other findings from REP 441 where there was insufficient data for this inquiry (i.e. export prices). The commission finds that the factors relevant to the finding that Chinese manufacturers exported the goods at dumped prices during the original investigation period remain prevalent in the current inquiry period.

The commission's analysis of contemporary HRC pricing data relevant to this inquiry period, demonstrates that Chinese HRC prices are consistently below the HRC benchmark price. The difference observed between the benchmark and HRC pricing from China follows a similar pattern with a greater distortion of pricing, to that observed in the original investigation period.

In this section, the commission has observed that while Chinese HRC prices have changed since September 2017 its analysis shows:

- Based on MEPS HRC prices, HRC prices in China are consistently lower than equivalent prices for HRC purchased in Korea and Taiwan.
- ShangHong's reported HRC purchase prices are lower than verified Korean and Taiwanese exporters in *Anti-Dumping Commission Report No 611* (REP 611).¹⁰⁷

As mentioned above, ShangHong submits that the commission is not able to determine the likelihood of dumping continuing or recurring unless it considers the factors that determined dumping in the original investigation.

The commission does not have verified exporter data for the inquiry period and therefore has relied on the best information available. ShangHong is the single participating Chinese exporter and has outlined that HRC costs influence prices of steel pallet racking. In the original investigation, the commission verified the HRC costs associated with the production of the goods and like goods for cooperating exporters from China.

HRC is the main raw material input in the production of the goods and like goods and influences Chinese manufacturers' pricing decisions, as outlined in section 3.6.1. As a result, the commission considers that the price of HRC has a significant impact on both the production cost and selling price of steel pallet racking from the Chinese exporters to their domestic and Australian customers. Further, the commission considers that the raw material prices are influential in setting the Chinese domestic and export selling prices of steel pallet racking, with lower raw material prices directly resulting in lower steel pallet racking prices.

In response to ShangHong's submission, the commission has analysed the change in price for HRC to consider whether dumping of the goods from China is likely to continue. It is also necessary that the commission's analysis takes account how the normal value was determined for the original investigation.

In the original investigation, the normal value for exporters from China was established under section 269TAC(2)(c). Application of this method was on the basis there was a particular market situation present in the Chinese pallet racking market and domestic

¹⁰⁷ REP 611, EPR 611 document no 29.

sales of like goods were not suitable for a normal value under section 269TAC(1). As a result, when the normal value was determined, the commission replaced the exporter's reported HRC cost with a suitable competitive market benchmark.

When compared to a competitive market benchmark, the exporter's reported HRC costs in the original investigation period were found to be lower. The commission then went on to find exports of the goods were dumped. As will be explained below, the commission has found that the relationship between the exporter's reported HRC cost and a competitive market benchmark was similar in the inquiry period, i.e. the exporter's reported HRC cost was lower than the relevant competitive market benchmark.

ShangHong's REQ indicates that it sourced all HRC used in the manufacture of the goods from Chinese steel mills. As there were no other cooperating exporters in this inquiry, the commission has relied on HRC data supplied in REP 611 for zinc coated (galvanised) steel, which covers the period of July 2021 to June 2022 and overlaps by 6 months with the current inquiry period (January 2022 to June 2022).

The commission compared the monthly weighted average price paid by ShangHong for HRC (being the only Chinese exporter that provided an REQ) in the inquiry period with prices paid by Korean and Taiwanese exporters from REP 611.¹⁰⁸

As all pricing data used by the commission in its analysis was reported in the relevant local currency, the commission has converted and compared prices in United States dollars (USD). The commission performed a currency fluctuation analysis as part of this process to examine whether any such fluctuations may have distorted its price comparisons.

As the currency conversion has been made on an average monthly exchange rate, the commission has not undertaken an assessment for short-term (i.e. daily) currency fluctuations. However, the commission has assessed whether there has been a sustained currency fluctuation experienced between the USD and any of the local currencies used. The figure below depicts monthly movements in the exchange rate for each of the relevant currencies to the USD.

¹⁰⁸ The commission conducted a timing adjustment on the HRC benchmark calculated in REP 611 to account for the July 2022 to December 2022 period, this was based on the price movement in monthly MEPS data.

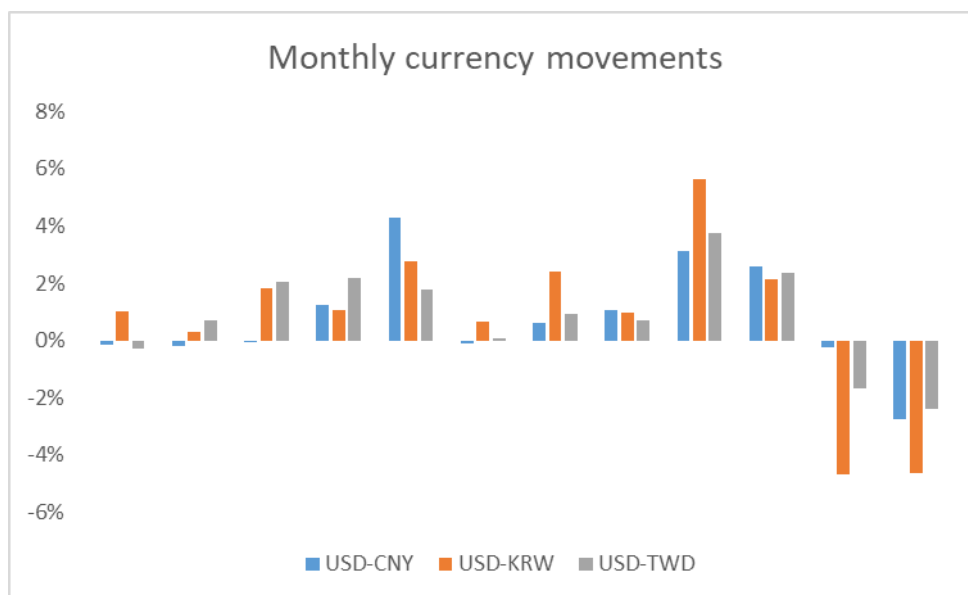


Figure 12: Monthly currency movements during inquiry period ¹⁰⁹

The currency with the greatest monthly movement against the USD is the Korean won. The analysis shows no cumulative movement of greater than 5% over any 2 consecutive months. The commission considers a fluctuation equal to or greater than 5% over an 8-week period constitutes a sustained currency movement. As there appears to have been no sustained currency fluctuation over the inquiry period, the commission is satisfied that a USD comparison of HRC prices will not be distorted by currency movements.

Figure 13 below depicts the monthly price of HRC over the inquiry period provided by ShangHong in its REQ against the benchmark price based on Korean and Taiwanese exporter data derived from REP 611.

¹⁰⁹ Confidential Attachment 5 – Currency fluctuation analysis of the USD to Chinese yuan (CNY), Korean won (KRW) and Taiwanese dollar (TWD).

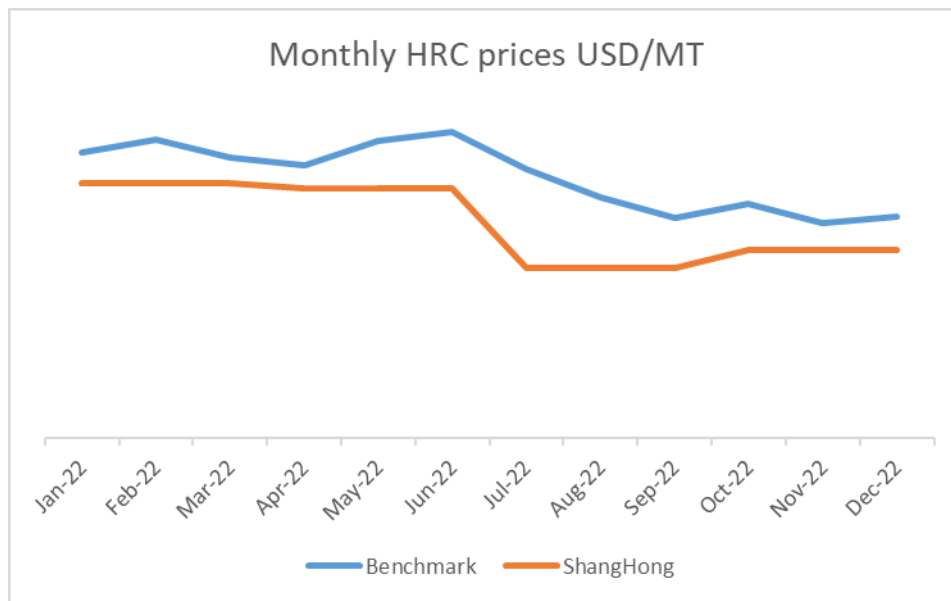


Figure 13: Monthly HRC prices¹¹⁰

Across the inquiry period, ShangHong's HRC price was lower than the benchmark price for HRC. ShangHong submits:

Any dumping margin will be the difference between the amount the Chinese exporter paid for HRC and the HRC benchmark determined by the ADC.¹¹¹

The commission cannot determine the level of dumping during the inquiry period due to insufficient data, in particular it is unable to calculate an export price. However, based on the analysis in Figure 13, it appears that dumping is likely to continue or recur for the fact that reported HRC prices paid by ShangHong are still lower than the HRC benchmark price, a similar trend to that found with cooperating exporters in the original investigation.

Without contemporaneous data from the inquiry period, the commission considers that Chinese export prices would return to the similar trends found in REP 441 if the measures were to expire, that is exported at prices being lower than the normal value, and therefore exported at dumped prices. This analysis can be found at **Confidential Attachment 7**.

To further assess the Chinese HRC market, and to ensure that previous dumping findings from REP 441 can be then used to assist in determining whether dumping from China is likely to continue or recur, the commission has also examined benchmark pricing data from MEPS International (MEPS),¹¹² an independent supplier of steel market data and information.

Figure 14 below depicts the monthly MEPS price of HRC over the original investigation period and current inquiry period, for China, Korea, and Taiwan.

¹¹⁰ The commission conducted a timing adjustment on the HRC benchmark calculated in REP 611 to account for the July 2022 to December 2022 period, this was based on the price movement in monthly MEPS data.

¹¹¹ Ibid

¹¹² The commission has a subscription service with MEPS International for the provision of such data.

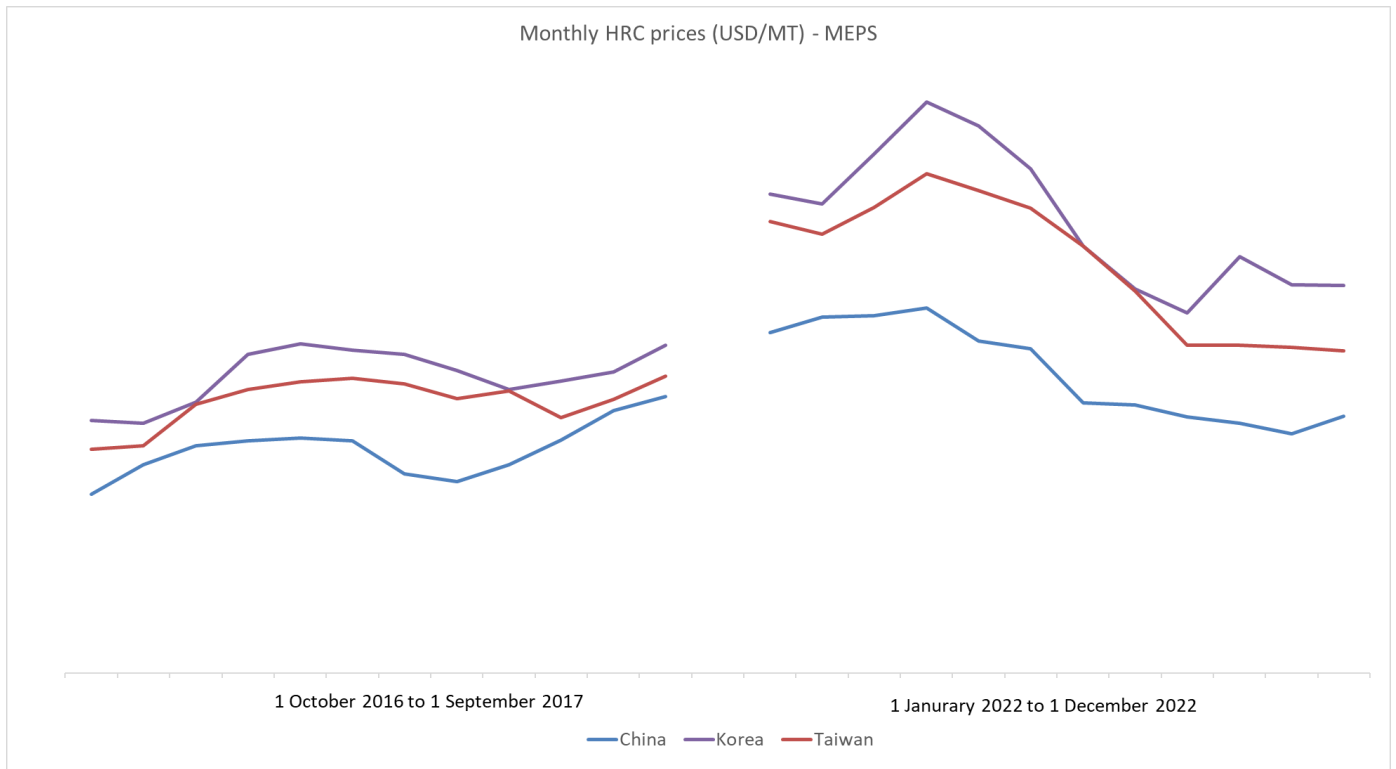


Figure 14: MEPS monthly HRC prices comparison (USD/MT)¹¹³

Figure 14 shows that HRC prices in China are consistently lower than equivalent prices for HRC purchased in Korea and Taiwan in both the original investigation period and this inquiry period. While HRC prices are higher during the inquiry period compared to the original investigation period, in both periods HRC pricing patterns between China and that of Korea and Taiwan are similar.

This analysis further gives the commission confidence that there is a likelihood of dumping continuing or recurring. It signals the same factors observed in the original investigation that led to Chinese manufacturers exporting goods at dumped prices, is still prevalent in the current inquiry period.

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 measures are intended to prevent. This finding is based on the following 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.

¹¹³ Confidential Attachment 8 – Raw materials MEPS analysis.

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 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.¹¹⁴ 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 claims. 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 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 to changing supplier.¹¹⁵ 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.¹¹⁶

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 the 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.¹¹⁷ 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

¹¹⁴ EPR 617, document no 15.

¹¹⁵ EPR 617, document no 12.

¹¹⁶ EPR 617, document no 9.

¹¹⁷ Confidential Attachment 4

lost tenders/contracts were attributed to importers from the subject countries. Dematic's supporting evidence can be found at **Confidential Attachment 4**.

Confidential attachments submitted by SSS also indicate price undercutting experienced by SSS from Malaysian manufactured pallet racking.¹¹⁸

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 likely 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 in REP 441. The measures on Malaysian exports appear to be at a rate that the market has been able to absorb.

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.¹¹⁹ The market size of the Australian industry also increased (based on value), each year from 2019 to 2022.¹²⁰ However, despite the increase in overall market size and Australian industry sales, the Australian industry has experienced a fluctuation in market share since measures were imposed.¹²¹ 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.

¹¹⁸ Confidential Attachment 1 to SSS submission dated 24 July 2023 (EPR 617, document no 9)

¹¹⁹ Section 4.5, Figure 1: Australian market size and value by source country

¹²⁰ Section 4.5.

¹²¹ Section 5.4.2, Figure 5: Australian market share by source country

As established in REP 441, and affirmed 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 7 and Figure 8 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.¹²²

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, 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.

As a result, 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 5.7, the commission examined other economic factors for Dematic and APC Storage.

¹²² REP 441 utilised Dematic's profit and profitability performance as being representative of Australian Industry.

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 (Dematic and APC Storage). 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.

6.8.7 Submissions likelihood of material injury to continue or recur

In response to SEF 617, interested parties ShangHong and Schaefer Australia have made submissions regarding the likelihood of the continuance or recurrence of material injury.

ShangHong submits 2 key issues that affect the likelihood of its exports causing injury are competition from other markets and the manufacturing of different products.¹²³ Schaefer Australia submits that based on the economic state of the Australian industry, it is difficult to confirm that the test of injury has been satisfied.¹²⁴

Market competition

ShangHong submits that the commission has not produced positive evidence that the removal of the measures would result in injury. ShangHong states that:

Rather than being able to thrive in the absence of Chinese imports, the Australian industry have simply lost market share to other countries. The past 4 years have demonstrated that it is not alleged dumping of Chinese goods causing injury. Rather, the loss is properly attributed to imports from other countries.

¹²³ EPR 617 document no 24

¹²⁴ EPR 617 document no 25

The commission considers as detailed in section 6.8.4, that it is likely that Chinese exporters will endeavour to recapture market share in the Australian steel pallet racking market if the measures were to expire. In the absence of any evidence or information available to the commission, it is reasonable to infer that the competitive environment, and the incentives that led to Chinese exporters of the Australian market dumping, are unchanged.

Different products

ShangHong submits that it exports different products to that manufactured by the Australian Industry. Therefore, ShangHong does not consider itself a competitor and cannot cause injury to the Australian Industry.

In its submission, ShangHong details the below differences:¹²⁵

- The goods exported are not predominately used for holding pallet loads.
- Rather, the products are used as store shelving designed to hold retail goods at a unit (and not pallet) level.
- ShangHong's products are not substitutable for standard steel pallet racking.
- ShangHong products have different end users.
- ShangHong products do not have identical or comparable end uses to racking designed to predominately hold pallets.

There is insufficient evidence in ShangHong's submission to support the claim that it does not compete in the Australian market for the goods. ShangHong argues that the products do not have identical or comparable end uses to racking, and that the end users of ShangHong's products are solely designed for retail storage. However, the commission has identified that ShangHong and the Australian industry share common customers and therefore considers that the exports from ShangHong and the goods sold by the Australia industry are sold within the same market.

Economic state of the Australian industry

Schaefer Australia submits that:¹²⁶

Based on the Commissioner's comments in relation to the economic state of the local industry over the period commencing 1 January 2019, "increased prices at a greater rate than cost increases" and "increased profit and profitability" and that "the value of exports from Malaysia was substantially higher than both the Australian industry and exports from countries not subject to the measures", it is difficult to confirm that the second and third test elements above have been satisfied for Malaysia.

The commission considers that Schaefer Australia's observations of the economic state of the Australian industry do not address the likelihood of material injury recurring if the measures expire. The commission has detailed analysis in section 5.4.2 of the Australian market share and is satisfied that if the measures were to expire, Malaysian exporters would be likely to increase their market share at the expense of the Australian industry.

¹²⁵ EPR 617, document no 24

¹²⁶ EPR 617 document no 25

Further, based on evidence since the imposition of measures, the commission has relied on the pricing behaviour of Malaysian exporters since the imposition of measures.

6.9 Conclusion

Based on the information available and the reasons outlined above in sections 6.6, 6.7 and 6.8, the Commissioner is satisfied that, if the measures expire:

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

The Commissioner finds 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. Therefore, the Commissioner proposes the continuation of the measures.

7 VARIABLE FACTORS

7.1 Consideration of variable factors

7.1.1 Notice alteration

The Commissioner is not recommending that the Minister alter the notice as if different variable factors had been ascertained despite the presence of exports during the inquiry period. The Commissioner's decision in this regard is based on the following.

- There is no requirement for the Commissioner to do so under section 269ZHF.
- The circumstances outlined in ADN 2023/043 in relation to matters concerning the level of imports from subject exporters and the time in which the commission received REQs. Details of the notice are outlined further below.

As outlined in the REQ status file note published on 14 June 2023,¹²⁷ and ADN 2023/043,¹²⁸ the commission received responses to the exporter questionnaire from 3 entities within the legislated period,¹²⁹ including extensions of time granted. 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,¹³⁰ and
- Schaefer Malaysia provided its REQ 26 days outside the legislated period (which included an extension of 19 days).

The commission also wrote to exporters to reiterate the information outlined in ADN 2023/43 concerning the Commissioner's decision not to determine variable factors and provided them the opportunity to rectify deficiencies in their questionnaire responses, should they wish to do so (section 2.4.4 refers). In the same correspondence, exporters were further advised that the commission would still consider information provided in the REQs as part of its assessment of whether the continuation of the measures is justified.

There is no requirement to change variable factors in a continuation inquiry. Nonetheless, it is also noted that the commission has had limited information and data to determine how the variable factors relevant to the determination of duty payable under the Dumping Duty Act have changed during the inquiry period.

7.1.2 Variable factors determined in REP 441

Although the Commissioner had decided that the conduct of the inquiry will not concern a review of variable factors, interested parties have questioned if the variable factors determined in the original investigation are relevant to a finding in section 6.7 that deal with whether dumping is likely to continue or recur. The focus of the submissions relates

¹²⁷ EPR 617, document no 5.

¹²⁸ EPR 617, document no 7.

¹²⁹ The exporter questionnaire had an original due date of 10 May 2023, which was 37 days after issuance.

¹³⁰ REP 617 – Confidential Attachment 3 – ABF market analysis

to the commission's reliance on the dumping margins established in REP 441 to find dumping is likely to continue.

In its consideration of variable factors, the commission has had regard to 4 submissions received from Dematic and ShangHong relating to variable factors. This chapter addresses the submissions received in response to the commission's notice of 19 July 2023 that outlined the commission was not intending to conduct a variable factor review (ADN 2023/043) and in response to the publication of SEF 617.

The commission's consideration of submissions concerning the validity of variable factors determined in REP 441 concludes they were appropriately determined. As a result, the dumping margins based on these factors can be relied on for this inquiry. The discussion and analysis contained in sections 7.2 and 7.3 detail the commission's consideration of submission's received in relation to the variable factors established in REP 441.

7.2 Submissions addressed in SEF 617 on variable factors

The commission received 2 submissions relating to ADN 2023/043 that outlined the Commissioner's intention to not determine new variable factors.¹³¹

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.¹³²

In its submission, Dematic submitted that this approach favours Malaysian exporters. Dematic submitted 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 high volume Malaysian exporters should have their variable factors amended to "*account for the lack of cooperation provided during the current inquiry*".¹³³ Dematic considers that the commission can calculate variable factors using indexing methods based on the variable factors ascertained in REP 441.

Dematic submitted 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 Commissioner's intention to not change the variable factors.¹³⁴

¹³¹ EPR 617, document no 7.

¹³² EPR 617, document no 11.

¹³³ Ibid, page 2.

¹³⁴ EPR 617, document no 10.

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

ShangHong also submitted 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.

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 2023.¹³⁵ The commission did not assess ShangHong's deficiency response, as to do so, in the Commissioner's opinion would have prevented the timely publication of SEF 617. In this report, the commission has had regard to relevant information from ShangHong's REQ in chapter 6.7 of this report.

7.2.3 Commission's response to submissions prior to SEF 617

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 the time SEF 617 was published, the commission did not have the relevant information or data required to assess whether the variable factors relevant to the determination of duty payable under the Dumping Duty Act had changed.

7.2.4 Commission's consideration of ShangHong's REQ

As outlined in section 2.4.3, following the publication of SEF 617, the commission has assessed ShangHong's REQ in response to the deficiency letter. The commission identified that the response provided does contain deficiencies. Where it has been relevant to do so, the Commissioner has had regard to ShangHong's information in section 6.7.4.

7.3 Submissions received post SEF 617 on variable factors

The commission received one submission from ShangHong in response to SEF 617 relating to the commission's preliminary intention to not determine new variable factors. The commission notes that Dematic also made a submission to state its disappointment with the Commissioner's decision not to alter variable factors.¹³⁶ However, Dematic's submission did not raise any new issues to be addressed in this report.

7.3.1 ShangHong submission

ShangHong submits,¹³⁷ in part 2.a of its submission that the original investigation dumping margin calculations are flawed.

¹³⁵ The REQ was not published on EPR 617.

¹³⁶ EPR 617, document no 23.

¹³⁷ EPR 617, document no 24.

ShangHong submits that the dumping margins determined in REP 441, the reliance on these dumping margins for this inquiry, and the Commissioner's determination of normal value under section 269TAC(2)(c) in REP 441 are incorrect. ShangHong argues that this is because the commission did not assess the effect of the particular market situation on Chinese domestic and export prices when determining whether domestic prices permitted a proper comparison with export prices. ShangHong does not dispute that a particular market situation exists in the domestic steel pallet racking market in China, as found in REP 441.

7.3.2 Commissioner's consideration

In response to ShangHong's submission, the commission has analysed whether the particular market situation finding outlined in REP 441 prevented the use of domestic sales for a normal value calculation under section 269TAC(1) in the original investigation.

The commission's analysis set out in section 7.4 has found that the particular market situation that applied to the Chinese domestic market for pallet racking in the original investigation period rendered domestic sales unsuitable for determining normal values under section 269TAC(1) as they could not be properly compared to export sales.

The commission therefore considers that the normal values determined in relation to the original investigation under section 269TAC(2)(c), as set out in REP 441, were appropriate. It follows that the dumping margins resulting from these normal values are similarly considered appropriate.

As the commission has found that the dumping margins determined in REP 441 were appropriate, the commission considers this addresses ShangHong's submission concerning determination of normal values outlined in REP 441. It also supports the commission's reliance on the dumping margins ascertained in REP 441, as an indication that the continuation or recurrence of dumping is likely as outlined in section 6.7.

7.4 Proper Comparison

Based on the available information, the Commissioner is satisfied that due to the particular market situation in the steel pallet racking market in China, domestic sales of pallet racking for the cooperating exporters in REP 441 did not permit a proper comparison with their export prices. In turn, the commission considers that the exporters' domestic prices during the original investigation period were unsuitable for establishing normal values under section 269TAC(1).

The discussion outlined below details the commission's analysis of information that was before the Commissioner during the conduct of the original investigation and information that the current inquiry has considered relevant for addressing submissions on proper comparison.

7.4.1 Background

In REP 441, the commission found that a market situation existed in the Chinese steel pallet racking market. To assess effect of the market situation, the commission considered the findings of *Anti-Dumping Commission Investigation No 177* (REP 177). In

REP 177,¹³⁸ the commission found that private prices of HRC were affected by GOC influence and therefore were not suitable.

The commission determined that the GOC exerted influence on the Chinese steel industry, which substantially distorted competitive market conditions in the steel industry in China. The GOC was able to exert this influence through its directives and oversight, subsidy programs, taxation arrangements and the significant number of state-owned enterprises.

The commission's assessment and analysis of the available information in REP 441 indicated that the GOC materially influenced conditions within the Chinese HRC markets during the investigation period. Because of that influence, the domestic prices for Chinese steel pallet racking were substantially different to those that would prevail in normal competitive market conditions.¹³⁹

7.4.2 Approach to proper comparison assessment

As noted above in relation to the summary of ShangHong's submission, the commission has not reassessed the findings in REP 441 concerning particular market situation. The commission's analysis in response to ShangHong's submission to this inquiry is confined to whether the presence of a particular market situation in the original investigation period rendered domestic sales in the country of export unsuitable for a normal value under section 269TAC(1).

The commission's approach to the assessment of proper comparison between the domestic market prices of pallet racking sales in China and export sales to Australian has had regard to the following:

- examination of Australian conditions of competition
- examination of the Chinese conditions of competition
- comparison of raw material costs
- Chinese domestic and export prices
- relationship between price and cost.

When assessing the relative effect of the particular market situation on domestic prices and export prices, the commission has compared the existing relationships between price and cost in the domestic market and export market of the exporting country. The commission considers this approach is consistent with Australia's obligations under the World Trade Organization (WTO) Anti-Dumping Agreement and the WTO Panel's interpretation of these obligations set out in the WTO Panel Report *Australia – Anti-Dumping Measures on A4 Copy Paper* (DS 529).¹⁴⁰

The prevailing conditions of competition in each market define these relationships. For REP 441 and the original investigation period, this has involved an examination of:

- the relationship between raw material costs and the domestic prices and Australian export prices for the goods for each relevant producer of the goods and like goods

¹³⁸ EPR 177, document no 416.

¹³⁹ EPR 441, document no 126 pp 42-43.

¹⁴⁰ https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds529_e.htm

- the domestic market conditions (the particular market situation) leading to those costs and prices, and
- export market conditions from REP 441.

The commission has found that the relationship between cost, price and competition provides insight into the effect of the particular market situation in the country of export (domestic prices) and Australian markets (export prices). In turn, it provides insight into whether a proper comparison is permitted between domestic prices and Australian export prices.

The commission has considered all evidence available at the time of REP 441 and the original investigation period. The domestic sales were not comparable with the export prices during the original investigation period.

7.4.3 Examination of Australian conditions of competition

To examine the Australian conditions of competition the commission has set out the below found in REP 441:

- Australian market structure
- raw material
- import penetration in the Australian market.

Market Structure

In REP 441, the commission found that the Australian market was supplied by the Australian industry members and importers of steel pallet racking.

REP 441 details the Australian market structure for steel pallet racking. In summary:

- Australian industry and imports from other countries supply the goods directly to customers or through local distributors.
- Malaysia supplies the greatest market volume to Australia, with China and Australian industry supplying significant volumes, along with other countries not subject to measures.
- Australian produced goods and the imported goods have similar end uses, meet similar quality specifications and standards, are sold to the same types of customers, and compete directly with each other in the same markets.
- Demand for steel pallet racking is predominantly driven by the industrial sector involving warehouse fit out and has been adversely impacted by warehouse automation.

The commissioner found that the Australian market for steel pallet racking is a competitive market characterised by a large number of suppliers and customers that engage in commercial negotiations.

Raw material

This section sets out the conditions of competition for raw material in the Australian market, which are relevant to the comparison of raw material pricing in Australia and China at section 7.4.5.

The major raw material used in the production of the goods in Australia is HRC.

At the time of REP 441, the commission found that price is generally the main factor that influences an Australian customer's purchasing decision for HRC.¹⁴¹ The sole Australian producer of HRC sets its price based on an import benchmark pricing strategy where known import offers in the Australian market are used to determine the level at which selling prices are set. Australian produced HRC competes with imported HRC mostly at the wholesale or distribution level of trade. These customers then on-sell the HRC to end users or other resellers, predominantly in the general manufacturing and pipe and tube industry.¹⁴²

Import penetration in the Australian Market

In REP 441, the Commissioner found the Australian market was comprised of approximately 109 potential importers of steel pallet racking from the subject countries.

The Commissioner estimated that these importers collectively accounted for approximately 70% of total imports of the goods from China and approximately 95% from Malaysia during the original investigation period.¹⁴³

Suppliers of steel pallet racking generally sold to customers either directly from the manufacturers in Australia, or from importers. Steel pallet racking sold into the smaller distribution sector is supplied primarily by Australian manufacturers and, to a lesser extent, importers. The Australian industry comprising of Dematic and APC Storage collectively accounted for almost 30% of the total estimated value of the Australian steel pallet racking market in the investigation period. The remainder of the market was supplied by other Australian producers, imports from China and Malaysia, and to a lesser extent, imports from other countries.

7.4.4 Examination of Chinese conditions of competition

Outlined in section 7.4.1, REP 441 indicated that the GOC materially influenced conditions within the Chinese HRC markets, as a result the commission has not examined raw material production in China.

To examine the Chinese conditions of competition the commission has set out the below found in REP 441:

- Chinese market structure
- import penetration in the Chinese market.

Market structure

The commission has found that in the Chinese domestic market, Chinese steel producers operate under market conditions which differ from those of exporters in other subject countries and that of the Australian industry. Specifically, the market situation in China,

¹⁴¹ EPR 456, document no 18.

¹⁴² The commission considers the findings in REP 456 and 457 published prior to REP 441 to be the most relevant for this assessment of the original investigation. REP 456 and 457 examines the goods of galvanised steel and aluminium zinc coated steel that both have major cost components of HRC.

¹⁴³ REP 441, p.30.

resulting from GOC intervention in the steel sector, reduces production and selling risks for all producers and reduces HRC costs across all production.¹⁴⁴

In REP 441, the commission found that in the Chinese domestic market, Chinese steel producers operate under market conditions which differ from those of exporters in other subject countries and that of the Australian industry. Specifically, the market situation in China reduces production and selling risks for producers and reduces HRC costs across all production. This lowers steel pallet racking prices throughout the market, such that prices reflect the lowered marginal cost of the HRC input. This signifies the market situation directly affects the steel pallet racking prices.

Import penetration in the Chinese market

In the original investigation, the commission examined the ABF import database and noted Chinese exporters made up 33% of exporters from the subject countries. Given the relative size of Australia's customer base compared to China's, the commission considers the number of Chinese manufacturers supplying the Australian market would represent only a small portion of all Chinese manufacturers.

Due to the number of Chinese producers supplying the Chinese market that benefit from lower HRC costs, relative to comparable international benchmarks (absent of a market situation), there appears to be no competitive advantage to import the goods into China. The commission considers it unlikely that there would be an incentive to import the goods into China.

Based on the information before the commission, and in the absence of a response from the GOC, it appears on balance that import penetration in the Chinese market for the goods was low in the original investigation period, compared to the Australian market.

7.4.5 Comparison of raw materials

From the data provided to the commission during the original investigation, the major raw material used in the production of the goods in China is HRC, purchased from Chinese suppliers. The commission was provided with the raw material purchase data for the cooperative Chinese exporters. The commission compared the monthly weighted average price paid by cooperating Chinese exporters in REP 441 for HRC with the monthly HRC benchmark based on verified Korean and Taiwanese exporter data.¹⁴⁵

¹⁴⁴ At the time of REP 441, the commission's most recent findings in relation to the GOC influence and involvement in the Chinese steel sector is detailed in REP 456 and 457 Appendix A.

¹⁴⁵ In Investigation 441, the Commissioner has determined that an appropriate basis for calculating a benchmark for HRC costs in China is the weighted average domestic HRC price paid by cooperating exporters from Korea and Taiwan in Reviews 456 and 457, at comparable delivery terms to those observed in China. This is because: the review period for Reviews 456 and 457 is the same as the investigation period for this investigation; and it was determined using verified domestic HRC purchases by exporters in markets free of apparent government influence (in this instance, Korea and Taiwan).

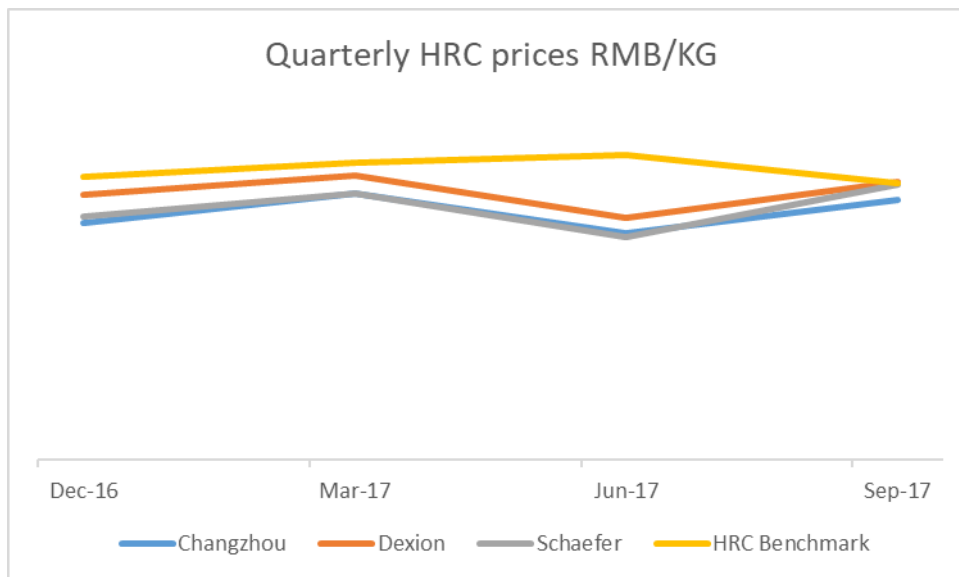


Figure 15: REP 441 Quarterly HRC price comparison¹⁴⁶

Based on the HRC pricing information available, the commission considers that Chinese manufacturers of the goods generally have access to lower priced raw material inputs relative to Korean, Taiwanese, and Australian manufacturers. Figure 15 shows that HRC prices paid by Chinese exporters are generally lower than prices paid by Korean and Taiwanese exporters. The commission therefore considers the Chinese domestic market conditions lead to lower prices for HRC, based on the effect of the market situation in China.

7.4.6 Chinese domestic and export price comparison

The Commissioner found there is a minimal difference in costs between goods produced for domestic consumption and those produced for export to Australia. The commission considers this demonstrates that HRC prices affect the prices of steel pallet racking in both the domestic and export market.

During the original investigation, the commission verified the HRC costs associated with the production of the goods and like goods for cooperating exporters. HRC is the major raw material input used in the production of steel pallet racking. The Commissioner found that coil costs represented a significant and broadly consistent proportion of the cost to make the goods and like goods.

The commission considered that Chinese producers of steel pallet racking in the Chinese domestic market operate under unique market conditions that differ from those in other countries, including Australia. Specifically, the GOC's influence on the steel market in China reduces costs across all production due to lower raw material costs.

The Commissioner found that the cooperating Chinese exporters used the same facilities, raw material inputs and manufacturing processes to make steel pallet racking for the Chinese domestic market as that exported to Australia, with raw materials accounting for the majority of the total cost to make.

¹⁴⁶ Confidential Attachment 11 - REP 441 - Benchmark calculations for HRC cost replacement

The commission compared the HRC costs for steel pallet racking produced for sale on the domestic market by the cooperating exporters against the HRC costs of steel pallet racking produced for export to the Australian market. This analysis can be found at **Confidential Attachment 10**.¹⁴⁷

7.4.7 Chinese domestic and export prices

The Commissioner found that the prices in the domestic market behave and react differently to those in the export market.

The commission has reviewed the prices of the two cooperating exporters from the original investigation,¹⁴⁸ in each of their domestic and export markets and how these prices react to movements in HRC costs, as well as each other in each market.

In reviewing the domestic prices, the commission has observed that both cooperating exporters follow a similar trend in their correlation of prices against each other and in relation to HRC input costs. However, when comparing both cooperating exporters' prices in the export market, these prices do not follow the same correlation to both the HRC input costs, and each other's prices.

As a result, the prices in each of the domestic and export markets are being influenced by different market factors. This does not allow for domestic prices to then be compared to export prices as they are both experiencing different market conditions that influence price.

Based on the available evidence, the commission considers that all domestic pallet racking manufacturers benefit from the lower HRC costs and therefore set their prices accordingly. However, in the export market, as Chinese exporters are competing against goods both produced in Australia, and exports from other countries, the influences on price are different.

The commission considers that suppliers in the Australian market do not benefit from the lower HRC input prices as the Chinese exporters do. As a result, Chinese exporters can set their prices in the Australian market relative to the competition, and not prices of other Chinese exporters in their own domestic market in China.

This analysis can be found at **Confidential Attachment 10**.¹⁴⁹

7.4.8 Relationship between price and cost

Based on the above analysis, the commission considered that in relation to steel pallet racking:

- For sales in the Chinese domestic market, there is relationship between price and cost in that the market is internally competitive between domestic participants as all individual manufacturers benefit from the reduced production costs resulting from the market situation.

¹⁴⁷ Confidential Attachment 10 – Proper comparison – price and cost analysis.

¹⁴⁸ Changzhou Tianyue Storage Equipment Co., Ltd and Schaefer Kunshan.

¹⁴⁹ To conduct this analysis, the commission has used data provided from cooperating exporters relating to beams and uprights. Braces are less than 10% of the volume and for one exporter the commission has verified that braces are made from galvanised steel coil, not from HRC.

- For export sales from China to Australia, there is not such a close relationship between price and cost, as the Australian market is a competitive market influenced by factors other than the market situation in China.

The commission considers the variability of pricing between Chinese manufacturers supplying the Australian market is indicative of a competitive advantage attributable to the market situation, which allows Chinese exporters to engage in pricing strategies in the Australian market which achieve either:

- higher margins than the margins attainable on the sale of the same goods on the domestic market
- increased sales volumes through undercutting Australian industry, or
- a combination of higher margins and increased sales volumes resulting from undercutting.

7.4.9 Proper Comparison Conclusion

Having regard to the available information above, the commission's finding is that the relationship between price and cost and the prevailing conditions of competition in China is different in comparison to the relationship between price and cost and the prevailing conditions of competition in Australia. As a result, domestic prices of pallet racking did not permit a proper comparison with export prices in the original investigation.

The effect of the market situation in China is a decrease in HRC across all production that results in a lower level of competitive pricing throughout the market in China. This relationship defines the conditions of competition in China. Based on the information before the commission, on balance, the effect of the market situation on the domestic sales prices in China does not result in any competitive advantages or disadvantages between market participants, being Chinese producers.

While there may be competition between Chinese producers based on manufacturing efficiencies and other factors (no evidence of which was presented to the commission during the current inquiry), the market situation nonetheless modifies the conditions of competition in a consistent manner for market participants. In Australia, where no market situation exists, competitive pricing prevails at a higher level. Higher production costs for those participants producing without the benefit of a market situation establishes a higher minimum threshold for competitive prices. Under these circumstances, the effect of the market situation in China on the price of Chinese steel pallet racking sold into the Australian market results in a competitive advantage for Chinese exporters and a competitive disadvantage for Australian producers.

Chinese exporters have a cost advantage that manifests as an increased margin at the prevailing level of competitive pricing in the Australian market, a lower export price that undercuts the Australian industry pricing, or a combination whereby the Chinese manufacturer can enjoy a higher margin while still undercutting the Australian industry. In other words, the effect of the market situation on export price is to modify the conditions of competition in Australia to the benefit of Chinese exporters and, to the extent that benefit manifests as a low price, to the detriment of Australian manufacturers.

The relative effect of the market situation on domestic and export prices is different in the relevant markets.

PUBLIC RECORD

As a result of the above findings, the Commissioner found that the domestic prices during the original investigation were unsuitable for establishing normal values under section 269TAC(1).

8 MEASURES

8.1 Findings and recommendations

The Commissioner's 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 in Table 1 of section 2.3.

The Commissioner is satisfied 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 (i.e. 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).¹⁵⁰

8.3 Submissions received on form of measures

Australian industry producer Dematic submitted that it disagrees with the current *ad valorem* form of measures applied to the subject countries.¹⁵¹ Dematic made submissions on this issue during the original investigation, which were addressed in REP 441.¹⁵² 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 submits 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

¹⁵⁰ The Guidelines are found at [Guidelines on the Application of Forms of Dumping Duty November 2013](#)

¹⁵¹ EPR 617, document no 11.

¹⁵² EPR 441, document no 126 pp 90-92.

understatements relating to steel pallet racking.¹⁵³ However, this appears to either be incorrect declaration of the goods, or if it is a circumvention activity, it would potentially be the subject of a separate inquiry under Division 5A of the Act (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: ¹⁵⁴

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.¹⁵⁵ 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.¹⁵⁶
- 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.

¹⁵³ ABF, Trade goods and compliance [Goods Compliance Update](#). Compliance Reports October 2020 to October 2022

¹⁵⁴ Guidelines on the Application of Forms of Dumping Duty November 2013, p 14.

¹⁵⁵ Accelerated Review No 603 Wind towers exported from China. EPR 603 document no 9 (REP 603), p 23

¹⁵⁶ The 'effective' rate of the duty collected is the *ad valorem* equivalent of the duty, i.e. the total duty collected as a proportion of the actual export price.

- 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 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.

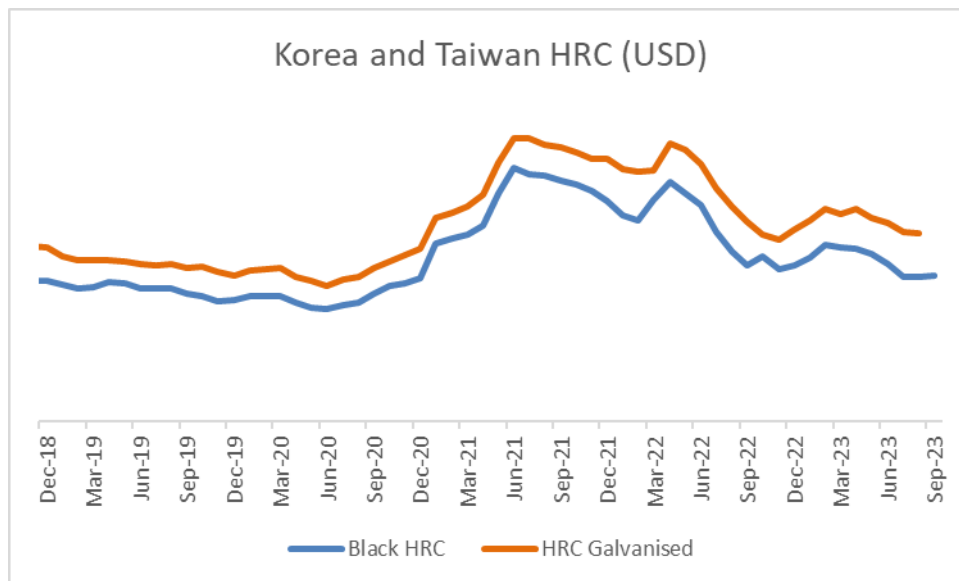


Figure 16: HRC quarterly prices¹⁵⁷

As observed in Figure 16, 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,¹⁵⁸ 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 found 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, in

¹⁵⁷ Confidential Attachment 8 - 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.

¹⁵⁸ 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.

REP 441, the Commissioner 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.
- 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 commission, 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 RECOMMENDATION

Based on the reasons contained in this report and in accordance with section 269ZHF(2), the Commissioner is satisfied that the expiry of the measures on steel pallet racking exported to Australia from the subject countries would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the measures are intended to prevent.

The Commissioner recommends that the Minister take steps to secure the continuation of the measures applying to steel pallet racking exported to Australia from the subject countries.

The Commissioner further recommends that the measures continue for a further 5 years and the duty notice (including the variable factors, which were last ascertained in Investigation 441) remain unaltered.¹⁵⁹ In these circumstances, it is not necessary for the Minister to reconsider the form of measures.

The Commissioner recommends that the Minister **declare**:

- in accordance with subsection 269ZHG(1)(b), that they decide to secure the continuation of the anti-dumping measures concerned.

The Commissioner recommends that the Minister **determine**:

- in accordance with subsection 269ZHG(4)(a)(i), that the dumping duty notice continues in force after 8 May 2024.

¹⁵⁹ 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 REP 441 as a result of Investigation 441.

10 APPENDICES AND ATTACHMENTS

Confidential Attachment 1	Australian market analysis
Confidential Attachment 2	Australian industry economic condition and other injury factors – Dematic and APC
Confidential Attachment 3	ABF market analysis
Confidential Attachment 4	Dematic tender supporting evidence
Confidential Attachment 5	Currency fluctuation analysis
Confidential Attachment 6	HRC cost to make analysis
Confidential Attachment 7	HRC price analysis
Confidential Attachment 8	Raw materials MEPS analysis
Confidential Attachment 9	ShangHong - price and cost analysis
Confidential Attachment 10	Proper comparison – price and cost analysis
Confidential Attachment 11	REP 441 Benchmark calculations for HRC cost replacement